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The Madras State Aid to Industries Act, 1922 (Madras Act V of 1923).

Preamble.—For 'Local Government' and 'State of Andhra', substitute 'State Government' and 'State of Madras' respectively.

Section 1.—In sub-section (2), for 'State of Andhra', substitute 'State of Madras'.

Section 3.—In sub-section (1), (i) for clause (b), substitute the following clause:—

"(b) One of the members shall be elected by the members for the time being of the Madras Chamber of Commerce; one by the members for the time being of the Southern India Chamber of Commerce; one by the members for the time being of the Madras Trades Association; and two by the members of the Madras Legislative Assembly. The election shall be conducted in such manner as may be prescribed. A return of the name of every person so elected shall be made to the State Government by the Chairman of the Chamber or Association concerned and by the Secretary to the Legislative Assembly respectively, and such return shall be published in the Official Gazette."

(ii) In clause (c), for 'Andhra Pradesh', occurring in two places, substitute 'Madras'.

The Madras Survey and Boundaries Act, 1923 (Madras Act VIII of 1923).

Section 1.—In sub-section (2), for 'State of Andhra Pradesh', substitute 'Presidency of Madras'.

Section 13.—Omit the proviso.

Section 26.—For sub-section (3) substitute the following sub-section:—

"(3) All such rules shall be laid before each of the Houses of the State Legislature for a period of not less than two months while that House is in session."

The Madras Indian Ports (Amendment) Act, 1926 (Madras Act I of 1926).

Long title and preamble.—For 'State of Andhra', substitute 'Presidency of Madras'.

The Madras Nurses and Midwives Act, 1926 (Madras Act III of 1926).

Section 1.—In sub-section (2), for 'State of Andhra', substitute 'Presidency of Madras'.

Section 2.—In clause (a), for 'Andhra Pradesh' substitute 'Madras'.

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The Hopeful Sixties?

THE advent of 1960 ends not only a year but a decade; and it ends these periods on a more hopeful note than humanity knew at the close of the previous ten years. The penultimate year or two of the 1950's had an almost nightmarish quality, when the world seemed dangerously poised on the brink of ruin. The two mighty giants of the mid-twentieth century delighted in throwing verbal nuclearism on each other and threatened, at the slightest provocation, to follow these up with real split-atom action. In Berlin the two Big Powers came again and again on the point of collision—and, happily, held themselves back in the nick of time. In Iraq, in Lebanon and, most of all, in the Suez, frightening, dangerous games of war and intrigue were played. Several minor and major revolutions kept the merry pot of Latin Americanism boiling; and, in Asia, democracies fell all around one's ears like nine-pins.

But, somehow, the chaotic madness of world affairs suddenly took a hold on itself in the last eighteen months or so; and the harassed people of the world found time to look, with surprise, at the many little stars of hope which were beginning to rise in the darkness of earlier years. Mr Khrushchev began to smile upon a relieved mankind. Mr Eisenhower began to respond to this smile. The fuse came off from the perennial bomb of Berlin. Latin America began to step out with democratic aspirations from the ashes of many a dictatorship. The base of imperialism shook in Africa; and many candles of freedom lit themselves in the blackness of the Dark Continent. The crisis of Lebanon blew off. The Suez explosion was miraculously contained; and, standing on the threshold of 1960, the world feels it can see, vaguely but somehow surely, the outlines of hope in the mists of the immediate future.

Of the few outstanding tragedies of the decade, as it draws to its close, is the Chinese assault on the spirit and letter of Panchsheel in Asia. We in India begin the new year with the type of misgiving and apprehension which hitherto we had reserved only for the traditional warriors of the Cold War. But these fears too are to a large extent diminished against the background of a generally less hostile world. It seems difficult to believe—at any rate, it is comforting not to believe—that a globe across which Moscow and Washington are shaking hands, can be suddenly sent into flames of animosity by the antics of Peking.

Indeed that seems to be the real danger as we start into the New Year—the danger of beginning to take the chances of Peace for granted. 1960 gives us the opportunity of building on the sudden gains of 1958-59; and if the opportunity is lost, the gains may turn into ashes and we may be left very much worse off in our quest for peace than we ever were. The world will have to look with hope at the twelve months ahead—it has good reason for so doing—but it must be careful not to view it with complacency.

With relaxation of tensions and hope of greater amity among the peoples of the world, the decade that begins promises perhaps for the first time in three hundred years release from the poverty and want in which the greater half of the world has been submerged. The under-developed countries have to carry forward and sustain by their own efforts the changes that have been initiated by the challenge of world events. Ferment is only the symptom of a beginning and not itself a sure sign of self-sustained growth.

The First Summit

THE New Year begins well with the near-certainty of a Summit at last. Mr Khrushchev has readily agreed to both the time and the place suggested by the Western powers, and all the long discussion on these points has been within the West alone. The Soviet Union has been showing an almost incredible amount of accommodation all along. It has been agreeing with everything the West has suggested — including the proposal that the Heads-of-State conference should be limited to the Big Four (although this involved the abandonment by Moscow of its long-held position of east-west parity at the talks). It almost seems that the more reluctant Western powers, like Germany and France, have had to agree to a Summit in spite of themselves: Moscow sustained all their objections and made it impossible for them to oppose the conference any longer.

It is easy, of course, to be suspicious of so much Soviet reasonableness; and there are those who will be tempted to jump to the conclusion that Mr Khrushchev's sweet reasonableness is the outcome of the knowledge that the West will come to the Summit thoroughly divided and therefore weak (which, indeed, is true). But there is a good case for resisting cynicism of that sort. The Soviet Premier must be fully commended for his new spirit of accommodation until such time as clear evidence is forthcoming to the contrary.

As it happens, there is a sound and logical explanation of the cordial state of Mr Khrushchev's present confidence in himself and the Summit. Perhaps the most important part of this explanation is the concept of a series of summits replacing the concept of one, single Summit on which everything is staked. The Russians are no longer in need of every possible safeguard from the very start, for, after all, the Summit will be only one of many summits in the offing, and it matters relatively little whether or not the first of the series achieves total success. The same, of course, goes for the West. Mr Eisenhower has travelled a long way since the days when the very idea of a Summit excited his reluctance, if not opposition. His argument then was that a Summit failure would be

disastrous to the cause of peace, and that a summit conference would therefore be justified only if meetings at a lower level showed that there were distinct chances of succeeding. The American suspicion of Russia, of which these theories were born, died down considerably with the Khrushchev visit to the United States; and in the new spirit of Camp David, the summit acquired a less frightening aspect. On the top of it all, came the wholly praiseworthy and imaginative proposal by the British Prime Minister, Mr Macmillan, that there should be many summits instead of one. That removed the last distrust of the Summit becoming a gamble.

There is also another reason for the Russian Premier's confident approach to the Summit next May: he still holds the card of a separate treaty with East Germany in his hands — even though he no longer flourishes it noisily. He knows he can play it, if needs be; and he also knows that the West knows he can.

This brings us to the important point of timing that, just because the holding of the Summit is now a near-certainty, it does not by any means signify that the Summit's success is a near-certainty too. The

162847 All over

THE least that can be said about the strike launched by the B E S & T workers, which has paralysed Bombay's bus and tram services, is that it was avoidable. The differences between the workers and the B E S & T Undertaking had narrowed down to a point where only extraneous considerations, those of prestige particularly, could have prevented a final settlement. The draft of the agreement to be reached had been passed on to the Workers' Union; and though there was some divergence of view on certain details, it was not serious enough to jeopardise the chances of a settlement. Indeed, but for the objection taken by the B E S & T Committee to what has been described as an 'intemperate and offensive' letter from the Union, the withdrawal of which was insisted on as a condition precedent to the signing of the agreement, there should have been no strike at all.

The letter, it appears, accused the Undertaking of following 'Pan Mun

two things are quite apart. Indeed it is the safety with which the Summit can now fail, which has made it both possible and acceptable. If it does fail, another Summit will come, probably next January; and the broken or loose threads of this May can again be picked up.

From the point of view of the success of the conference, the obvious division in the Western camp is a serious disadvantage which even Mr Khrushchev must regret; for, in the spirit of Camp David, the assumption must be that Russia is anxious to resolve its differences with the West and reach a settlement. Much depends on the amount of concessions the various members of the Summit come prepared to make; and Western disunity on almost all the major points on the agenda means that Mr Eisenhower and Mr Macmillan will find it extremely difficult to make any major concession to which Mr Khrushchev might reasonably be expected to respond. This means that the world would do well to keep its fingers crossed, and to resist the temptation of expecting too much from this first Summit. The silver-lining, however, is that its failure need not depress us unduly either. There will be others.

All over a Letter

Jan' tactics, and demanded that the General Manager of the Undertaking should seek prior authorisation from the B E S & T Committee to sign the proposed agreement on his own, without having to send it back to the Committee for consideration. The Union leaders were certainly not careful in choosing their words; but there is something to be said for the impatience born out of the long delay in settling the dispute. Even otherwise the language of assertive trade unionism can hardly be expected to conform to the norms of genteel correspondence; and in any case, this could not be the first occasion when the authorities of the Undertaking had to encounter accusatory language. If still they have tried to make an issue of the letter in question, their touchiness may well be said to have triumphed over regard for the goodwill of their workers or concern for the convenience of the public.

If the B E S & T authorities have persuaded themselves into a feeling of 'loss of face,' they can hardly rehabilitate themselves at this stage or promote the chances of a settlement by demanding that the Union lose its face too, by withdrawing its objectionable letter. Anyway, to the ordinary citizen who has to propel himself to his office or factory and back home with neither bus nor tram, this issue of prestige makes no sense whatsoever. He would rather that they settled the question between themselves without exposing him to the hardships of a major paralysis of city transport.

As if the issue of the letter were not enough, the authorities of the Undertaking now insist that the strike too should be withdrawn be-

fore the agreement can be signed. Should they have been bent only on teaching a stern lesson to their none too amiable employees, they could not have done worse. Teaching of a lesson, if found imperative, may well be the privilege of the aggrieved employers; but why should the public have to pay for the privilege in terms of inconvenience, loss of time and exasperation? They certainly do not overflow with sympathy and affection for the B E S & T workers, most of whom are better cared for than employees in similar enterprises and some, at least, of whom are not exactly models of decorous demeanour. The public do not like the strike either; but the circumstance that led to the strike and the new factors that

tend to prolong it are points that they cannot hold against the workers with sufficient justification.

If the B E S & T authorities bank on the possible wrath of the public to chastise the strikers, they are on a sorry quest. As local reports say, the travelling public have taken the paralysis of city transport somewhat philosophically as they have learnt to take many other things as well. But they are not likely to be philosophic enough to desist from laying the blame for the sad developments of the week at the right door. That at least should make the B E S & T authorities climb down a little from their present Olympian stance, unapproachable, uncompromising—all over a trivial letter.

Second Shipbuilding Yard

AMONG many others, the Hindustan Shipbuilding Yard suffered from collaboration troubles. After trying unsuccessfully a French firm of consultants, the Company has entered into an agreement with a German firm for technical assistance. According to the Chairman, "reorganisation of the shipyard after the departure of the French technicians has had gratifying results". There are construction difficulties, difficulties arising from unbalanced plant and lack of ancillary services and on top of them, the shipyard is finding it a hard job to persuade Indian shipowners to place their orders with the Hindustan. The prices of ships based on U K parity prices is no longer attractive for them for since the slump in shipping, shipyards on the Continent and in Japan are cutting their rates to attract customers.

But it is not a question of getting adequate orders or of improved working on the present basis. As the Chairman sees it, foreign exchange is the main bottleneck.

"As it is, after nearly 15 years of operation, we have not been able to make the Shipyard at Visakhapatnam a self-sustaining unit. Our energies should therefore be devoted to building ships as cheaply as possible in this Shipyard rather than dissipate our limited resources for putting up another Shipyard."

No second shipyard? The Export Promotion Committee had wanted a third one and the Estimates Committee had endorsed the suggestion. In fact, the second shipyard

should have come up during the Second Plan. Though Shri G L Mehta made it clear that his observations had no relation to the choice of any particular site, a Kerala correspondent scents danger in all this, to deprive his State of the promised shipyard at Cochin. The correspondent writes:

"Shri G L Mehta has admitted that he is not qualified to express any opinion on the merits of the site selected for the second shipbuilding yard. His doubt emanates from the fear whether there would be adequate resources to develop a second shipyard before the first one is put on a sound footing. Secondly, it would appear that he has his own doubts whether it would be a wise policy, at least for the present, to start a second shipbuilding yard instead of trying to acquire as many ships as possible with the limited resources that we have, as there is a slump in the world shipping and shipbuilding market.

"It is true that our resources are limited for the rate of development which one would wish to have. However, it is difficult to understand why the establishment of a second shipyard should be linked to the developments at Vizag if the Planning Commission can find resources for both the schemes. Nor could it be argued that the present slump condition in the shipbuilding market is a sound reason for postponing the establishment of a second shipbuilding yard. If the opinions of experts are to be believed, Cochin

has many natural advantages over any site in India including Vizag and this is perhaps the only State which had been denied the benefit of any basic industry during the two Plan periods.

"If Shri Mehta is convinced of the unsound nature of starting a second shipbuilding yard at present, he should have explained in detail how the development at Cochin would retard the progress at Vizag. He should have also explained the economics of buying ships in preference to the starting of a shipbuilding yard. Further, it is not certain whether the foreign resources available would always be transferable according to the needs. In other words, if a foreign country is willing to assist India in the establishment of a second shipbuilding yard, it does not follow that the same resources would be available for the first or for the purchase of ships in preference to the establishment of a shipbuilding industry and vice versa."

The Kerala correspondent's fears however, may not be groundless, if the foreign exchange estimation becomes such that the choice is restricted between making the one shipyard we have work better and starting a second one, leaving both unequipped and uneconomic. In that case, sheer logic will rule out the second. But there are obviously other considerations. First, that the foreign exchange position may not be that bad, and second, that non-economic considerations may be overwhelming.

Weekly Notes

Toddy Tappers Cooperatives

EXCISE shops and gun licences used to be the principal instruments of patronage in the hands of the District Magistrate in the old days. The former conferred an economic benefit, though excise shops were supposed to be auctioned and allotted to the highest bidder; the latter conferred social status, as also a certain measure of security. With the gradual extension of prohibition, excise shops have lost their place in the scheme of things and where prohibition has not come, the patronage has moved up in the administrative hierarchy to the ministerial level. In Kerala, however, excise shops have become a matter of high policy. The Toddy Tappers' Co-operatives organised in the Communist regime were a focal point in the political controversy. They were targets of attack in the agitation to throw the Communists out and were held up and are still being held up by the Communists as a model of the pattern of socialist democracy which the Congress swears by but does nothing to bring about. Contractors who lost a lucrative business could not be expected to support the cooperatives and none but the Communists would take the trouble to organise them. How non-political the Adviser would be, placed between the devil and the deep sea?

What is going to happen to the Toddy Tappers Cooperatives now that the Communists are out? The decision whether to continue them or not rests with the Adviser to the Governor. It is usually in the month of December that this policy is decided upon but because of the intense controversy raised over this question, the decision is being put off, although now overdue. Today vending needs a licence and the Excise Department issues it. The business had been entrusted to the co-operatives through negotiations and the licences have now to be renewed or the cooperatives have to be scrapped.

The Toddy Tappers Cooperatives have set out their case in their memorandum to the Government of India as follows:

"There are now twelve Toddy Tappers Cooperative Societies

which have been entrusted with the business during the current year. They have been remitting their monthly *kist* without fail, while many a private contractor has been piling up arrears. There is nothing that can be said against the co-operatives. Even the cry that the State has been losing heavily in its deals with the co-operatives has been proved to be false.

"These cooperatives have been, to the toddy tappers, instruments of emancipation. Previously they were the most exploited downtrodden section. Their lot has changed. No more are they to snivel at the feet of the contractors, abused and suppressed. Economically also they have gained. Of the twelve societies, only three, viz, the Trichur Taluq Chethu Thozhilali Cooperative Society, the Shertalai Taluq Chethu Thozhilali Cooperative Society and the Alleppy Chethu Thozhilali Cooperative Society (the other nine having been commissioned only this year) have been functioning last year. These three societies have increased the emoluments of the toddy tappers considerably.

"For example, the Trichur Taluq Chethu Thozhilali Cooperative Society alone has paid the toddy tappers Rs 5,13,543.19 more during the year 1959-60 than the previous year, i.e., 1958-59. This works up to nearly 27% of 1958-59 emoluments. The toddy tappers under these three cooperatives get an annual bonus ranging from Rs 40 to Rs 240, 15 days' leave with wages, 7 festival holidays with pay, allowances for accessories, implements, etc. Most of these benefits are not enjoyed by the tappers engaged by the contractors. As regards bonus, tappers under contractors get only Rs 10 to Rs 20 per annum; they get only 5 days' casual leave while paid festival holidays is limited to 3.

"Therefore, if the cooperatives are denied the contract for the coming year, not only will they be deprived of all these benefits but they will also lose a sum of over Rs 10 lakhs invested by workers as initial capital. This sum of Rs 10 lakhs represent the sweat and toil of these hard-working poor people, saved through the most tortuous frugality."

The memorandum was presented jointly by the Kerala State Federation of Trade Unions of Toddy Tappers and the Kerala Chamber of Toddy Tappers. It urged upon the Government of India that it should direct the Kerala Government to follow the policy of entrusting the procurement and vending of toddy to these cooperatives and to extend to them the contract for the coming year. To strengthen their case further, they have offered to hand over a portion of the profits made by the cooperatives to the State.

Sitting over Gas

AMONG the public utilities which are eminently suitable for Municipal operation gas ranks fairly high and in a city like Bombay, where the problem of domestic fuel is an acute one, the need for making gas freely available even to the poorest kitchen, should be pretty obvious. Yet there has been such vacillation at the top in coming to a decision on this matter that the Government has in effect been acting as the dog in the manger, wearing out the Gas Company by a process of attrition and driving

Bombay Stock Exchange ESSAY COMPETITION

UNDER the auspices of the Shantilal J. Smarak Fund and M. C. Baxi Prize Fund, the Exchange invites essays on the following subjects:

- (a) The Origin and Growth of the Stock Market in India—With special reference to the Stock Exchange at Bombay.
- (b) The Future Role of the Stock Market in India.

The panel of Judges consists of Shri A. D. Shroff, Director of Tata Sons, Ltd., Dr. B. K. Madan, Executive Director of the Reserve Bank of India, and Shri H. T. Parekh, General Manager of the Industrial Credit and Investment Corporation of India, Ltd.

There are three prizes as under:

- (i) Shantilal J. Smarak Prize Rs 2,500
- (ii) M. C. Baxi Prize „ 1,500
- (iii) Third Prize „ 1,000

Additional prizes may be awarded on the recommendation of the Judges.

The last date for submission of essays is the 31st of July, 1960.

Copies of the Rules and Regulations for the Essay Competition can be had from the Exchange on request.

the house-wives who can afford and even those who cannot to more expensive substitutes. For, however heroic the performance of the Gas Company may have been in the difficult circumstances under which it had to function, even Shri N K Jalan will not deny that the 2700 new connections given since 1946, the year the present management took over, of which more than half were given in 1958, are woefully inadequate, judged by any criteria—the growth of the population of the city of Bombay, the number of new buildings and tenements that have come up and the vastly increased demand for domestic fuels. This is only about the domestic supply. What the position of the industrial consumers is can well be imagined, it could not be any better.

The proposal of municipalization of gas supply is at least as old as the present management if not older. The Congress which was running the Corporation took some time to make up its mind and when it finally did, the State Government put off the decision or rather passed it on to the Centre, and there it lay all these years. Some day, sometime, whether the socialist pattern still remains the professed policy or not, the Bombay Corporation will take over the gas supply, raise the price of gas, as all public utilities run by Government habitually do and perhaps put in more money into it and make this essential service available to the people of modest income. Till then, the Company's legitimate demand for raising prices *pari passu* with costs will continue to be turned down and the only socialist feature of this sorry business will be the payment of dividend at a lower rate to the existing shareholders.

Today the Company is forced to sell at rates even lower than those charged before the war while the cost items—prices of stores and materials, coal and freight, wages have all gone up by leaps and bounds. This has forced the Company to cut down dividends and carry on as best as it can. That it has been able to expand supply to the extent of 50 per cent in the last 12 years under these severe handicaps may be judged a creditable achievement indeed, however inadequate it may be compared to the expanding needs of a fast growing city.

While the Government vacillates, the gas generated by the Corporation from refuse in the pumping stations largely goes waste. The Corporation cannot very well lay the pipes and build up an independent distribution system nor can it arrange for large scale storage or distribution through cylinders. No satisfactory price formula has yet been worked out which could enable the Corporation to sell its gas and pump it into the Company's distribution system. This wholly irrational arrangement will be ended some day and good sense will prevail. Until then, waste will continue, to get a new connection will be a rare privilege and even those who have got gas will have no assurance that the pressure will always be maintained. From what perspective New Delhi has delegated municipal takeover of Bombay's gas supply to the Third Plan may not be known even to the Perspective Division of the Planning Commission. But that is where it rests—somewhere in the Third Plan period but not at any fixed point of time in these five years.

Iscon Has Come Up

WITH the commissioning of the first blast furnace at Durgapur, the third steel plant in the public sector goes into production. The British Consortium—the Indian Steelworks Construction Company Ltd (ISCON)—has done a very fine job, indeed, despite its reverses. When the difficulties inherent in coordinating the work of so many different commercial firms is considered, and firms all of whom did not have the same amount of Indian experience and to it is added the fruitful opportunities of friction with the Government office in charge of the Administration of the area and of the Ministry now formed into a Government company operating from Delhi, the wonder is that it has come up so well and that there has not been many more interruptions or reverses. For not only the members of the Consortium had to work in the closest co-operation as one team, the Consortium itself had to work with a host of local contractors, some big and some small, not all of whom were used to working according to one uniform system.

It is, of course, for Hindustan Steel Company which has got the necessary data, experience and also, let us hope, the insights, to say how

the omnibus contract system through a Consortium compares with the other method of execution through individual tenders but the ISCON may claim some credit for pioneering a form of construction of which we may see more and more after the successful contract obtained by a group of American firms—40 Companies in all—for construction of a \$30 million textile plant in Soviet Russia. The ISCON, it may be recalled, was the first private British venture backed up by the British Government by credits from British banks in so socialistic an undertaking as construction of a steel mill in the public sector. The Americans have not come to it yet but may, in the near future, now that US business has shed its inhibition to the extent of undertaking a contract in Soviet Russia though strictly on cash payment.

While inaugurating the blast furnace in Durgapur, President Rajendra Prasad expressed some relief that even when the construction was over, the labour employed was not likely to be "reduced to any considerable extent". The labour employed being only 35,000 hands, this is in itself not a significant contribution of Durgapur to the solution of the country's unemployment problem. That solution, if at all, lies in the development initiated at Durgapur spreading in ever extending circles and covering the entire Ruhr of India and let us hope, spilling over further beyond. For this is where Durgapur scores over the other steel plants set up in the public sector.

Durgapur is no sylvan retreat the beauty of which is going to be spoiled by the erection of chimneys belching smoke. It has already been growing into a centre of considerable activity with the construction of the big barrage across the Damodar and its proximity to the coal fields and a conglomeration of industries and industrial centres. Rourkela and Bhilai have to overcome a great deal of inertia and spread their influences far, before they, too, develop into centres from which industrialisation can spread in ever widening circles.

Compared to Rajendra Prasad's arithmetic and J R D's earlier lament against the fatal fascination for steel, Jehangir Ghandy's more sophisticated recent approach with its slant on steel using industries seems to go to the heart of the problem.

Durgapur Steel Plant*A Correspondent writes:*

THE first battery of Simon Carves coke ovens was ceremonially lit up at Durgapur at the end of last August. The first tapping of pig iron from the first blast furnace commenced this week, on the 29th. Simon-Carves have a wide and varied contribution like their direct responsibility for twenty five per cent of the value of the entire turnkey contract for the steelworks and their plants and equipments. The open hearth steel melting furnaces, the blast furnaces, the soaking pits and the lime and dolomite plants are also being erected by them, as sub-contractors to the ISCON.

Durgapur is pulsating with a new life and stimulating the economy of West Bengal. D V C will supply power to the steel plant and purchase the surplus coke oven gas and the coke middlings from the steel plant for their thermal power-station. The Central Mechanical Engineering Institute will start very soon. The Optical Glass Plant and the Mining Machinery Plant are also coming up fast. The West Bengal Government Coke Oven has just gone into production. The West Bengal Government, it is reliably learnt, has requested the President to issue an Ordinance for taking over the Oriental Gas Co. in accordance with Art. 31(a) of the Constitution, so that the plan for laying gas pipelines from Durgapur to Calcutta may be accelerated. So Durgapur has already become an important centre in the State's economy.

There are considerable variations in the capital cost and the foreign exchange component of the cost for the three steel plants in the public sector. The capacity for pig iron for plants at Rourkela, Bhilai and Durgapur are 1.1, 1.1 and 1.2 million tons respectively. And the capacity for finished steel also is almost the same, 7.2 lakh tons in Rourkela, 7.7 lakh tons in Bhilai and 7.9 lakh tons in Durgapur. If the capital costs are compared, it will be found that the estimated cost for Bhilai is 8 per cent higher and that of Rourkela 28 per cent higher than the cost of Durgapur. The foreign exchange cost up to the present day is Rs. 132.85 crores in Rourkela but Rs. 94.65 crores in Bhilai and Rs. 94.87 crores in Durgapur. While there is no great difference in the foreign exchange

cost at Durgapur and Bhilai, that of Rourkela is approximately 40 per cent higher than either Bhilai or Durgapur. There are also marked differences in the value of annual output. The approximate value of annual output is estimated at Rs. 42 crores for Rourkela, Rs. 49 crores for Bhilai and Rs. 51 crores for Durgapur.

The capital-output ratios may therefore be taken as 5.9 in Rourkela, 3.7 in Bhilai and 3.2 in Durgapur, and the average capital-output ratio of the three plants taken together is 4.26.

The foreign-exchange output ratio works out to 3.1 in the case of Rourkela, 1.9 in Bhilai and 1.8 in Durgapur and the average for all three is 2.4.

The import component of the cost of the plants is approximately 72 per cent in Rourkela, 60 per cent in Bhilai and 67 per cent in Durgapur. The variation in the import content of these three units is not therefore inconsiderable. The import-content of the investment in the steel industry is of course appreciably higher than that of the other projects in the Plan. For example, the import-content is 56.8 per cent for Nangal Fertiliser Project, 58.4 per cent for Hindustan Shipyard expansion, and 63 per cent for South Arcot Lignite Project. The import content is no doubt given due consideration for allocation of resources among a set of alternatives. However, the foreign-exchange is needed mainly for two types of industries—those for import-replacement and export promotion. Iron and steel, though placed to-day in the import-replacement bracket, may go over to the latter, but much more important is the momentum which steel using industries will gain when the production of steel comes up in a really big way.

New Currency for Kuwait

THE Shaikdom of Kuwait, it is reported, is going to have its own currency soon. Hitherto Indian rupees were circulating in Kuwait and provided a loophole for smuggling gold into India. To prevent this, the Reserve Bank issued last June special rupee notes for circulation in the Persian Gulf territories, including Kuwait.

When arrangements for the new currency in Kuwait are finalised

the Indian special rupee notes would obviously be withdrawn from circulation and handed back to the Reserve Bank against sterling. What would be the possible drain on India's foreign exchange reserves as a result of this move? There is no official information regarding the amount of the special rupee notes exchanged against the Indian rupee notes in Kuwait. However, it is reported that the magnitude of the special rupee notes exchanged against rupee notes in the Persian Gulf territories was of the order of Rs 60 crores. One does not know what proportion of this went to Kuwait. But as a rough guess, the special rupee notes circulating in Kuwait may be put at Rs 10 to 20 crores. If this guess is not wide of the mark, India will have to part with about Rs 10 to 20 crores of foreign exchange when Kuwait introduces its own currency.

And probably the other Persian Gulf territories may also follow suit. In that case, during the Third Plan period, the drain on India's foreign exchange reserves may be of the order of Rs 60 crores on account of the return of Indian special rupee notes from the Persian Gulf Territories.

This would be, of course, a once and for all drain. And if gold smuggling into India declines here after as a result, there may be a net gain from the point of view of foreign exchange. For, gold smuggling lately, it is believed, has been of the order of Rs 40 crores per year.

Essay in Painless Extraction

THE full text of the Tyagi Committee's Report has not yet been released to the public. Instead, the Government has issued a summary of its conclusions and recommendations. This is rather curious, considering that the report was submitted quite some time ago. The reluctance to publish the full text or even inordinate delay in publication not unnaturally gives rise to the suspicion that the report may contain something which the Government does not want the public to know. If it is informed criticism that the Government wants, is it not self-defeating that the public should be asked to form its opinion on the basis of a press summary of an important report or worse still, on that of the conclusions and recommenda-

tions without the data or the evidence on which they are based?

An efficient administration of taxes safeguards zealously not only the interest of revenue but also of the taxpayers. Naturally, therefore, expectations ran high when the Government appointed the Tyagi Committee to advise it on administrative organisation and procedure for implementing the direct taxes, with a view particularly to eliminating tax evasion and avoidance of inconvenience to the assessee. As far as one can judge from the summary of the conclusions and recommendations, the report appears to be disappointing on the whole and is good only in parts. It does contain some useful suggestions which if accepted and acted upon will go some way towards minimising the opportunities of tax evasion and also remove some inconveniences to the harassed taxpayers.

It is in attacking the problem of evasion and avoidance that the Committee has been least successful. Instead of grappling with this nettle, the Committee consoles itself with the thought that neither tax evasion

nor tax avoidance are new or peculiar to India. Whoever suggested that they were? Though it rejects the estimates of tax evasion made by Kaldor, it has not cared to tell us what is the extent of evasion according to its own findings. Moreover, though the Committee holds the high rates of taxes to be one of the causes of evasion, it does not suggest a rationalisation of the rate structure nor does it offer an explanation why there is evasion in the case of the expenditure and the gift tax or in estate duty, though the rates in these cases are admittedly low. Nor has the Committee anything useful to say in respect of the existing loopholes in the direct taxes Acts which facilitate evasion and avoidance.

The adoption of a comprehensive tax return accompanied by a system of 'codes' for the tax-payers did not find favour with the Committee. This is the one measure which could make internal checks possible. Therefore its rejection on the ground that it would throw an undue volume of work on the taxpayer and that it would be unworkable is par-

ticularly unfortunate, considering that the need for internal checks is all the more urgent when several new taxes have been imposed. Nor has the Committee suggested any tightening of the existing provisions of deductions which, apart from being very liberal, encourage tax avoidance. Nor has the Committee anything to say about the existing division of assessee into categories like Hindu undivided family, etc, which probably also causes evasion.

These serious omissions notwithstanding, the measures suggested in respect of blank transfers, benami transactions etc, would be welcome. Also welcome would be the various deterrent measures which the Committee has been bold enough to suggest. The suggestion that evasion could be checked effectively if the Government prints annually a book-let giving the names, addresses and declared income, wealth, expenditure etc, of either all assessee or those above a certain limit, however, would appear to be of doubtful value. Any further intrusion into the little privacy that the tax-payers have would be severely resented.

From the London End

Europe in the 1960's

FOR Europe, the 1960's will probably come to be regarded as the epoch of reconstruction and the culmination or end of the "post-war" era. As 1959 draws to a close, we witness a new competition in affluence and hence in influence and the emergence of the great new fact that the United States alone can no longer fashion the designs of the West for the world at large. All the countries of West Europe have removed, at least physically, the scars of the last war; economies have been rebuilt and in its train, there has evolved a new constellation of economic power. The "Communist danger" which was built up as threatening the institutions of capitalism in the West and which, with the Korean war, had provided the rationale for the cold war and a united West front appears at the end of 1959 to have lost its impetus and its cohesive quality. It appears to have been replaced by new preoccupations which are partly the consequence of reconstruction and partly of the realization that the centre of things is no longer Europe.

The consequences of West Europe's reconstruction are probably

the clearest of these new preoccupations. The economic revival following the massive dollar subsidies under Marshall Aid and other U S commitments, instead of solidifying the Western front, has opened up a new era of mutual suspicion and antagonism. What is now a possible prospect is that the United States may be seriously weakened as an economic factor in the West. Under the schemes for integration, West Germany and France have evolved an "understanding" that appears to be firm and durable. These two countries have combined to provide the Common Market with the power and the influence to fashion the lives of 160 million Europeans and so to create an economic force rivalling that of the United States and dwarfing that of Britain and the sterling area. Hence West Europe's reconstruction has given birth to new contradictions; the solidity of the Western front has been impaired and if any one in the British Government is asked today what is likely to be Britain's greatest problem in the 1960's, he will certainly not mention the problem of "living with the Soviet block." More

likely than not, he will answer "living with the the Common Market" or with the emergent nations of Africa and Asia. The contradictions are clearly visible. A struggle for export markets supported by self-interested schemes for regional integration, export credits and loans, tariff preference and trade discrimination, assertion of currency and foreign exchange strength and status are all on the cards for 1960.

These trends in the economic field have already had their impact on political relations. France, for one, now no longer conceives of her security in terms of the continued stationing of American forces in Europe or of the American nuclear powered Strategic Air Command. Britain believes that a negotiated settlement with the Soviet Union is necessary and in her heart of hearts believes that military disengagement is the only way to contain the military revival of Germany. In the United States also, a shift in policy is perceivable in that U S is now eager to secure some understanding with the Soviet Union on the status quo in Europe in order to enable it

to attain a new and effective position in the Afro-Asian world. The Nato alliance is being severely strained and it is doubtful whether it will be able to withstand the growing rivalry in the economic field.

Within the countries of Europe, a decade of economic prosperity has dulled political life and Christian Democracy, whether of the British conservative brand or of the more clerical brands of France, West Germany and Italy is firmly entrenched. This has ensured freedom to the cartels and monopolies to flourish, encouraged the commercialisation of life in general and elevated affluence to the position of being the determining factor in morals and human outlook. An air of decadence permeates the fields of culture and education. The materialism of the 1950's has no parallel for West Europe in its corrupting influence on the youth; their preoccupation with activities mundane and shallow in every sense has robbed them of the will to live a full life free from war and human drudgery. And in the 1960's, as these youth become part of the adult population, the prospect that will emerge is that of a life plagued by insecurity and indecision, a life in which the attraction to live by one's wits rather than by one's creative labour will command a premium high enough to sow the seeds of greater corruption among the youth of the new decade.

Of far greater import not only to Europe but to the world will be the culmination in this new decade of the African revolution. By 1960, well over six new African nation states will have been born. And in the years after, the remaining colonies including those under white settler control will, as night follows the day, pass to the African people. So far the African revolution has been peaceful and this must in great measure be attributed to the wisdom and innate good sense of the African people and their national movement. But there can be no sure guarantee that in the 1960's the transition in the remaining colonial sectors will be peaceful. In South Africa a cruel and oppressive regime bent on holding to power leaves little prospect for the final resolution to be peaceful. In Central Africa where British capital has connived with the colonial settlers to federate these territories under white hegemony, too, it is difficult to visualize the

outcome except in terms of violence. In the Congo, where the Belgian colonialists have secured a position important enough to make the Congo fundamental to the viability of the Belgian economy, it is not easy to imagine an easy or peaceful solution. In the meantime, Nigeria, the Cameroons, Somalia, Tanganyika and Uganda will have joined the area of African freedom and this will no doubt further inspire the remaining parts of colonial Africa to secure the ultimate expulsion of European colonialism. An element of violence appears inevitable and no matter how regrettable, this will at least imprint the 1960's as the decade of the African revolution. In this sense, the centre of things away from Europe will have been decisively established.

If this decade sees the end of European colonialism in Africa, then the prospect of war is that much reduced. Indeed, the revolutionary changes that have occurred in military thinking following the advent of nuclear headed missiles and rockets in the armoury of the two great powers make the possibilities of war breaking out just that more difficult. It is equally significant

that when West Europe's power to influence the course of military events is placed in the context of the immense military resources and inventiveness of the Soviet Union and the United States, West Europe's status is drastically reduced. This will serve the cause of peace.

The cause of peace is also well comingly being measured in terms of the efforts to secure the industrialisation of the backward parts of the world, and no doubt the 1960's will be preoccupied with the relative performances of China and India in this regard. And herein lies a source of considerable danger. There still remains a strong and inspired tendency to equate the problems of removing poverty with democracy (in the Western sense). It takes little imagination to see that an equation of this order possesses the basic elements of the cold war. To thwart this mentality and this exercise in reasoning is fundamental to the great cause of peace. For this reason alone the re-establishment of the doctrine of peaceful co-existence which until recently marked Sino-Indian relations must become a task co-terminus with that of securing international peace.

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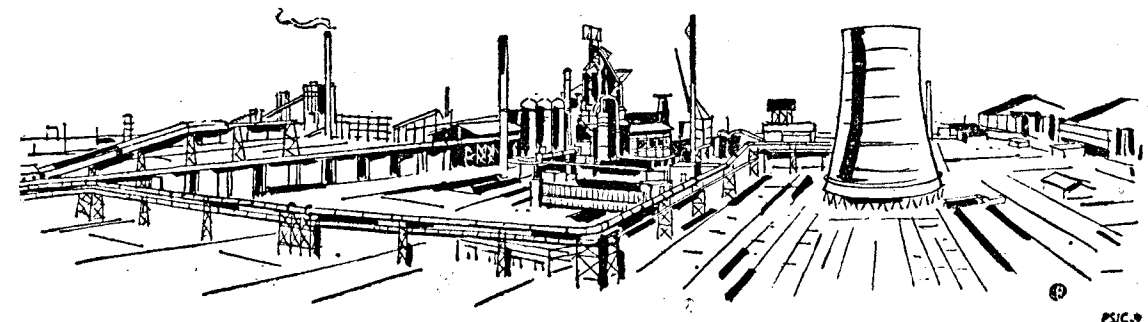
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Confusion in Politics

JAPAN considers herself part of Asia, yet her ambition is to emulate the West. The heir to the Japanese throne, the Crown Prince is learning three languages besides Japanese, —English, French and German. Neither Malayan nor Chinese is regarded as important as these three. One of the burning issues in Japan today is the renewal of the Mutual Security Treaty with the United States. The supporters of the Treaty, the present leaders of the Liberal Democratic Party, argue that since Japan wishes to receive assistance from the United States in the way of markets, economic aid, etc, it would be the basest ingratitude not to renew the Mutual Security Treaty. The opponents of the Bill to ratify the Treaty argue that the biggest problem facing the Japan of the future would be the regularisation of her relationship with China and that as long there is a military treaty with the United States, this would be impossible. Yet, peculiarly enough, the supporters and opponents of the Bill are not all divided along the party lines. There is a powerful wing of the Liberal Democratic Party, whose most important representative, ex-Prime Minister Yoshida, has been touring China and South East Asia to try to show that the countries of Asia are really friendly to Japan. The right wing of the Socialist Party differs from the Communist dominated left wing in its attitude to the Pact. In short, the picture is one of confusion and lack of clear principle.

This lack of principle was clearly illustrated in the "demonstration" outside the Diet buildings. A group of trade unionists, students led by the Zengakuren (an excitable left wing students' association strongest in the State Universities of Tokyo and the Tokyo University of Education), and other supporters of the left, demonstrated outside the Diet and, in the course of the excitement entered the Diet Building and refused to obey the orders of the police. For several weeks beforehand the largest trade union organisation, Sohyo, had threatened a "General Strike" to paralyse the Diet discussions. On the day, this "General Strike" fizzled out. The main instrument in enforcing the

strike was the threatened stoppage by the engine drivers of the suburban electric trains. But just before the strike was to commence, the Government granted disputed increases of wages to the railway men and their interest in opposing the Mutual Security Treaty disappeared overnight. In other words, the attempt is continually being made to deal in a political way with what are essentially industrial stoppages.

It is easy to ridicule the lack of leadership shown by the initiators of the "General Strike." I think however the complaint goes a good deal deeper than this. The position can be summed up in the form of several propositions.

(1) There is no doubt that within the country there is a strong desire that Japan should have no armed forces nor participate in any form of power bloc. The clause in the Constitution forbidding war, although recently ruled by the Supreme Court not to be incompatible with the re-armament of Japan certainly is in accordance with the feelings of the Japanese people. This feeling is partly based on a deep suspicion of the leaders of the present Government some of whom were associated with the activities of General Tojo in the last war.

(2) When this feeling enters practical politics, it is found that the most vociferous supporters of the "moral" approach are in the extreme left wing, who use this feeling for their own ends. A middle of the road Japanese Socialist is continually put into a position of inconsistency if he supports part of the left wing policy without going the whole distance. The Japanese have no tradition, like the English Labour Party, of clearly separating trade union from political issues. Yet each time some important trade union issue appears, it becomes a political issue or is connected with a political issue. When it becomes impossible to support the issue then the supporters of the Party become dissatisfied and begin to drift away.

That is to say, in accordance with the Japanese tradition, the form of organisation is accepted but the spirit is misunderstood. At the same time moral considerations are raised in order to confuse the issue.

This can be clearly seen in the position of Zengakuren, the students' organisation. Recently they have been objecting to the Communist Party of Japan as opportunist and lacking moral fibre. They have made a statement in which they stigmatise Khrushchev, the Russian leader, as a bourgeois. Communist Party members have been excluded from the top leadership of the movement on the ground that they are lacking in morals. At one time these students were supported by the Communist Party of Japan and also by the Socialist Party but at the present time they have been made the scapegoat for the national disturbances in the Diet. Yet basically the issue is that, being students, they are motivated by sincerity without the knowledge to estimate how far they can force their views on others. Used as tools by whatever other group wishes to use them, they have now been isolated because of their sincerity.

Japan is desperately seeking for some position in which the rest of the world will appreciate her "true character" as a bridge between east and west. Many Japanese would like the Government to be outspoken on issues on which they feel deeply. The recent conference on the demilitarisation of the South Pole in which the Japanese participated, was very fully reported in the local newspapers and the photographs of the officials who took part in this conference were widely displayed as a model of what the Japanese would like to do in other fields in world affairs. And yet whenever an issue arises in which Japan herself is affected, considerations of self interest force her to take a back place. The Mutual Security Treaty with the United States has been defended only on the ground of expediency and little honest information has been released about its possible advantages or disadvantages. The Opposition has tended to take a high moral stand. Yet this same Opposition, when they deal with Sino-Japanese friendship, take a "practical" approach and the Government takes the attitude that the Communists countries are wicked because there is no freedom of speech in these countries as in Japan. The result is a widespread apathy on the part

Calcutta Gas Company Nationalisation Fiasco

PARADOXICAL though it may appear, yet it is true that this winter session of West Bengal Legislative Assembly has seen the Treasury benches putting in a motion of nationalisation and the left-wing members of the House opposing it! I do not know whether it was the first time that socialists of any description came forward to oppose a scheme of nationalising a commercial undertaking but that is what happened in West Bengal.

Such an air of mystery surrounded the affair that it was followed with keen interest even by the man in the street who normally takes little interest in the happenings of the business world. The question was on everyone's lips, were the socialists turning to *laissez-faire*? So when Dr B C Roy brought the motion to the House, there was commotion all around. Even the members of the Congress Party in the Assembly sat up and took notice. Eventually it was at their instance that the Chief Minister withdrew the Oriental Gas Company (Acquisition) Bill.

Now let us turn to the developments which led to this fiasco. Calcutta is perhaps the only big city in India which suffers seriously from smoke nuisance which is primarily due to the particular types of domestic fuels used in the city. In fact more than 75 per cent of the smoke nuisance in Calcutta is attributed to the latter. This situation has been made a great deal worse by overcrowding and increase in the number of kitchens, all burning smoke producing fuels. According to the Treasury benches, a recent survey on atmospheric pollution has brought to light that the average monthly fall out of sooty matter is 25 tons per square mile. This tells upon the health of the people and causes considerable damage to pro-

of the Japanese people in political and trade union matters tempered however by the success of Japan in the economic field in which the standard of living continues to rise. In Asia, Japan is second only to Malaya in the high level of the standard of living.

perty. The added depreciation to industrial buildings and equipments due to this heavy fall out of soot is itself a matter of serious concern. The advantages of substituting gas for smoke producing fuels on these grounds are unquestionable. Added to it, there is economy. Dr Roy gave out some figures of fuel costs which show that the average expenditure under this head for a family with modest income amounts to Rs 13. The fuel includes not only coke but also firewood, kerosene and cowdung cake. The fuel needs of such a family, it is estimated can be met by 15 therms of gas a month. This is equivalent to 3000 to 3500 cubic feet of gas costing only Rs 9 to Rs 9.50.

The gas works at Calcutta can supply only 2.5 million and 3.5 million cubic feet of gas a day as against a registered demand of 7.5 million cubic feet. And if the industrial and other needs are taken into account, the present total demand would be more than 10 million cubic feet a day.

There is considerable scope for increasing the supply from the Coke-Oven plant at Durgapur. A gas pipeline from Durgapur to Calcutta may cater to the industrial and domestic needs of the entire region traversed. Experts are of the opinion that this is preferable to installing a coke-oven in Calcutta, firstly, because the capacity of the Durgapur Oven can be doubled at less than the cost for a new installation in Calcutta, and secondly, because a new coke oven would not solve the problem of 'off-peak load gas', even if a large reservoir is built.

Why, then, this opposition to nationalisation? In a nutshell, the Opposition arguments can be summed up as follows. First, there is doubt about the ability of the bulk of the people in Calcutta to bear the cost of taking gas connection to their homes. A recent socio-economic survey of the city, carried out by the Economics and Statistics Department, Calcutta University, found that: "Of all families living in Calcutta, 30 per cent have no water taps attached to their residences, 12 per cent have no latrines, 61 per cent have no bath-rooms. 78 per cent

have no separate kitchen and 45 per cent have no electric connection." This is not a pretty picture. Will these people be able to purchase the requisite equipments for gas consumption?

Second, Dr Roy's fear that the gas produced in the Durgapur oven plant will run waste unless the Oriental Gas Company is nationalised has no basis. The Calcutta Electric Supply Corporation is still in the private sector, and yet it is able to distribute the electricity produced in the Damodar Valley projects.

The Gas Company was registered in 1853 and began its operations in 1857. So it is more than a hundred years old. A Committee appointed by the Government had reported that "the existing condition of the plant was found to be precarious." Even Dr Roy has made no secret of it that this plant will not be profitable, judged from the viewpoint of production and stressed only the utility of the company's distribution system. Even this optimism, however, is unwarranted as the same Committee also found that 25 per cent of the pipe lines had become almost defunct, due to the pores in them. The economic advantages of nationalising the plant, both on the side of production and distribution, are therefore non-existent.

To re-equip the present plant would entail, the report says, a cost of at least Rs 85 lakhs. When the cost of land (which will not be less than Rs 15 lakhs) is taken into account, the initial expenditure for bringing the plant to working condition will amount to more than Rs 1 crore. Many people doubt whether even after this extent of 'Modernisation' the plant will work for more than five or six years.

This is not all. Let us now turn to the provision for compensation in this Bill. From the audited balance-sheets of the company, the net revenue for the last five years was estimated at Rs 13,48,167, and the compensation proposed was Rs 1,07,85,336, eight times the net revenue. A probe into the audited balance-sheet of the company as on 30th June 1958 showed that its fixed assets were valued at Rs 78,24,267. If the depreciation charges,

i.e., Rs 21,16,667, are deducted, then the value of the fixed assets comes down to Rs 57,07,600. And by adding to it the cost of furniture, Rs 83,870, the cost of cars etc., Rs 1,27,045 and the cost of goods in stock Rs 15,48,479, the fixed assets may be valued at Rs 70,56,994. Besides, the land property of the Company in Howrah was sold last year, but its cost was not deducted from the valuation of its property.

Dr Roy had claimed that this takeover would bring the Government a profit of about Rs 13 lakhs a year,

the net revenue mentioned above. This is open to doubt because the company is believed to have a lot of creditors, the railways among others who have to get several lakhs of rupees from it.

At last, the opposition of the left-wing members as also of some of the influential members of the Congress induced Dr B C Roy to withdraw the Bill. He did not hide his doubts about the question of compensation. He realised that the question of the rate of compensation and the manner in which it was to

be paid was one on which there was bound to be sharp difference of opinion. He also admitted that the company did not show the depreciation correctly, and that its balance-sheet had not been properly drawn up.

The Bill was withdrawn and both sides of the House were apparently satisfied. But the public agitation over the measure continues for people find it difficult to believe that the Departments of the West Bengal Government concerned do not know how to read a balance-sheet.

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Book Reviews

Institutional Finance for the Small Man

Chandrasekhar Shetty and Aloysius Monteiro

Capital for Medium and Small-scale Industries. Society for Social and Economic Studies. Asia Publishing House, 1959. Pp 141. Price Rs 10.25.

THE financial position of individual entrepreneurs condition their performance in day-to-day working and in a sense reflect the measure of success they achieve in various spheres of functioning. It is well known that in the struggle for existence most units find themselves deeply indebted to intermediary agencies and money lenders. The situation is further vitiated by the absence of assured sources of institutional finance, apart from the occasional assistance they are offered by Governmental agencies.

It is the merit of the book under review that it not only covers fresh ground in pin-pointing the glaring deficiencies in the operative conditions of these industries, but also unravels the short-comings of the institutional and official financial agencies and explores ways and means to make small and medium units good credit risks. Perhaps, this is the first time that the financial and credit problems of small industries are viewed as part of the complex of problems of management, production and marketing. Here is an integrated approach to a complex problem. There is a shift from the usual approach of decrying the Governmental and institutional agencies (for the non-availability of ready and timely financial assistance) to that of seeking to raise the creditworthiness of these units. And the task of raising the creditworthiness of these units, it is emphasized, is as important as those of devising institutional measures to channelise easy credit.

OVERALL APPROACH NEEDED

This involves the solution, not only of the credit and financial problems, but of non-financial problems as well, viz, technological, managerial and marketing. As the book emphasizes, it is essential to develop an overall approach to these different aspects of the problem. Provision of credit and finance is only one of the essential functions. When the non-financial aids such as the scientific organization, improvement in the quality of their products, and avenues

of wide markets etc are made available to them, their competitive position will be strengthened, thereby increasing their creditworthiness.

It may be noted here that in countries where industrial development and the development of financial institutions have reached a fairly advanced stage, a small entrepreneur may augment his financial resources in the following manner: Personal savings and profits, Finance from partners, Credit from suppliers, Tightening up his own credit to customers, Bank-loans and overdrafts and Loans from financial and industrial houses. These sources are, however, found to be of little avail to a small industrialist in India because of the small initial capital of the average small entrepreneur, the lack of developed money and capital markets, lack of the habit of investment in industry and above all the low level of saving among the people.

SHORTCOMINGS OF OFFICIAL AGENCIES

Non-availability of adequate finance through institutional agencies has, therefore, created a void, making it imperative on the part of the Government to fill in the gap. Governmental help to small-scale industries is mostly channelised through the Directorates of Industries and the State Financial Corporations.

The main complaint against these agencies is that they do not have adequately trained and experienced hands to verify the creditworthiness of the units intending to take financial assistance. Moreover, the procedures involved in applying for the loan are stated to be cumbersome and the time-lag between the receipt of application for loan and its actual disbursement is unduly lengthy. These shortcomings are stated to defeat the very purpose for which these loans are meant.

RIGID CRITERIA

The State Financial Corporations have been specifically designed to finance industrial units of moderate means. However, the working of these corporations has revealed that

they have not generally been able to help units with assets below Rs 1 lakh. As the author puts it "Many small firms with a capital of Rs 1 lakh are, by the present standard not regarded as sufficiently creditworthy". And what are these standards of creditworthiness? For all purposes, the test of creditworthiness is based on the traditional bank-lending practices.

But, were not the Corporations set up specifically for the purpose of reorientating these traditional tests in the context of a developing economy and to assist units of moderate means in order to integrate them in the process of industrialization? Of course, it is true that these Corporations were instituted with this important objective in view. But, once started, they appear to have got into the company of the traditional bankers and have in the process lost much of the dynamism and the vigour with which they were heralded. It is no solace to be apologetic, as the author is wont to, about the reasons for their shortcomings.

BANK FINANCE

Commercial Banks, being business units, adhere to certain standards of banking principles. The demand liability enjoined on these banks compel them to maintain liquidity over the short period. Hence they offer only short-term financial accommodation. Official policy spear-headed by the Reserve Bank of India was discouraging commercial banks from going into long-term commitments. But even in respect of short-term loans, commercial banks are found to be of little avail to the small units because in the reckoning of the commercial banks the small units are often found non-creditworthy.

It is, therefore, rightly emphasized that a system should be worked out whereby commercial banks will be able to play an increasingly important role in the financing of these industries without affecting their liquidity or violating their commercial principles. The significance of



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such an objective will be better appreciated in the context of an expanding economy. The financing of small-scale industries is a new avenue of bank-lending in India. A 'good collateral' as it is today, is one which has a ready market; and a unit is considered a 'good risk' when it deals in the processing and/or manufacture of a commodity which has a known and assured market.

GOOD 'BUSINESS RISK'?

In the context of a developing economy, however, where the growth of specific types of industries is sustained both by direct and derived demand from the economy itself, the test of 'good collateral' and 'good risk' requires a basic reappraisal. In this respect, it is difficult to sympathise with the experience of the author, which almost runs with the hare and hunts with the hound, since in the same breath he deifies the present conservatism of commercial bank-lending policy and denounces it roundly. The basis for testing the creditworthiness of small-scale units should take into consideration not only the present prospects of the unit but also its future potentialities from the point of the industry as a whole. The grading of different units as Credit-worthy, Potentially Credit-worthy and Non-creditworthy would have been more appropriate, had it been related to the industry as a whole than to individual units, as has been propounded by the author.

It is perhaps rightly maintained that the small man is often enough a good moral risk; in order to make him a good business risk, it is necessary to provide him with requisite facilities (p 69). The co-ordinated credit scheme sponsored by the State Bank of India is one such attempt to make the small-man a good 'business risk'. But what have been the results of its working?

EXPERIENCE OF STATE BANK

A recent evaluation of this scheme as also the studies of the Small Industries Service Institute reveal that the performance of the scheme, for various reasons, has not been quite encouraging. For example, till the end of March 1958, Working Parties of the Madhya Pradesh and the Bombay States were reported to have received 233 applications from small-scale units for loans under this scheme. Of these, 152

applications were marked to the State Bank of India. The Bank after scrutiny, granted loans only to 45 units. The total amount of loans disbursed was just over Rs 34 lakhs. 49 applications were rejected by the Bank: 19 for unsatisfactory nature of the security offered, seven for unsatisfactory history of the unit, three for unsatisfactory reports about the partners and the others for miscellaneous reasons. The reasons given for rejection are akin to those that are normally expected of any commercial Bank.

Further, the fact that only Rs 34 lakhs could be disbursed to these units in these two States till the end of March 1958, reveals that either the scheme is not sufficiently known among small-scale units or the terms and conditions under which the State Bank offers loans are no more liberal than the terms and conditions of other commercial banks in the Pilot Centres. Perhaps it is a combination of both.

RESTRICTIONS ON SMALL BANKS

A general reappraisal of the working of the commercial banks as also those of other agencies would prove that there exists a paradox in the situation. For example, the smaller banks, which are found dispersed all over the country can be visualised as the ideal medium for channelising credit to the dispersed small-scale industries. These banks, on account of their personal contacts with the owners and/or managements of the small-scale units, are generally sympathetically disposed to consider them as adequate 'moral' as well as 'credit' risks. However, the restrictions imposed on them by the Reserve Bank prohibit them from venturing into such 'risks'. On the other hand, there are the large commercial Banks, who on their own can undertake the financing of such industries, but do not consider them as good business risks.

Considering all these problems, it is imperative that existing statutory institutions and commercial banks should revise the types of security that can be considered adequate and thereby widen the range of their activities, both in respect of the number and type of industries eligible as well as the type and variety of commodities acceptable as good collateral for bank-lending. Secondly there is need on their part to reorient their

traditional outlook towards these industries and take a measure of risk in extending credit. Perhaps, the author's rich experience would have been of immense value had it been utilized, in spelling out specifically the essentials of a Guarantee or Insurance Scheme to which only a passing remark has been made.

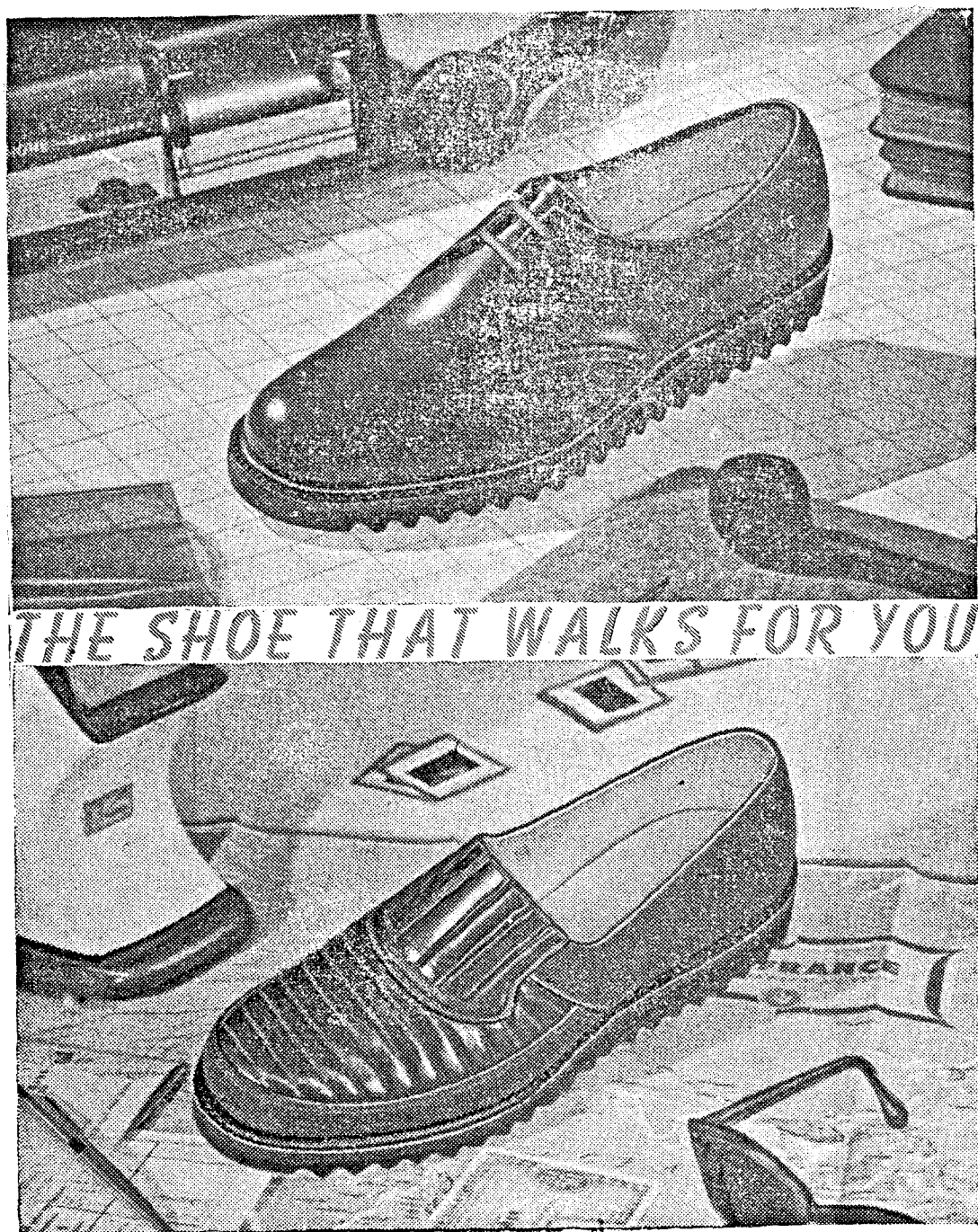
GUARANTEE SCHEME

The conclusions reached at the Seminar on Financing of Small Scale Industries in India, held at Hyderabad last July appear to be more helpful in this regard in that there have emerged the broad details of such a Guarantee Scheme. This finds a concrete shape in the Guarantee Scheme recently announced by the Reserve Bank of India. The scheme is a novel feature in the mechanism of industrial finance of the country.

The Scheme envisages to guarantee loans advanced to small-scale units in 57 selected centres by about 300 offices of commercial banks and 15 Apex Co-operative Banks. The guarantee covers loans for working capital as well as those for fixed capital and would extend to cash-credit and over-draft arrangement, demand loans and term loans (upto 7 years duration). The probable loss that may be sustained by a lending institution is divided into two parts: the first is to be covered in full by the Guaranteeing Organization and the second is to be shared equally by the lending and the Guaranteeing institution. The full guarantee will cover 20 per cent of the loans upto Rs 25,000 and for loans exceeding this amount guarantee will be 10 per cent of the loan or Rs 5,000, whichever is higher. The liability of guarantee for any individual borrower will not be extended beyond Rs 1 lakh. The premium for underwriting the risk is very nominal, being $\frac{1}{4}$ of 1 per cent.

EXPERIMENTAL MEASURE

The Scheme appears to be experimental in nature. In the first place, it is to be tried only in 21 centres (to be doubled in the 2nd year). Secondly, its working has to be reviewed after a period of two years, and lastly, its essential features, such as the period of guarantee, rates of premia, coverage of risk, are purely tentative in character. The sketchy details of the



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scheme made available do not permit any serious discussions of the various aspects of the problem of easy credit to these industries.

Besides one would want to know, if any attempts were made before drawing out this Guarantee Scheme to ascertain the frequency of default among the borrowing units by capital assets and volume of loans advanced by various official agencies such as the State Bank Pilot Scheme, State Financial Corporation, the Directorates of Industries and so on. Such a study would be of immense help in working out the actuarial principles basic to the determination of the extent of risk involved and the rates of premia and interest to be charged. Further what have been the results of the scheme under which the State Bank of India advances cash-credit loans to small-scale units on the guarantee of N S I C? What has been the rate of defaults here? What about the working of the 'Marginal Credit Scheme' introduced by the Bombay Government in 1947 in respect of industrial co-operatives?

WILL IT WORK?

There can be no two opinions on the need for such preliminaries for any fool-proof scheme of credit-guarantee. A few more details need to be known in this respect. Does the Guarantee Scheme seek to supplant the existing official sources of finance? If it does not, as may be expected, what are the measures devised and what steps have been taken to ensure that the resources available from these two sources are not competitive? The low rate of interest charged for loans under the State Aid to Industries Act may serve as a drag on the successful working of the Guarantee Scheme. But the crucial question remains to be solved. How can one be sure that the Guarantee Scheme will be sufficient inducement for commercial banks to shed their conservatism and be more enterprising? If banks do not, the only result will be the multiplicity of credit schemes and institutions without any tangible results being achieved either in institutionalising or liberalising credit.

It should be recognized that institutionalising of credit facilities for small-scale industries is needed in order to circumvent the inordinate

delays in obtaining official finance, which, it may be observed, is available at a subsidised rate of interest. Experience in the field of industrial finance goes to show that what the small man wants is *quick* finance and not necessarily *cheap* finance. Can the Guarantee system ensure this?

Finally it needs to be observed that in view of the rather unsatisfactory results of the working of the integrated credit scheme, it would have been wiser to have entrusted the actual formulation and the implementation of the Guarantee Scheme to an autonomous Corporation. One would also like

to ask if the funds of the LIC cannot be used for this scheme. It must be recognized that Government already subsidizes the interest rates chargeable to these units in respect of official loans to the tune of 3½ to 4 per cent. The rate of interest under the Guarantee Scheme would in all probability be more than 8 per cent. The differential of these rates plus the rate of premia expected would together more or less offset the likely loss accruing out of defaults. This is all the more reason for entrusting the Scheme to a non-official body, which will reduce the element of subsidy involved to the minimum.

Non-violence and Conflict

Nirmal Kumar Bose

Conquest of Violence: The Gandhian Philosophy of Action by Joan V. Bondurant. Princeton University Press, Princeton, 1958. Pp xv+269. Price \$ 5.00.

THERE are few studies on the political philosophy of Mahatma Gandhi, and among those few, the present book will undoubtedly be regarded as one of the best. The author has succeeded in maintaining a high academic standard; yet her treatment of the subject is tinged by an inner sympathy which has obviously helped her in gaining an insight often denied to less sympathetic scholars or to those who have been too closely involved in Gandhian movements in India.

The principal thesis of the author is that Gandhism is not a well-rounded system of political idealism, so that those who seek a 'System' within it are bound to fail. According to her, the essential contribution of Gandhi lay in trying to fashion an effective substitute for violence in the field of social action. She has also correctly stated that these means do not carry one towards any pre-conceived goal, but is end-forming by its very nature.

Many seem to believe that the methods of Gandhi are only possible in a country like India where there is a long tradition of non-violence. The author has successfully shown how there is enough evidence to show that it can operate very well in a medium where non-violence has never been the tradition. She has also contested the view that Gandhi was very much rooted in the past in India. Superficially this may appear to be so; but there

was so much originality in Gandhi's thinking and so many occasions when he gave new meanings to old words that the common view about him has to be considerably modified.

The author then proceeds to compare Gandhi's ideas in respect of politics to those held by various schools of Anarchists, Socialists, Authoritarians and Liberal Democrats. By a careful comparison, she has tried to prove that all of the latter fail in offering a suitable way of action. Most of them, again, start with a preconceived end and try to fashion means in order to achieve that end. This has consistently led to failure. In contrast, Gandhi offers a philosophy of action which is capable of fashioning an end as it goes along. May be, Gandhi worked in the Indian scene with certain specific ends in view. But if his contribution is rightly

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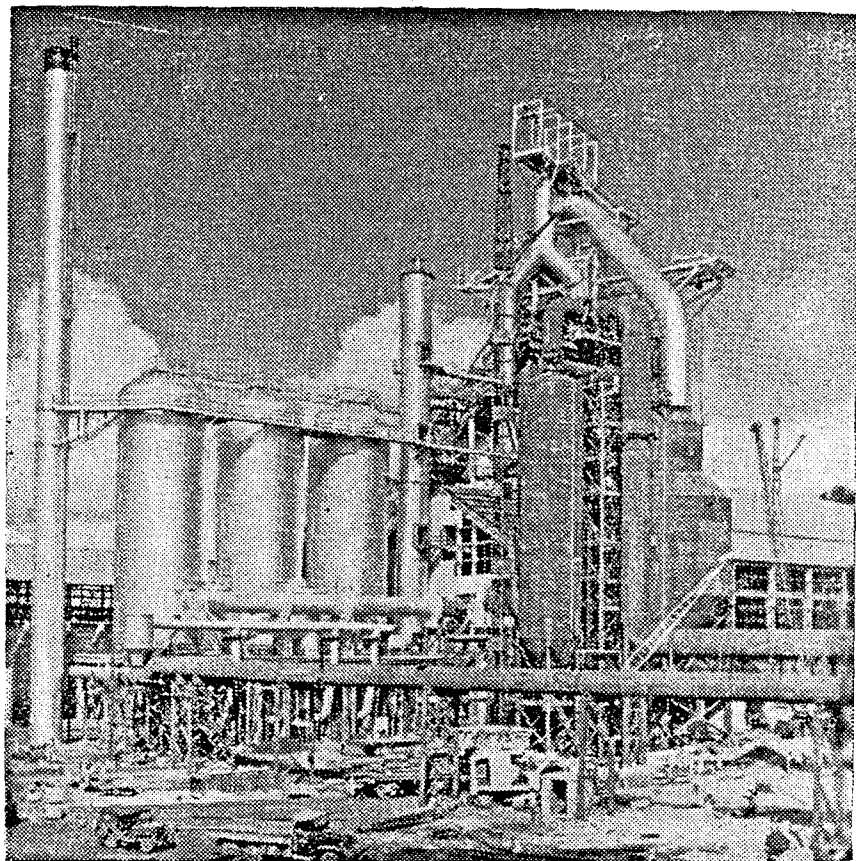
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assessed, then, instead of imitating him, people in all cultures would try to adapt the method of non-violence under varied circumstances. This will help in initiating a new era in which both constitutionalism as well as violence will become outmoded and a creative epoch

begun which will bring out the best in man even within the midst of conflict. Conflict will then not degrade mankind as it does under violence, but serve to elevate the human race.

It will be obvious from the above summary that Dr Bondurant's book

is not only stimulating, but has within it elements of a challenge to many of the current ideas which seem to govern human destiny at the present time. We only hope that the book will receive the appreciation and popularity which it so richly deserves.



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What Is Wrong with Our Economics Teaching?

1—A Comment

N K Namboori

TEACHERS of Economics will surely feel thankful to Mr J M Healey for his timely and thought-provoking article in the *Economic Weekly* (issue of November 21). The three points raised by him at the outset of his article contain sizable elements of truth. Subscribing broadly to those, I wish to add a few more suggestions.

The first point raised by Mr Healey is related to the development of the economic way of thinking. To a very large extent, this state of affairs is the result of treading the beaten track in the teaching of Economics, when there was practically no differentiation between Economics and History. There was a time when a lecture on the Theory of Ricardian Rent could be aptly compared with one on the Decline and Fall of the Roman Empire. Since then, fortunately, teachers have been successful in using a more suitable and precise language, at least in the teaching of Principles of Economics. With regard to other subjects, say, Rural Economics or Economic History, the old order still holds ground. The outcome has been that the student fails to think objectively with a certain definite point of view or to grasp the plain trend-factor in economic evolution. This babeltongue method is a dangerous one.

The methods of economic analysis and research have changed and we have to adapt our methods of Economics Teaching to them. By such a change alone we can develop the latent talents of the student and divert them to the fruitful fields of patient research. The method of Economics Teaching also should be research-biased. Apart from the usual course of lectures, which is the general pattern of Economics Teaching, it is to be tried to put some more of independent work on the student. Very seldom do the students go to the standard works even for a reference. They depend on the cheap bazaar notes for an easy pass in their 'soft option'. They are familiar with only a few points mentioned in these notes, their grasp of principles, if any, has no relevance to the reality and its

problems with which they have to deal at a future date. We must evolve some method-by which we can make them familiar with practical economic question.

By the way, it has been widely remarked that the students we get in the Economics class are not very good. Why is it that Economics has become a 'soft option' for those below the average? Because the teaching of Economics has been inducing that lighter vein. Don't allow the student to embrace the philosophy of the 'soft option' and 'easy pass'. Make him work for himself and think for himself. My suggestion is that there must be some 'practical work' both in reading standard writers and in doing some very simple research project. If a physics B Sc student can submit an excellent record book, I find no reason for the inability of the Economics student to do the very same work.

The reading work may be chosen in the form of chapters from standard authors; those portions which are of immediate relevance to the conditions of our country may be given priority. The nature of these exercises may be to summarise exactly a given portion, to critically evaluate it in the conduct of Indian conditions, or to find out the implicit assumptions of the author. The student may be asked to work on alternative assumptions also.

It is needless to reiterate that in an agricultural country like ours, Research on Agricultural Economics has to be speeded up. Every student by the time he completes his first degree course or takes the degree, must be made to write an essay (not of the standard of a thesis) on a subject in which he has gained some practical ideas. It may be that every batch of degree class students may choose one problem in Rural or Agricultural Economics, collect data on it within a limited area, analyse it with the help of the teachers and get the essay ready. Such a training can go a long way to giving the economic way of thinking a realistic basis.

In the same way, Mr Healey's

point regarding the absence of deep and logical study of certain key economic problems of our times is worth consideration. To me, it seems that it is a question of re-ordering the study of Descriptive and Applied Economics in the context of our changing economic order. Most of the thinking process in Economics takes place along the traditional lines for there is need only of that. If we would like to have books that give a refreshing experience, it is necessary that new thinking for the new method of Economics Teaching develops.

There are two points which may be raised against the stand taken by Mr Healey. The first is that he lays too much emphasis on the mathematical equipment. While he discusses this at sufficient length, the other two points are left out. Over-much concern with mathematical economics makes him say that 'by no stretch of imagination does the normal scope of Economics encompass a deep study of human nature.' But it remains to be proved that mathematical models by themselves can give us a full picture of our economic problems. The individual and the society in which he lives and solves his problems demand some specialised understanding as far economic issues are concerned. Is it profitable to make a pure mathematical science of Economics, to consider Economics on a par with analytical conics or vector geometry? Would it be too much to say that it will be unprofitable and painful to forget the social implications of economic problems? Unprofitable because it will require a whole process of experimentation when applied to reality. Painful because it will deprive Economics of its human tinge and compress it into the ivory tower of mathematical models.

The second objection is regarding the dual course. Already, with the introduction of the Three-Year Degree Course, we are experiencing a fall in the admission to the Colleges, especially to the B A Class. The proposed division of the Economics course would appear to be a luxury which we can ill afford.

Here, would it not be possible to serve the purpose of incorporating the mathematical training without the division? There is no denying the fact that there are many insufficiencies in the present scheme of Economics syllabus. Our aim is to make them good. There are students who take their B A and go after jobs. They are the majority. There are also those who continue their study of Economics, and specialised workers. Mr Healey has taken up the case of the minority and put forward his suggestion of concentrated mathematical training. But what about the majority? Are they given something by way of Economics which they can rely on in their future vocation? In this connection, I wish to suggest the scheme of special papers. Let the general papers consist of Principles of Economics, Elementary Economics, Descriptive and Applied Economics. The special papers may be so devised as to cater to the minds of the two sets of students. That is, there can be special papers for researchers, containing a course of mathematical and statistical techniques. For the majority of ordinary talents, the present scheme provides no help. For them, special papers like Business Administration, Community Development etc may be prescribed.

Anyway, this is not the time for controversies and hair splitting niceties. We have to elicit as much of thinking and discussion as possible on this very important question. The conclusions are to be the concluding affair. In reforming our banks do not, the only result will be two lines of action. The first lies in an effective organisation of understanding regarding these problems among Economics teachers and economists. Lacking the desired action from the Universities, we have to adjust ourselves to the existing system of syllabus and examination. Within the existing system, how far can we bring about change and adjustment? The method of teaching and the questions to be set depend to a very large extent on the teachers concerned. Would it not be possible to bring together the people concerned and arrive at the desirable adjustments to be effected among themselves? A few years back, I remember to have gone through a symposium on the Teaching of Economics to the Graduate Class in the *American Economic Review*. The Indian Eco-

nomic Association can organise such a symposium or they can make it a subject for discussion for the annual session. When opinion becomes organised in this manner, the necessary changes and adjustments will naturally be taken up by the authorities.

II—A Protest

A B Ghosh

IN his article 'What Is Wrong with Our Economics Teaching?' in your journal dated November 21, 1959 Mr J M Healey makes some general statements (most of them being his opinions with which others may not agree) one of which is that the introduction of a course of training in undergraduate mathematics will immensely improve Economics education. No one is more conscious of the defects of the teaching of Economics (which is not a phenomenon peculiar to India) than the teachers themselves. Continuous attempts have been made in our Universities to improve matters in this direction especially since independence. No experienced teacher will, however, think that a course of training in elementary mathematics would be the cure-all. The problem is not simple. Nor is the remedy. This is not the place for discussing it. I shall merely remind Mr Healey of what Keynes said about the equipment of a competent economist:

"The study of economics does not seem to require any specialised gifts of an unusually high order. Is it not intellectually regarded, a very easy subject compared with the higher branches of philosophy and pure science? Yet good, or even competent, economists are the rarest of birds. An easy subject at which very few excel! The paradox finds its explanation, perhaps, in that the master-economist must possess a rare combination of gifts. He must reach a high standard in several different directions and must combine talents not often found together. He must be mathematician, historian, statesman, philosopher—in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. He must study the present in the light of the past for the purposes of the future. No part of man's nature or his institu-

The University Grants Commission is engaged in bringing out some plans for the reorientation of teaching the various subjects in the universities. The immediate action at our disposal seems to be the organisation of wide and responsible discussion of the question.

tions must be entirely outside his regard. He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near the earth as a politician."

—*Memorials of Alfred Marshall*. Edited by Pigou, p 12.

Alfred Marshall was second wrangler and had nourished ambitions to explore molecular physics in the earlier part of his teaching career. It may therefore be apt to quote from a letter he wrote to Professor A L Bowlby on the use of mathematics in Economics:

"...I had a growing feeling in the later years of my work at the subject that a good mathematical theorem dealing with economic hypotheses was very unlikely to be good economics: and I went more and more on the rules—(1) Use mathematics as a short hand language, rather than as an engine of enquiry (2) Keep to them till you have done (3) Translate into English (4) Then illustrate by examples that are important in real life (5) Burn the mathematics (6) If you cannot succeed in 4, burn 3. This last I did often.

"... mathematics used in a Fellowship thesis by a man who is not a mathematician by nature—and I have come across a good deal of that—seems to be an un-mixed evil. And I think you should do all you can to prevent people from using mathematics in cases in which the English language is as short as the mathematical..." (*Ibid*, p 427).

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More Lament for Economists

Narindar Singh

SCHUMPETER once wrote, "Not inconsiderable is the social loss from such unproductive employment of many of the best brains. Considering how terribly rare good brains are, their shifting to other employment might be of more than infinitesimal importance." (*Capitalism, Socialism and Democracy*, p 198). He was lamenting for lawyers; I am lamenting for economists. What use is it to lament for economics, which Professor Dasgupta assures us, is prospering—even though the economy is not? This prosperity of economics without that of the economy is crucial for the present contribution to the series of laments being published in these columns (which I hope is not lamentable!). For I believe, *a la* Mukerji, that our economists are "mostly busy with spinning cocoons of model-building, with formulating static or comparative static models of a national system that is neither here nor there." The fondness for a jewelled model, the lure of the curve, sometimes makes them go off the tangent and they forget the core of their enquiry. Salvaging such good brains by shifting them to "other employment" will represent a social gain of no mean order.

What is lamentable, however, is not our fondness for this school or that, but our reluctance to face reality. *The General Theory*, for one, is a highly particularised theory, in the sense that it is relevant only to Western experience. Professor Dasgupta has pointed out the dilemma of the Indian Keynesian: larger investment which has to be accompanied by an increase in the propensity to save. But national saving refuses to be stepped up adequately. Professor Lewis has taught us (*The Theory of Economic Growth*, pp 225-44) that national saving is a function not only of the national income but also of the proportion of profits (private and/or public) in that income. Indian economists, old and young, seeing their models hit up against inadequate financial saving and fearing the inevitable vicious circles, turn to external sources.

Things would be easier with the recognition that it is indeed futile to wait for the prior emergence of

financial savings (as M H Dobb has argued at various places) which might land us in another whirlpool, putting some of our consumer goods industries out of action (and then further on). The way out is to turn our attention from the prior emergence of financial savings towards economic reorganization. By enlarging the operational economic units in all sectors of the economy, such reorganization will permit higher retained profits, public, private and cooperative, pushing up the taxable capacity also. For the latter, too, is primarily a function of organization, in the sense that there are bigger but fewer operative units in the economy. The problem of resources, and hence of inflation-free development, is inextricably linked with economic reorganization. Professor Lewis's condition can be fulfilled only in this way.

I cannot help lamenting the proposed "Schumpeterianization" of Indian economic thinking, which Professor M S Khan is so fond of. He accepts the timidity of the Indian "entrepreneur". For has not Professor Rostow told us that the emergence of the middle class was an important innovation of the Western Industrial Revolution which is not susceptible to rapid diffusion throughout the underdeveloped countries? The "entrepreneur" even in his heyday was an "algebraic symbol" and we had in fact the "capitalist undertaker" (Dobb: *On Economic Theory and Socialism*, p 9). It is the latter who manifests himself in such deliberate strangling of innovations rather than their propagation as the "heroic effort by the General Electric research organization to shorten the life of flashlight batteries, etc" (Walter Adams in *The American Economic Review*, May, 1954, p 191). In India we do not have the "innovator," but the imitator who—and this is worse—imitates with a time lag. I do not wish to be misunderstood. I am not advocating any strangling of private enterprise. What I am insisting on is that it is beyond our entrepreneurs when the problem is to overcome the disequalizing factors working against us in the international economy. A light industry cannot now initiate a take-off, since

we face an unresponsive export market.

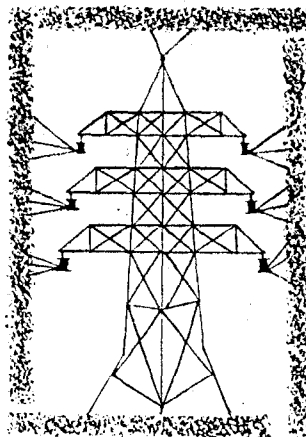
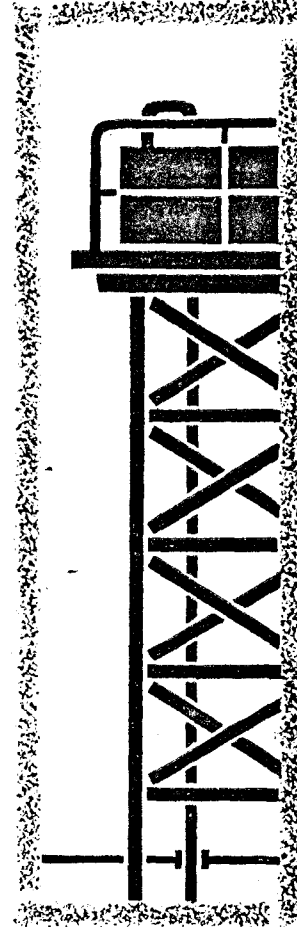
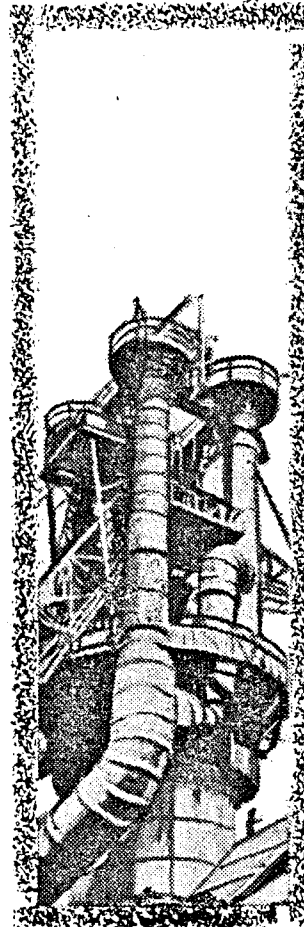
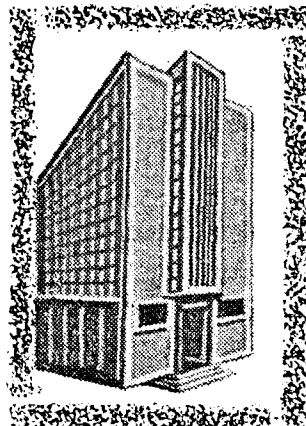
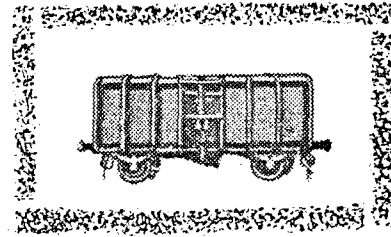
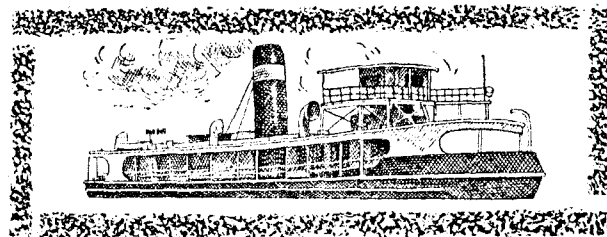
According to the Reserve Bank Bulletin for August, 1959 our cotton textile exports fell from 840 million yards in 1957 to 582 million yards in 1958, because, the Bulletin "laments", foreign competition has been aggressive. But our foreign competitors are not going to oblige and enable us to have a textile generated take-off, which Britain had. Requirements of much higher fixed costs in heavy industry put the weak entrepreneur off the stage as a vector of change, though his marginal role is not denied. We should not expect the State, then, to prepare the ground and hand over the field to Schumpeter's (and Professor Khan's) energetic innovators, for no such group exists in India, nor is it likely to emerge. Even in the U S A the daring entrepreneur is, according to Professor J K Galbraith, "a pleasant but almost certainly a far-fetched fiction". Professor Baran is able to find this legendary hero "only in the demi-monde of business, founding new ice-cream parlors or (quoting Galbraith) 'deep-freeze subscription clubs'." Hardly can we expect him to be of any considerable value in India.

We must, therefore, break the spell—the spell of "foreignism". Independent economic outlook is a necessary prelude to independent economic development. If, therefore, Indian economists are to cause something more than mere ripples, if they are to avoid grasping theories worked out abroad with a cultural lag (which, Professor Mukerji has lamented they are doing), if they want to avoid laments and counter-laments, they must not evade responsibility. They must boldly face the essentials of the situation: They must become "developmentologists".

SUGAR PRODUCTION

SUGAR production during November, 1959, the first month of the season 1959-60 was 1,80,000 tons as against 90,000 tons produced in November 1958. This excludes 32,000 tons produced by some factories for the current season prior to November as against 31,000 tons last season.

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Britain's Share of the World Market

From Our London Correspondent

THE *Financial Times* columnist, Lombard, complained the other day that although British exports have been increasing, Britain has done little to counteract the decline in its share of world export of manufactured products. In saying this, he was merely re-echoing the anxieties which were expressed in the House of Commons when the Chancellor of the Exchequer narrated the cold facts of West Germany's emergence to a position second only to the United States as an exporter of industrial goods. It is of course not easy to find an answer to this challenge to British exports. But some diagnosis must be attempted, and this is what is absent in most British comment and complaint.

GENERAL RECOVERY

It cannot be argued that the present international trading position creates any particular difficulties for British exports. Trade in manufactured goods, particularly among the industrial countries, has been recovering since the second half of 1958 at about the same rate as the revival in industrial production in Western Europe and the United States. By the middle of 1959, world trade as a whole started to rise as a result of the upturn in the exports of the primary producing countries. It is to be noted that the benefit which the primary producers have obtained from the recovery in the manufacturing countries has been through increases in the volume rather than in the unit value of their exports. This gain however has not been evenly distributed. The overseas sterling countries have fared better than other primary producers, and hence British exports, which depend so heavily on the overseas sterling markets, must have had greater opportunities than the exports of other manufacturing countries.

The international financial situation too has improved. There has been a far-reaching redistribution of gold and foreign exchange reserves which must have also facilitated international trade. In 1958 the industrial countries as a whole (excluding the United States) made significant gains mostly at the expense of the primary producing

countries. This year, however, the reserves of the primary producers have been increasing and this has eased the international payments mechanism so making for an increase in trade.

SLOW RISE IN U K EXPORTS

These factors have assisted British exports in absolute terms. The value of British exports rose by over 7 per cent in the first 10 months of 1959 compared to a decline of 3½ per cent in 1958. British performance in the United States has been particularly good. Already in 1958 the North American market took 8 per cent more of U K exports. In 1959 a further increase took place. And yet the relative performance of Britain as an industrial exporter suggests a certain stagnancy when compared to other industrial exporters (see table 1).

The relative experiences of the export performances of the industrial countries and the poor showing of Britain is clearly borne out by the trade of the third quarter of this year, when British exports rose by about 2 per cent compared to the corresponding period of a year ago. By contrast, West German ex-

ports rose by 10 per cent, that of France by 10 per cent, Japan 20 per cent, Italy 8 per cent and Switzerland, Sweden and Norway by over 5 per cent.

INFLATED HOME DEMAND?

In the early 1950's when the first signs of British export decline began to show themselves, it was argued (as it was fashionable then) that the inflationary levels at which internal demand stood caused not only a diversion of export goods to the home market but a sharp rise in export prices causing an overall weak export position. If this was in fact the cause then clearly Britain's exercise in disinflationary economics must have dismally failed in this period, for, between 1953 and 1957 British exports rose by no more than one-third compared to a doubling of the export levels of West Germany and Japan.

To explain away the current weakness in the relative export position of the United Kingdom in terms of inflated internal demand certainly cannot hold water now. There are no indications that home demand has reached a point at which it is materially reducing the incentive to

TABLE I: SHARE OF WORLD TRADE IN MANUFACTURED GOODS
(Per Cent)

	1957	1958	1959
	Year	Year	1st half
United Kingdom	18.1	17.9	18.2
West Germany	17.5	18.5	17.8
Other Common Market	27.6	29.0	28.5
United States	25.4	23.3	24.2
Canada	5.5	5.3	5.4
Japan	5.9	6.0	5.9

TABLE II: TRADE WITHIN EUROPEAN COMMON MARKET
(\$ million—First nine months)

	1958	1959	% increase	% Change in trade with rest of world
<i>Imports from Common Market</i>				
West Germany	1382	1711	23.8	+ 6.3
Belgium-Luxembourg	1071	1149	7.2	+ 5.1
France	928	938	0.7	—19.2
Italy	440	549	23.8	+ 4.5
Netherlands	1098	1268	15.4	+ 3.2
<i>Exports to Common Market</i>				
West Germany	1787	1950	9.2	+ 8.5
Belgium-Luxembourg	1006	1079	7.3	+ 4.8
France	815	1066	30.7	+ 1.5
Italy	405	477	17.8	+ 4.2
Netherlands	962	1108	15.1	+ 6.2

producers to look for markets abroad. The *Economist* reports that in spite of the revival in industrial production, there still exists a significant margin of unemployed capacity in British industry. Further, British prices have benefitted from the fall in import costs since the middle of 1957 and this should have provided the basis for a more competitive price structure for British exports. In any event British internal costs and prices have remained stable for well over a year.

STRUCTURAL RIGIDITY

The reasons for the decline in the British share of the world market appear however to be more structural and fundamental than anything taking the form of domestic inflation. In spite of the many changes that have taken place in the structure of British industry in the post-war years, British exports continue to rely on the performance of such industries as textiles, and the various craft industries which for long have been known to be of declining importance in world trade. No doubt, a greater vigour in motor vehicles, chemicals and machinery production would place the structure of British exports in a position of equality with such competing countries as West Germany.

Next, the techniques of international trade have changed sharply and Britain, subject as it is to the conventions of the 19th and early 20th century, has not adapted itself to the contemporary demands of high pressure salesmanship, greater and more easily available credit facilities, easy and dependable delivery dates and such requirements as services and information facilities. When one compares the mental bearings of the British export trade with those of, say, West Germany, one cannot but be impressed by the deep validity of the otherwise much-abused claim that the British people are inherently conservative.

THE COMMON MARKET

A more important reason relates to the distribution of British exports. The overseas sterling area is not an expanding area for the world trade in manufactured goods. Britain has been experiencing the greatest difficulty in maintaining the size of its exports to this market in the past decade. In the West, the most rapidly expanding market has been continental West Europe and this has possibly been an important factor stimulating the growth of such re-

gional arrangements as the Common Market.

West Germany by its membership in the Common Market has linked itself with a trading group considerably more viable and trade-creating than the sterling area. Already the benefits of the Common Market on the trade of each of the member countries are visible. *Le Monde* recently analysed Common Market trade developments and found that the six member countries increased their trade with each other in the past year by well over 12 per cent compared to 1958—an increase considerably above the trade of the Six with the rest of the world. The statistics given in table II are impressive and give us an indication of the growing volume of trade intercourse within the market.

DECLINE IN EXPORTS TO STERLING AREA

Britain sends about 40 per cent of its exports to the sterling area. In 1959, in spite of the evident increase in the foreign exchange earnings of this region, its exports have been running at a monthly average of about £10 million or some 6 per cent below that of 1958 and about 8 per cent below that of 1957. The long-run tendency has been for the sterling area to be a relatively stagnant if not declining area of trade and this must now be regarded by Britain as a point of some consider-

ation. The impression is however obtained that the sterling area will continue to possess an emotional importance to Britain and this alone is enough to inhibit new initiatives likely to come from the British Government for securing membership in the Common Market.

For Britain the trade battle is going to be increasingly tough. To win through or at least to hold on to the share which she presently enjoys will require major changes in attitude and a considerably greater willingness to explore and to be adventurous. May be the very pressure of the trade war, now so much more in evidence, will force upon the British Government the understanding that a new attitude is demanded. So far, however, the old habits persist.

CEMENT PACKING CHARGES JANUARY-MARCH

THE charges for packing one ton cement (20 bags) in new D W Heavy Cees quality Gunny bags for the next quarter commencing from January 1, 1960 work out to Rs 12 and 09 nP. Government has fixed these charges for the next quarter.

Packing charges for cement are fixed every quarter. For the quarter ended December 31, 1959 packing charges were fixed at Rs 11.65 nP per ton for new D W Heavy Cees quality Gunny bags.

Sales Tax Department, Bombay

THE Bombay Sales Tax Act, 1959, and rules thereunder will be brought into force on January 1st, 1960.

Form of application for registration and a Booklet explaining salient provisions of the Act and the Rules is being sent by post to each existing registered dealer, by 28th December 1959. Prospective dealers liable for registration may obtain the same from the local Sales Tax Office.

Applications for Registration Certificate are to be submitted to the Registering Sales Tax authority concerned between 28th December 1959 and 10th January 1960 and those for Licence, Authorization, Recognition and Permit between 28th December 1959 and 7th January 1960.

All dealers are advised to see that if they are liable to pay tax under the new Sales Tax Act to apply for Registration Certificate etc., as soon as after 28th December 1959. For further guidance, dealers should approach the local administrative Sales Tax Office.

(P. N. DAMRY),

Commissioner of Sales Tax,
Bombay State, Bombay.

No. PUB. 1159.

Bombay, 24th December 1959.

From the Chair

The Bombay Gas Company Limited

Speech of the Chairman, Shri N K Jalan

THE following is the summary of the speech delivered by the Chairman, Shri N. K. Jalan at the Annual General Meeting of the Bombay Gas Co. Ltd., held in Bombay on 30th December, 1959:

We are meeting, if I may say so, in a different world today. President Eisenhower has been recently out on a world tour in a mission of peace and has been widely acclaimed not only in India, but in all the countries he visited, as a great messenger of peace. The holding of a Summit Conference is now almost a foregone conclusion.

But when I said we are living in a different world today, I was, in fact, referring to a more profound development. As a consequence of the launching of Lunik on to the moon, new possibilities of inter-planetary travel and cosmic explorations have been opened. The problem of inter-continental distances has been reduced to much smaller proportions. In a few years when jet planes with a speed of 1200 and more miles an hour are commercially introduced, it would be possible that some fine morning you take off at Bombay and after doing your business in New York you are back in Bombay the same evening ready for dinner. These possibilities were staggering only twenty years back, but they are calculable realities today.

PLANNING IN BUSINESS

While the ever-extending frontiers of new technological and scientific knowledge have given us a new world, we cannot afford to live in the ways of the old world of the 19th century nation-states and obsolete isolated economic and social communities. The theory of the inevitability of cyclical business crises has been exploded and planning has been introduced in business also, both on industrial and unit bases.

Institutions like the World Bank and the Industrial Finance Corporation have also been established. While these institutions draw their capital primarily from governments, their resources are derived also from private business.

Added to the picture of institutional industrial finance is the structure of

shareholding itself. The primary capital of a company is derived sometimes from hundreds of thousands of shareholders, big and small. In this context, it is indeed a misnomer to call private business and industry as the 'private sector'. It is as much a 'public sector', or better still, a 'social sector' as one could ever be.

FALL IN INFLOW OF PRIVATE FOREIGN CAPITAL

You may, perhaps, recall that ever since the Government of India announced its policy towards foreign capital in April, 1949, the avowed object of our policy has been to encourage larger and larger inflow of such capital. The recent invitation to foreign firms to participate in oil exploration in the country and the announcement that the risk of payment of inadequate compensation in case of nationalisation would be covered under the U. S. Foreign Investments Guarantee Scheme are only some instances symbolic of the desire of our Government to extend better opportunities and provide a more congenial climate for the participation of foreign capital in our industrial programmes. Against this background, let us have a look at the results. The Union Finance Minister is reported to have apprised the Informal Consultative Committee of his Ministry that the net inflow of private capital into India during 1958 was not more than Rs. 10 crores as against Rs. 16.8 crores in the previous year.

Although India has received the largest contributions from the World Bank and out of the U. S. Government Economic Aid Programme, and although the U. S. President surveyed the situation in India, as offering one of the best opportunities for fruitful investments, India remains a neglected field for purposes of private foreign investments. This gives a cause for a little heart-searching; a little introspection.

SCARING FACTORS

What applies to investments from abroad, applies more to private industry at home. You are aware of the restraints which have been imposed on the functioning of companies particularly in relation to

managing agencies. A few months back, a new restriction was announced in the form of the enforcement of a graduated scale of maximal managing agency commission payable by companies. I have no doubt that the net result of this measure was totally negligible and that it only acted as another scaring factor while bringing about no salutary result. Our taxation structure has also many such features. It is understood that the collections of the expenditure tax during the first half of this year have been about Rs. 20 lakhs only. One has only to juxtapose the amount of additional administrative burden borne by both the tax collecting machinery and the tax-payers alike against this yield and it would be easy to conclude how wasteful has been the innovation. Many foreign financial interests and potential industrial participants have pointed to the wealth and expenditure taxes as deterrents to a higher investment rate in India and yet we know that such measures have not helped, on any substantial scale, our National Exchequer either.

BANKS AND FINANCE FOR INDUSTRY

It also appears that our banking system needs a new positive approach with an industrial bias. Between 1956-57 and 1958-59, while the deposits with commercial banks rose from Rs. 1197 crores to Rs. 1624 crores or by about 36 per cent, the bank credit including advances on bills purchased and discounted during the same period rose from Rs. 894 crores to Rs. 1002 crores only, that is, by 12 per cent only. This wide gap has been filled up by investments and, particularly, those in Government securities. If we analyse the bank accommodation figures, we will have a worse picture still. It is very difficult to understand this bias against industry. We might have to devise at some stage some plan to ensure that all reasonable proposals of business and industry are fairly entertained by the banking system. The success of industry in Japan has been largely attributed to a liberal system of bank credit.

It would appear that banking policies in respect of providing ac-

commodation to small business units and people of meagre means require a more radical change. The assets, properties and other securities which people of small means can offer are seldom entertained. Shares and debentures are refused as security on untenable grounds. It is, therefore, imperative that definite principles are laid down and a method is devised so that all legitimate demands of these people are fairly and considerably entertained. If our banking system cannot rise to the occasion, I wonder if the Government should not sponsor a special agency on a country-wide basis to see that needs of small business are not ignored.

RECORD GAS PRODUCTION

The gas production in 1958 set up an all-time record with an output of 1,658,548,000 cubic feet, the increase being 4.95 per cent over 1957. Since the present Management took over the Company in 1946, gas production has increased by almost 50 per cent. For the first time in the history of the Company, over 50 lakhs cubic feet of gas was sent out from the works in one day, viz., 12th December, 1958. Subsequently, this figure has been exceeded on several occasions, the peak day output at present standing at 53.4 lakh cubic feet.

PLANT AND EQUIPMENT

In October 1958, a booster of larger capacity was installed at the gas works to cope with the increased volume of gas distributed at times of peak demand. Some of the beds of retorts were rebuilt, a programme of gas main cleaning was completed within the Works and the work of cleaning up the trunk mains was continued, resulting in improved gas pressure in the areas concerned. A number of improvement schemes were introduced using improved type of lamps.

WORKERS WELFARE

With 15 points rise in the cost of living index in 1958, the Company had to provide an additional Rs. 1½ lakhs as wages. An X-Ray plant was installed during the year and is in service under an eminent Radiologist. Facilities for eye, ear, nose and throat examination and thorough physical check-up have been provided in the dispensary.

STRONG CASE FOR AN INCREASE IN THE PRICE OF GAS

You will have learnt from the Directors' Report that the Fourth Gas Advisory Committee which had been appointed in January 1959, has arrived at the finding that the pre-

sent uneconomically low price of gas need not be revised. I need hardly say that the Advisory Committee's finding on this question is extremely unjust and disappointing. It would be recalled that the First Gas Advisory Committee had suggested that the price of gas per thousand cubic feet should be Rs. 3.94, Rs. 3 being the basic price and Rs. 0.94 being the surcharge. The Committee had further recommended that the surcharge should be increased or decreased so as to allow for increases or decreases in the cost of stores and labour, etc. The conclusions of the Committee were based on the actual cost figures for 1946. Since then, all the main items of cost, such as coal and coke, wages and salaries, repairs and maintenance, have gone up substantially.

Thus, for instance, the cost of coal including freight per ton has increased from Rs. 27.31 in 1946 to Rs. 49.85 in 1958, i.e., by 83%; the cost of coal actually consumed has increased from Rs. 17.97 lakhs in 1946 to Rs. 47.86 lakhs in 1958, i.e., by 166%; the cost of wages has gone up from Rs. 13.40 lakhs in 1946 to Rs. 23.77 lakhs in 1958 i.e., by 78%; and the cost of amenities provided to labour has increased from Rs. 78,360 in 1946 to Rs. 4,65,846 in 1958, i.e., by nearly 500%. In the face of such substantial increases in the costs of labour and material, is it not strange that four successive Gas Advisory Committee, investigating the matter during the period of 12 years from 1946 to 1958, arrived at the same, invariable, finding that there was no justification for any increase in the price of gas? Reviewing the analyses and the findings of these four Gas Advisory Committees, one cannot resist the impression that the Committees were influenced by some definite, pre-conceived, idea due to which they invariably refrained from considering any increase in the price of gas, even though such increases would be fully justified by the increases in costs actually incurred in the manufacturing and distribution of gas.

STRANGE AND ANOMALOUS

In this connection, it will be in order to point that, during the last 12 years, there have been many inquiries into the prices of basic commodities and services, such as, iron and steel, cement, sugar, regional transport services, etc., held by a statutory body like the Tariff Commission or by *ad hoc* commissions,

and that, in practically all these cases, substantial, and, in some cases, successive, price increases have been sanctioned. The Calcutta Tramways Company also recently increased the tram fare substantially on account of increased costs. Likewise, the B E S T increased the tram and bus fares and hire charges for electric meters. It may also be mentioned that, since January 1956, the Tata group of Hydro-electric Power Supply Companies have introduced a fuel adjustment charge in their tariff, involving automatic increases in rates to compensate for increased costs of fuel oil, coal and freight. Having regard to these important cases of price increase, is it not strikingly strange and anomalous that only in the case of the Bombay Gas Company, the Government feels justified in maintaining an uneconomically low price of gas for a period of over 12 years, particularly in the context of the well-known inflationary conditions prevailing in this country for the best part of this period?

Since 1946, the Bombay Gas Company has significantly expanded its facilities and given gas connections to some 2,700 new consumers of whom nearly 1,358 consumers were given connections in 1958. The Company has invested over Rs 1 crore in the acquisition of the fixed assets. Very considerable amounts are also employed as its working capital. Judged by any criterion, the Bombay Gas Company has been conducting its operations with a high degree of efficiency. By any standard of justice, the Company could legitimately expect from the Government a favourable response to its repeated request for a suitable increase in the price of gas to compensate for increased costs of material and wages.

REALISTIC APPROACH NEEDED

Instead, however, the Company has met with repeated rejection of its request and it has been continuously penalised by being tied down to an uneconomically low price for a period of 12 years, which by the way, is even lower than the pre-war price of gas in Bombay. And, as the shareholders are aware, the Company has been compelled to cut down the dividend for 1957 and, again, for 1958 to one-third of what it had been in the previous years, the actual rates in these last two years being 4 and 4.5 per cent respectively. I must take this occasion

F M C Sword over Markets

Thursday, Morning

WHILE Dalal Street has been holidaying since December 25, commodity markets have been having a very exciting time. The upward trend in oilseeds, cotton and bullion prices gathered further momentum during the fortnight under review. Groundnuts, cottonseeds, castor and cotton futures hit new highs for the season, and bullion scaled new all-time peaks. It was only towards the fag-end of the last season that groundnut futures touched Rs 208 per candy but this season they have already risen to Rs 198.50 (December 24). Castor and cottonseeds are well above their last season's best. So also cotton futures.

Prices have risen despite stiffer margins, credit curbs and certain other regulatory measures, which only underlines the serious imbalance between demand and supply. The balance has been upset both by increased demand and reduced supplies. The export boom has contributed not a little to the remarkable strength in oilseeds. And with cloth a seller's market since long and estimates about the 1959-60 crop progressively revised downward to around barely 43 lakh bales, it is no surprise that spot cotton prices have pierced their ceilings.

The Forward Markets Commission is annoyed over the behaviour of most markets under its control. While inaugurating futures trading in groundnut oil in Bombay on December 24 the Chairman of the Commission, Shri S A Rao stated that "prices in the some of the markets have reached such levels as cannot be justified from any economic and market standards, particularly in the case of groundnut,

to appeal to the Government with all the earnestness at my command, to have this important question of a suitable increase in the price of gas in Bombay, reviewed on broad considerations of equity and fairness, and in the context of the established Government policy of providing adequate incentives for the expansion of basic economic facilities in the country, and I do suggest that, in reviewing this matter, Government should adopt a realistic, business-like, approach.

cottonseed, cotton and raw jute." It was the "considered opinion" of the Commission, he said, that "speculative pressure and not any compelling factor" was to a large extent responsible for the price trends of today.

The F M C chief has only to trade on his "considered opinion" to realise the grave risk involved therein. It is unfortunate that the Commission should not have been able to realise by now that the market is a sensitive mechanism by which all of the opinions of all interested persons are reduced by a competitive democratic auction to a single figure representing the price of the commodity at any particular moment. To say that is not to suggest that markets can be allowed to follow any course they like. It is necessary at times to keep the price curve under proper check. But the Forward Markets Commission needs the reminder that penal margins and strong warnings are no substitutes for shortages. Stiffer margins and occasional threats of closure only eliminate the small fry leaving influential and resourceful operators to exploit the situation to their best advantage. Even the closure of futures market cannot help much in checking the rising trend in prices when the rise is due to a serious imbalance between physical demand and physical supply. Of course in conditions of acute shortages, forward trading not only ceases to perform any economic function but it actually does considerable harm.

It was on December 24 that the F M C chief inaugurated hedge trading in groundnut oil. Only the previous day groundnut February and cottonseed February had risen beyond Rs 196 and Rs 150, levels which attracted heavy margins of Rs 60 and Rs 50 per candy respectively. Groundnut oil futures came under margin of Rs 5,040 per unit of trading (ten tons) on the very first day of trading. If the Commission had been convinced that speculators had been playing havoc with the market one might ask as to why it permitted trading in a new contract. And having done that, why threaten the trade about a possible closure of the market and

squaring-up of outstanding position at any arbitrary rates? This makes speculation a sheer gamble. Let it be known to the Commission that squaring-up of contractual obligations at arbitrary rates not only undermines the sanctity of the contract but also its own prestige. Already the Commission is more dreaded than respected.

BOOM IN OILSEEDS

To come back to the market story, oilseeds recorded impressive gains during the fortnight under review. Groundnut February rose from Rs 190.50 to Rs 198.50, castor May from Rs 172.50 to Rs 178.25 and cottonseed February from Rs 147 to Rs 155. The rise was due both to nervous short covering and tight bull grip. Closing prices on December 30 were moderately below their best, with groundnut down to Rs 194.50, castor at Rs 175.37 and cottonseed at Rs 150.50. The setback was due essentially to heavy corrective profit-taking but selling was also provoked by fears about the possible closure of futures markets if prices rose much farther.

Fears about Commission's intervention apart, in view of the recent impressive rise in prices technical considerations would seem to warrant a pause in the uptrend. How long the process of technical adjustment might take place, is difficult to say. Technical adjustment could be a prolonged affair, particularly in the case of groundnuts. A good deal, however, depends on the Government's attitude towards the export of groundnut oil, the policy for which has yet to be announced. If the export of oil is not allowed for quite some time the market might not find it easy to make a new high mark because of the rising pressure of arrivals in coming weeks. Arrivals have not been very unsatisfactory in recent weeks, but they were readily taken up by crushers and shippers because of the large shipments during December. But export business has now come to a virtual standstill. For oil there is no policy and in regard to oilcakes, overseas markets are in a holiday mood at present and the revival of demand will depend largely on the progress of the weather in the U K and the Conti-

nent. Freight to the U K and Continental ports goes up by ten shillings per ton from January. This might prove a handicap for fresh business, but most exporters seem optimistic about selling groundnut oilcakes.

Not much need be said about cottonseeds where the bull grip is believed to be quite tight because of the poor cotton crop and the delay in its movement this season. As for castor, opinion seems quite divided at the moment. Overseas prices have continued to harden but no important business has actually materialised in castor oil of late. Brazilian offerings are said to be poor. Even so the U S has not cared to negotiate any large business with India. The latest U S price of 15 cents per pound for Commercial is the highest quotation for a long time. Meanwhile, spot castor continues to be quoted at a big discount and the pressure of arrivals is beginning to pick up. Reports about the crop are encouraging. Only bulls will regret that the crop this season is much better than the previous one. Export houses are not pessimistic about selling Indian castor oil but they do not seem to share speculators' optimism about effecting sales at very high prices. Notwithstanding the marked strength in other seeds, linseeds remain distinctly subdued because of the continued weakness in linseed oil abroad. The latest U K quotation is mentioned only around £104 per ton, the lowest rate for many months. Export business in linseed oil continues to be at a standstill and the immediate outlook is considered unpromising. Hardly any worthwhile business has been done in linseed cake in recent weeks.

Cotton

QUALITY SURVEY

A FEW weeks ago when cotton futures—Moglai Jarilla March contract—reacted from Rs 763.50 to Rs 748 the Forward Markets Commission claimed that stiffer margin above Rs 770 had done the trick. But on December 24 the contract climbed to a new peak of Rs 767.25. The market advanced despite the Cotton Advisory Board's recommendation for a further import quota of three lakh bales of short staple cotton and the Textile Commissioner's announcement containing further restrictions on mill buying of Indian cotton, introduction of quality survey and the threat

to requisition stocks if necessary. Speculators rightly argued that the Textile Commissioner's decision to supplement his earlier regulatory measures by further action was a clear indication of the tight supply position of cotton. Had not the Cotton Advisory Board revised its earlier crop estimate of 48 lakh bales to barely 43 lakh bales?

Both the restriction on mill buying and the enforcement of quality control have had a softening effect on spot cotton prices. Unofficial premiums have declined by between Rs 25 and Rs 35 per candy. Mills have turned very cautious. It is partly because of improved import prospects and partly because of the determination on the part of the authorities to make available supplies at controlled prices. Activity in the spot market has dwindled and prices have turned easier. But the futures market has gained strength because the hedge contract is still substantially below the ceiling.

Details about quality survey and mill purchases on quota basis have been worked out. All deliveries of Indian cotton, losses or fully pressed bales, will be accompanied by a certificate of survey from the East India Cotton Association showing description, staple and grade of cotton if sold above a maximum price which is soon to be prescribed for this purpose. The start is being made with the Jarilla, Punjab and Rajasthan area cottons. Similar prices will be fixed for other varieties as and when the crop begins to move.

Individual quota letters for Indian cotton for the 1959-60 season will be issued separately to the mills in due course, initially to the extent of 50 per cent of their consumption in the 1958-59 season. For mills situated in the Punjab, Delhi, Uttar Pradesh, Bengal, Rajasthan, Vidarbha, Khandesh and Marathwada areas of Bombay State such quotas will be 60 per cent. The issue of further quotas will be related to the actual production in the units and also their consumption of foreign cotton in a manner to be decided at a later date. All deliveries of Indian cotton received by the mills from September 1 to December 31 and all outstanding purchases of ready and delivery contracts as on December 31 will be taken into account for determining the balance which may be purchased within the quota limit. In view of the intro-

duction of the quota system, the existing order prohibiting mills from covering more than three months of their requirements of Indian cotton is being cancelled.

If successfully implemented the introduction of quota system and quality survey should go a long way in bringing down unofficial premiums commanded by almost all the varieties. Of course, with cloth a sellers' market the industry is concerned more with supplies than with the prices of the raw material. The export performance continues to be encouraging, with sales registered up to December 29 totalling 50,200 bales of Bengal Deshi.

Stock Exchange

EXCITING MOOD

DALAL STREET bade good-bye to the year 1959—eventful in many ways—in quite an exciting fashion. With a few interruptions produced essentially by technical considerations, 1959 was a year of steadily rising prices. Most counters recorded their year's lowest in January and many were still climbing to new peaks when they wound up the year. Equities recorded impressive gains on a wide front. Dye-stuff shares led, to be followed by Automobiles, Silk and Woollens, Constructions, Textiles and Steels. Of course there were quite a few exceptions to the general trend. These were provided by the shares of Banks, Electricity, Shipping and Investment Trusts. Price movements therefore broadly reflected the varying fortunes of different industries.

Factors accounting for the upward trend in equity prices are many and are well-known. Investible funds continue to grow because of the development plans. The supply of first class shares has not increased much. Industrial and agricultural production has increased significantly in certain cases. Foreign exchange position has improved materially. Import curbs have benefited quite a few industries in a big way. Yield ideas have undergone a change with the steep rise in Government Securities. Inflationary trends have made equities more popular than the fixed interest bearing securities.

Between December 20, 1958, and December 19, 1959, the Reserve Bank of India Index (All-India) for variable dividend industrial securi-

ties has risen from 136.4 to 158.2, Silk and Woollen index from 412.7 to 747.2, Construction from 252 to 309.4, Transport Equipment from 181.3 to 340.2, Cotton Textiles from 108.4 to 134.2, Steels from 147.2 to 157.3, Cements from 117.9 to 131.6 and Paper from 182.8 to 211.8. Electricity shares index, however, has come down from 94.3 to 86.5. Banks from 201.4 to 185.9, Shippings from 137.2 to 122.6 and Investment Trusts from 103.2 to 97.9.

To name a few shares, Bombay Dyeing have risen over the year from Rs 55.40 to Rs 71.30, Century from Rs 416.50 to Rs 456X R (Right valued at about Rs 210), Standard from Rs 405 to Rs 900, Svadeshi from Rs 204 to Rs 278, Belapur Sugar from Rs 295.50 to Rs 335, Bombay Burmah from Rs 476.50 to Rs 576.50, Premier Automobile Rs 80.20 to Rs 170, Hindustan Motors from Rs 6.60 to Rs 16.40, National Rayon from Rs 233.25 to Rs 378, Voltas from Rs 132 to Rs 197, Wimco from Rs 186.50 to Rs 258, Tata Steel from Rs 173 to Rs 159.50 X R, Indian Iron from Rs 25.30 to Rs 23.40 X R and Tata Chemicals from Rs 14.40 to Rs 16.80.

A striking feature of the improvement in investment activity during 1959 was the marked revival of the capital market. New issue activity showed a welcome increase and many new issues were quoted at premiums even before they came on the market. An outstanding example is that of Colour Chem which took only a few months to rise from Rs 100 (par) to Rs 325.

Most factors which contributed to the boom on the stock exchange in 1959 are still there. And yet optimism about the future will need to be tempered with caution. Equity prices are much less attractive today than they were a year ago. With costs up, corporate earnings have failed to catch up with the rise in production. And what is really disturbing is the steady deterioration in Sino-Indian relations which can have far reaching repercussions on the economy of the country.

Money

BANK ADVANCES UP

STRINGENCY now prevails in the short-term money market. Of course this is quite normal for this time of the year. Demand for funds has been gradually picking up with the progress of the busy season.

Scheduled banks advances have increased by Rs 35.69 crores since November 27 and deposits are down by Rs 8.61 crores. Banks' borrowings from the Reserve Bank have risen by Rs 10.48 crores and banks have had to draw down their cash and balances with the Reserve Bank by Rs 6.30 crores. Investments are down by Rs 23.46 crores. The treasury bill rate which had declined to 2.338 per cent on December 4 has risen to 2.390 per cent. Sales of treasury bills had to be suspended for a week because of the year-end considerations. Seasonal demand apart, demand from banks for window-dressing has also exerted some pressure on the market with the result that even the exchange and bigger Indian banks have been finding difficulty in securing their supplies of inter-bank call money even at 3½ per cent. The stringency in the short-term money market, however, has not had any noticeable effect on the Gilt-edged market. Business in Government Securities has shrunk but prices continue to hold remarkably firm. The four per cent State Loans have been in fairly good demand recently.

Bullion

NEW PEAKS

ON December 28 bullion prices scaled new all-time peaks, with gold and silver, Maha delivery rising to Rs 127-13 and Rs 215-4 respectively. About a fortnight earlier gold could be had at around Rs 124 and silver at Rs 210. Bullion prices have maintained their upward trend without any serious consideration for the seasonal factor which has only affected the carry-forward charges for keeping business alive from one settlement to another.

With fresh arrivals of both gold and silver on the very low side and sentiment greatly helped by the deteriorating Sino-Indian relations, bulls have continued to dominate the market. Floating stocks have not been too poor but they have been tightly held by a few prominent professional operators. Prices have continued to rise recently despite the fairly high carry-forward charges which have often led to heavy margin on bears. The Board of the Bombay Bullion Exchange discussed on December 29 the situation arising from the continued tight bull grip and the heavy margin on bears on account of the high carry forward charges which in turn

have made the bulls more bold. The Board decided to amend the by-laws to raise the margin limits. At present bears have to pay margin of Rs 1000 per silver bar and Rs 10 per tola of gold when carry forward charges are one rupee and eight annas respectively. The limit of carry forward charges is now sought to be raised to Rs 1-8 in the case of silver and 12 annas for gold. The change will come into effect when sanctioned by the Bombay Government.

HEAVY ELECTRICAL PROJECT PRODUCTION SCHEDULE TO BE ADVANCED

GOVERNMENT has decided to speed up the second and third phases of construction in the Heavy Electricals Factory at Bhopal. The project authorities have been asked to draw up revised project estimates for facilitating an annual output of Rs 25 crores.

Owing to foreign exchange difficulties Government had decided two years ago to phase the company's manufacturing programmes in three stages; only the first phase was to be taken up immediately. A reappraisal of the additional electric power generation capacity expected in the Third and Fourth Five Year Plans has now led Government to decide upon early implementation of the second and third phases of the Project, for doubling the factory's output, and for its further expansion upto the optimum limit.

50 per cent of the machinery required for the first phase of the project, amounting to nearly Rs 2.5 crores, has been already ordered. To conserve foreign exchange, the project authorities undertook a survey of the indigenous machine tool manufacturing capacity. It is estimated that about 20 per cent of the total requirements can be obtained within the country. The manufacture of all the electric overhead travelling cranes required in the first phase has been entrusted to a well-known firm in India and the work is progressing to schedule.

It is hoped that a start would soon be made with manufacture of switchgears in the training workshop. It is also proposed to commence the manufacture of transformers from June, 1960. The Factory would be able to produce traction equipment from its workshop early in 1961.

CURRENT STATISTICS

BANKING RETURNS

Rs Crores				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note Circulation	1730.11	1728.97	1679.21	1589.42
2. Rupee Coin	132.93	132.75	135.31	136.59
3. Deposits				
(a) Central Govt	58.87	49.49	49.45	55.88
(b) Other Govts	24.65	25.96	27.21	17.22
(c) Banks	73.02	73.84	81.43	80.92
(d) Others	116.35	116.88	119.02	116.69
4. Foreign Securities	163.01	163.01	163.01	164.68
5. Balances abroad	50.13	45.78	41.13	24.17
6. Rupee Securities	1327.43	1326.71	1291.69	1184.79
7. Investments	236.83	236.97	248.48	277.03
8. Loans and advances to Govts	19.24	21.43	22.95	23.97
9. Other Loans and Advances	92.36	92.77	81.18	65.37
Scheduled Banks				
1. Demand Liabilities (net)	714.80	714.65	716.98	687.15
2. Time Liabilities (net)	1111.25	1111.20	1113.71	886.14
3. Cash	113.00	108.45	123.88	112.36
4. Borrowings from Reserve Bank of which Usance Bills	12.04	9.83	1.37	10.80
5. Advances of which State Bank's	808.06	795.89	777.53	737.42
6. Bills Discounted Inland Foreign Total	146.02	144.47	143.87	152.37
of which State Bank's	105.38	104.25	103.57	82.10
7. Invst in Govt Sec of which State Bank's	45.75	44.31	44.03	40.56
Cheque Clearance	151.13	148.56	147.60	122.66
† For Reserve Bank and Cheque Clearance Week ended 25-12-59. Scheduled Banks week ended 18-12-59.	14.80	14.80	12.34	14.63
	789.35	803.34	—	642.52
	168.28	208.39	187.53	149.39

Bombay Money Rates

(Selected Scheduled Banks other than State Bank)				
(per cent per annum)				
	18-12-59	Week Ago	Month Ago	Year Ago
Call Money From Banks	2½-3½	2½-3½	1-1½	2-3½
Deposits				
Seven Days	3-3½	3½	3-3½	3½-4½
Three Months	3-3½	3½	3½-3½	3½-4
Six Months	2½-3½	2½-3½	2½-3½	2½-4

Bombay Bullion

(In Rupees and nP)				
	31-12-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	125.44	126.09	124.72	114.50
Forward	126.69	126.94	125.40	114.81
Silver (per 100 tolas)				
Spot	210.25	212.01	209.56	193.25
Forward	212.59	214.03	211.25	194.31

COTTON

(1959-60)

MILL CONSUMPTION

(in '000 bales of 392 lbs each)

	October	Sept	August	Sept to Oct
Description :				
Indian	395.0	396.4	383.3	791.4
Foreign	39.7	42.2	40.8	81.9
of which				
American*	8.53	8.88	8.83	17.32
Egyptian	5.45	4.81	5.65	10.27
E African	11.62	14.18	14.62	25.80
Sudan†	13.66	13.67	11.20	27.33
Total	434.7	438.6	424.1	873.3
Consumption in corresponding periods a year ago :				
Indian	394.6	382.5	370.4	777.1
Foreign	40.3	42.6	44.3	83.6
Total	434.9	425.1	414.7	860.7

* Includes United States and Mexican cotton.

† Includes both Sudan Egyptian and Sudan American.

MILL STOCKS

(in bales of 392 lbs each)

	October	Sept	August	July	June
Indian					
1959	1,052.6	1,150.1	1,279.3	1,342.6	1,451.3
1958	861.2	1,004.4	1,136.1	1,205.8	1,286.3
Foreign					
1959	143.8	151.4	160.2	157.1	142.0
1958	101.5	117.0	139.0	151.0	161.0

IMPORTS

(in bales of 400 lbs each)

	From September 1 to December 17			
	1959	1958	1957	1956
Description :				
American	14,032	4,181	22,996	40,210
Sudans	33,462	12,956	21,134	22,948
Egyptian	17,410	14,699	15,762	9,722
East Africans	16,475	30,415	18,903	53,672
Pakistani	—	6	—	—
Other Varieties	145	339	—	765
Total	81,524	62,596	78,795	127,317

EXPORTS†

(in bales of 400 each)

	From September 1 to November 26			
	1959	1958	1957	1956
Destination :				
U K	653	1,968	905	3,454
Continent	1,605	4,715	6	687
Hong Kong	2,277	22,300	800	1,888
China	—	6,886	—	3,027
Japan	38,814	45,818	6,839	17,095
U S A	878	457	25	102
Other Countries	918	1,334	391	314
Total	45,145	83,478	8,966	26,567

† Excluding Zoda and other yellow pickings

Source : East India Cotton Association

INDEX NUMBER OF WHOLESALE PRICES

(Base 1952-53 = 100)

Week Ended	12.12.59	5.12.59	14.11.59	13.12.58
Group and Sub-group				
Food Articles	119.0	119.9	122.5	113.8
Cereals	100.9	102.9	106.6	105.3
Pulses	91.2	92.3	95.0	110.8
Fruits & Vegetable	120.8	123.6	125.6	117.3
Milk and Ghee	110.4	110.5	115.9	104.5
Edible oils	128.3	127.7	127.2	118.2
Fish, Eggs & Meat	112.8	111.5	112.1	106.6
Sugar & Gur	150.9	153.8	151.4	120.5
Others	187.9	185.1	178.1	154.4
Liquor and Tobacco	101.4	103.5	105.4	95.5
Tobacco	100.0	102.2	104.2	93.9
Fuel, Power, Light and Lubricants	116.5	116.5	116.3	114.8
Industrial Raw Materials	125.6	124.3	122.8	112.8
Fibres	119.6	116.0	111.4	105.3
Oilseeds	130.4	130.4	131.4	123.0
Minerals	95.2	96.8	95.2	107.3
Others	130.4	130.7	130.2	108.3
Manufactures	112.6	112.1	111.6	108.4
Intermediate Products	118.2	117.2	115.6	110.3
Finished Products	111.7	111.3	110.9	108.1
Textiles	108.3	107.7	106.8	102.1
Cotton	116.3	116.3	116.3	111.0
Jute	93.9	91.7	89.8	84.9
Woollen	104.2	104.2	104.2	105.9
Silk and Rayon	96.3	96.3	92.6	90.2
Metal Products	144.6	144.6	144.6	143.1
Chemicals	106.9	106.4	106.5	110.8
Oilcakes	145.2	145.5	149.1	142.9
Machinery & Transport Equipment	106.0	106.0	106.0	104.4
Others	113.7	113.5	113.6	114.4
All Commodities	117.7	117.9	118.8	111.7

STOCKS OF CLOTH AND YARN

Cloth

Yarn

(bales of 1,500 yds each)

(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	497,094	26,861
1957 : Jan	239,592	274,596	514,188	27,445
June	209,485	297,277	506,764	51,945
Sept	216,049	356,114	572,163	75,667
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
Mar	221,600	267,400	489,000	54,700
April	199,500	239,700	439,200	50,900
May	179,000	199,200	378,200	46,500
June	195,000	204,000	399,000	47,400
July	205,000	207,000	412,000	38,700
Aug	196,000	187,000	383,000	30,200
Sept	191,900	180,700	372,600	29,400
Oct	178,600	155,700	334,300	27,000
Nov	160,600	147,500	308,100	23,100

Source : Textile Commissioner.

CLOTH AND YARN PRODUCTION

Monthly Average or Calendar Months

Cloth (000 yds)

	Yarn (000 lbs)	Coarse	Medium	Fine	Superfine	Total
1956	139,267	59,887	316,384	37,003	28,941	442,215
1957	143,341	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
April	153,672	96,287	311,718	32,809	23,560	464,374
June	136,978	88,832	281,108	30,285	19,399	419,624
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	22,975	23,737	421,517
Nov	134,245	73,194	263,322	20,180	20,680	377,377
Dec	156,027	86,017	307,427	21,578	23,484	438,506
1959 : Jan	150,548	83,944	302,805	20,247	23,096	430,092
Feb	136,663	71,854	280,241	18,817	20,841	391,753
Mar	141,463	69,757	292,830	21,301	21,887	405,775
April	139,855	67,861	295,193	21,115	22,695	406,864
May	136,532	66,571	294,681	21,486	22,552	405,290
June	135,659	66,815	290,058	21,686	23,533	405,092
July	146,257	80,060	297,662	22,599	25,232	425,553
Aug	143,953	81,426	275,269	20,657	26,313	403,665
Sept	148,114	80,578	283,574	19,629	28,209	411,990
Oct*	147,634	77,520	290,528	18,726	27,511	414,285
Nov*	140,000	—	—	—	—	396,000

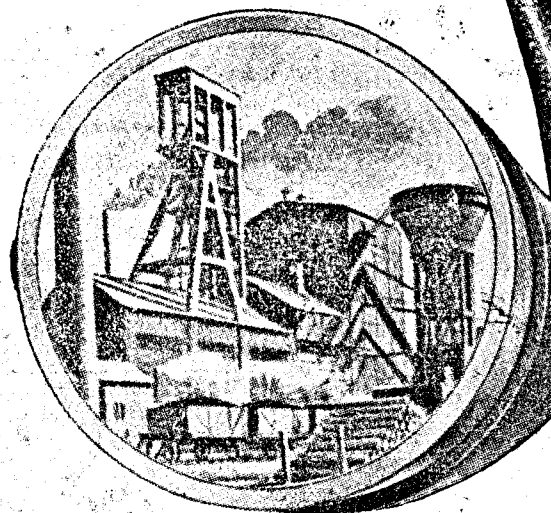
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*Provisional

Source : Textile Commissioner, Bombay.

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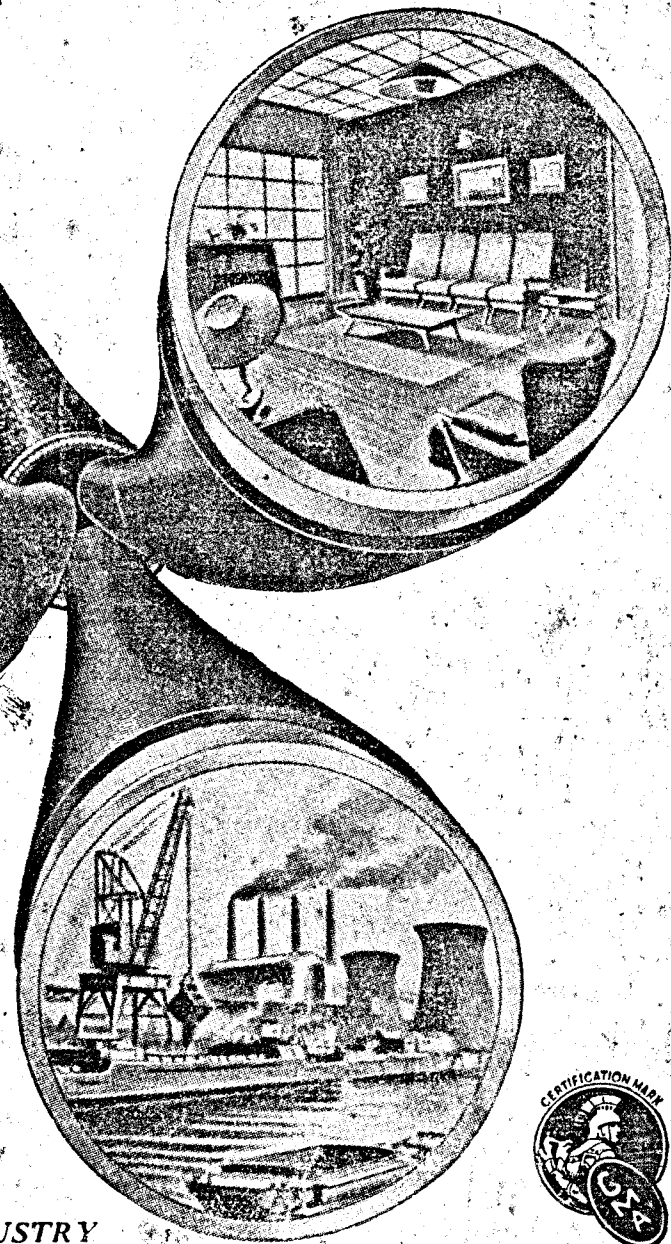
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Routine Affair

THE season of conferences will end this year with the plenary session of the Congress starting next week at Bangalore. Press reports about this important event have so far confined themselves only to the arrangements being made for delegates and visitors to the Congress, the special trains that are to run and the timing of the special plane by which the New President of the Congress, Shri Sanjiva Reddy, will fly to attend the session; and there is, of course, advance indication of the Prime Minister's engagements there. But nothing so far has appeared in the press of the agenda of this session, of the issues of national importance to be discussed or thrashed out or the major resolutions to be moved and passed there. These are usually left to be decided by the Working Committee which meets immediately before the Congress session; and what the Working Committee decides is discussed by the All-India Congress Committee which meets as the Subjects Committee. These decisions are approved as a matter of course and then passed at the Open Session also as a matter of course.

This measure of centralisation and high-level piloting of resolutions has become inevitable. This is not because the Congress has grown and the amount of business that has to be put through has become unmanageable; nor do these devices for the expeditious conduct of business indicate a tightening of the Congress organisation. The streamlining of the manner in which the Congress conducts its business at open sessions reflects the position that the High Command has come to occupy in the deliberations of the party as also in the running of Government.

The streamlining, however, is deceptive in a way but this deception has by now come to be so firmly established and so openly accepted that it has almost become, one may say, institutionalised. The Congress resolves; there is no participation of those who attend the session in the process of formulation of resolutions and no acceptance either—without mental reservations. If no dissenting voice is heard, it is merely a matter of good form. Whatever the High Command wants to be passed is passed as routine with near unanimity. This is possible and is indeed easy because those who assent and approve are no longer expected to carry out or execute anything.

This is, one might argue, as it should be, except perhaps in regard to matters affecting the internal affairs of the party. The main decisions that are affirmed in Congress resolutions are matters of policy which are left to Government to implement or carry out.

This argument assumes a dissociation as between the Congress Party and the Congress Government which, however, does not exist. Neither can such dissociation be regarded as desirable in the present political situation of the country. To accept dissociation of Party and Government as a fundamental tenet of parliamentary democracy will be found, on examination, to assume a certain state of development which India has yet to attain. The economic development of a country, which has to squeeze into a few years the progress which others took decades to achieve, is a process involving a very large social change, and it is a process which cannot be put through without the active participation of large numbers of people.

No social change of this magnitude can be effected through legislation alone unless such legislation is backed by popular education and

enlightenment on a scale which can only be attempted by political parties. When the democratic process is attenuated in its working and reduced to an accessory of the parliamentary apparatus, legislation may be adequate enough to keep things going more or less as they are and make the economy function on accustomed lines, but it cannot be an active agency for initiating the kind of development the Congress professes to be after. Much less can it achieve the social changes which the Congress has accepted as its aim, to be realised here and now. All this is implicit in the adoption of the socialistic pattern of society as the national objective.

But one does not have to go so far in explaining why the weakening of the democratic process in the Congress organisation, which is evidenced by the manner in which it conducts its affairs even in open sessions, affects and undermines even the working of Government. The Centre may command all the power and may be in a position to exercise its authority and influence, but how far can it go, unless it can carry along the State Governments with it as willing and active partners in the stupendous task of development and of bringing about social change? To keep all of them together and to keep them marching along, it is not enough that there should be pressure from below. This pressure needs to be given practical expression and made effective in the activities of the party, so that those who make up the Congress, may make the leaders keep to the strait and narrow path.

To expect that the members of the party should at least participate and participate actively in the affairs of the party is not, however, to offend against the political purist who would still swear by dissociation between the party and Government. That participation is also effectively ruled out by the techniques of hectoring which the Congress and the High Command have developed to such perfection. In every State, the Congress Government deviates from its professed policies by willingly getting entangled with various groups of vested interests, impairing thereby the pace of the country's development. The Centre may be supposed to be immune to such pressures but it is not.

The isolation of the Congress from the rank and file of the party and therefore from the mass of people renders it vulnerable to other kinds of influences which are less tangible than those of local groups. The latter are easily recognised and are known and are less harmful to the interests of the country, being more limited in their scope of operations.

The limited success we have achieved in the initial phase of development, paradoxical though it may sound, makes progress at the next step much more uncertain.

Laotians and Their Army

THE brief intervention of the army in the civil affairs of Laos this week is regrettable and, perhaps, ominous. When the army suddenly took over control of the Government a few days ago, there was a measure of bafflement about its motives. Few people were precisely sure why this action (which the army insisted did not amount to a coup) had been taken. But subsequent events have quickly dispelled the riddle. The military took over when Mr Phoui Sananikone, the Prime Minister, resigned his post and the King refused to accept the resignation. Now, if the latest reports are correct, the military has handed authority back to the King, asking him to form a new government. Clearly, then, the army intervention was designed purely for the purpose of "persuading" the King to let Mr Sananikone go. What remains a mystery still, however, is why the Prime Minister resigned in the first place. Could it be that there was "pressure" on him from the army to resign in the first instance?

It will probably be argued in favour of the army that its action was dictated by its loss of confidence in the Phoui Government's ability to withstand an increasing amount of pressure from the Pathet Lao and the Communists generally; and it may even be added by the military apologists of this Indo-Chinese kingdom that the Communist threat on its borders was so grave as to oblige the army, as a matter of patriotic duty, to assert itself in time. There is no third argument that can be made in support of the army action.

This is the time for a scramble for the loaves and fishes, for trimming the Third Plan here and there to suit the more vocal interests, to give a direction that may lead us away from the intended goal slowly at first and then swiftly. For, to repeat, it is the measure of success achieved which makes the future more uncertain. When the economy gathers momentum, even a slight misdirection may lead it much farther away than when the inertia of stagnation kept it immobile and pinned down.

The trouble is that both these lines of defence collapse the moment one examines them closely. To begin with, it is fantastic to accuse the Phoui Government of weakness, or reluctance vis a vis the Pathet Lao or the Communist regimes of China and North Vietnam. Public memory is short, but surely not so short as to forget that it was only in September last year that Mr Sananikone raised a major international storm by screaming widely that his country was being invaded with the help of its two Communist neighbours. Eventually a United Nations team of observers investigated the complaint on the spot and found no evidence to support the charge — though, of course, it did find that the guerilla fighters in the Laotian civil war were getting every aid and succour from across the border. In other words, to borrow an expression from a leading British Journal, he had cried "wolf" without a beast in sight. Are we now to believe that this act of hyper-sensitive fright came from a man who was either unwilling or incapable of alerting the world to his danger?

The argument of perils from across the border, or indeed inside Laos, is equally untenable. The situation in Laos has, if anything, never been more stable for a long time than it is today. The civil war has fizzled out, and there have been no new complaints of attempted incursions from China or North Vietnam.

But even if it is granted for the sake of argument that the army had good reason to intervene, it has been a most regrettable action, and it can

mean a lot of unsettlement in Laos in future. Army intervention in civil affairs is never desirable; and the repercussion of the particular action in Laos will be that the military, having once tasted the fruit of power, may assert itself again and again and might even be tempted one day to take over for good. This week's developments in Vientiane can only be regarded, therefore, as a grave set-back to whatever little democracy Laos still had. What is also to the point, these developments will cause a lot of concern in neighbouring Cambodia, which has always been under a certain amount of pressure to change its neutralist policy in foreign affairs. Laos is already in occupation of what Cam-

bodia regards as some of its own territory, and the case is before the International Court in the Hague. The rise of the army in Laos will cause understandable apprehensions in Cambodia.

An interesting light on the consequences of a country's joining military pacts and accepting large-scale military aid from abroad, when its own economy and strength are under-developed, is thrown by this incident. Laos is, of course, strongly pro-West. It is a "protector" of SEATO; and it has received so much military and economic aid from the United States that, calculated on a per capita basis, it has actually got more than any other country in the world. In four years,

the two million Laotians have been given something like 225 million dollars worth of guns and butter. The notable point is that all this aid has done nothing whatever either to raise the output of Laotian production or the living standards of the people.

The one thing it has done, however, is to make the army very strong indeed. A good deal about this week's developments in Vientiane is explained by this fact—which, surely, is ironical in the extreme, but familiar all the same. Unbalanced and short-sighted help of this sort sets up dictatorships in the very countries where it must be the intention of America to stabilise democracy.

Science Congress in Bombay

A Correspondent writes:

WHEN the present session of the Indian Science Congress which is being held in Bombay ends today, most participants will be glad and organisers relieved. The chaos and confusion that has prevailed throughout due to inadequate organisation, lack of planning and forethought and absolute inattention to details was highlighted by the Prime Minister's distress on the day of opening. One did not have to be a scientist to notice that from 9 in the morning sunrays invaded the pandal specially erected for the high dignitaries, and realise how it might affect them. There were many failings and shortcomings galore. But it is no use multiplying instances.

What we find ourselves asking is why is such a situation tolerated and even allowed to grow from bad to worse year after year? And what is the remedy? We cannot answer the second without answering the first. Obviously, such things are permitted because no one is seriously offended by them. No one really minds and although this may sound shocking, we must not allow ourselves to be simply shocked but must further ask the question as to why no body is seriously disturbed by this state of affairs. The answer to me at least is obvious. Sessions of Science Congress as they are organised now have ceased to be of much value to the participants themselves and that is why they can afford to be tolerant about them.

Foreign scientists are accustomed to a different order of things in their own countries and so they go back dismayed and disillusioned and at best tell themselves that after all one cannot expect much more from an ex-colonial and underdeveloped country like India. Whichever way we look at it these sessions fail to achieve their declared purpose.

This being the position the task is now to organise these sessions in a way that people who participate in them can come to feel that they are benefited by doing so. And for that I am tempted to make the following suggestions. They are of course by their very nature, tentative. However, here they are:

1) Dignitaries should not be invited any more. They do not attract scientists and the sort of people who are attracted by them do not have much to contribute to science under present day conditions. This will liquidate the atmosphere of unnecessary show and pomp which now costs so much in time and money.

2) Programmes and literature should be printed and distributed to the members at least a month before the actual session takes place. This will make it possible for the participants to be prepared in advance and thus make it possible for them to take an active part in the proceedings.

3) Names and numbers of various speakers in the symposia should be mentioned in the programme as also the time allowed to each. This

will at least demonstrate how much the organisers expect a discussion to take place, if at all.

4) It should also be considered whether such a large concourse of scientists in all branches of science is really of much use now. Scientific disciplines are growing at such a rapid rate that possibly the best thing in future would be to organise meetings of various disciplines, separately, so that people can concentrate more easily and thus participate actively.

5) Above all, it is necessary to fix the programme in a way that people in the allied sciences or those who wish to attend more than one sectional meeting or symposium can do so. At present all the sectional meetings and symposia start at the same hour so that a physicist cannot attend a meeting of the chemistry section even if he is vitally interested in it. As we all know, these divisions are after all matters of convenience and a scientist can hardly be expected to stick to only one branch of science.

5) Present arrangements deny the possibility of the most important aspect of such a general meeting of all scientists at the Science Congress which is free exchange of ideas. As things stand now, the way a scientist can get to know the work of a fellow scientist in another discipline is to meet him socially and not in any scientific symposium except when jointly organized. This is unfortunate and has got to be remedied.

Weekly Notes

What Price Mill Cloth?

HOW have the prices of mill cloth been moving in the last few months or over the year? Believe it or not, no one seems to know for certain. True, the Economic Adviser's Index of Wholesale Prices does have a sub-index of prices of mill made cloth which is made up of 11 quotations of which one is from Ahmedabad, 2 are from Madras and the rest from Bombay. This index hardly seems to move and over the year it has moved only by 4 or 5 points from say, 111 to 116. Breathing the spirit of sweet reasonableness, the Minister of Industry speaking at the All India Textile Conference in Bombay on New Year's Day invited the co-operation of the industry, the cloth trade and the press and called upon them to work in harmony. The elevation of the press to this high honour has a reason which may be inferred from the following lines of his speech :

"The trends, as and when discovered or noticed, may be reported or commented upon with full understanding of their wider impact and wider audience. A sense of scare will help none. From a cry of glut and over production till yesterday, a sudden cry by industry or trade or commentators of acute shortages or calamitous forebodings will not be the right approach."

The reference to recent writings in the press warning an impending cloth famine — to which this paper among others pleads guilty — is obvious. What the press did was to point out that unsold stocks were fast being depleted, that stocks had gone down, below what might be considered as the safe level judged by past standards and to pose the question, whether (a) stocks were passing to the trade and, if so, why did not somebody collect these statistics and publish them and (b) why was not production responding to this changed situation in the cloth market? Reports about rising cloth prices have been pretty frequent. And the day before Shri Manubhai gave this oration, a leading mill in Bombay in their fortnightly review had given the following account of price changes :

"During the fortnight under review, the Bombay Cotton Piece-goods Market was active and prices registered a rise of 10 to 15 per cent. Superfine and fine categories of cloth and medium varieties were in good demand."

"Due to the prevalent speculation of prices rising up further, mills were reluctant to sell and the usual big sales did not take place. The price increase was also witnessed in Ahmedabad and Indore to the extent of 20 to 25%."

Similar reports have appeared from time to time in the past fortnight. Manubhai's exhortation to all to work in harmony is not one for sheep like, unquestioning obedience for he wants all to work with 'fullest awareness on the part of all concerned.' He did not fail to add that it also meant full awareness on the part of the Government which with permissible humility, he said, was already there. So there should be no cause for undue anxiety.

The light of publicity dispels all manner of 'wrong psychology' and is the best antidote against scares. But does not full awareness also imply at least a knowledge of such things as the prevailing prices of cloth and information on the volume of stock held by the trade? Neither the Millowners' Association nor any other trade body is willing to let the public have the full facts on the basis of which the public may judge and act. For none of them has so far cared to publish a reasonably reliable and comprehensive index of the prices of mill made cloth, or of trade stocks. The Economic Adviser's Index notwithstanding, criticism may also be levelled against the Ministry of Commerce and Industry for keeping the public in the dark. After all cloth is next in importance to food. Why not remove this murky spot from the textile scene?

I A C and Subsidy

THE Cost Structure Committee appointed by the Government has worked out the standard costs on the basis of which the I A C's

losses will be subsidised. Its recommendations are under consideration. Since it is natural to compare the performance of the I A C with that of the private companies before nationalisation, the I A C may legitimately ask that it should be given the same subsidy on aviation petrol which used to be given to the air companies. To what extent the financial results of nationalised air transport are affected by this subsidy would be of some interest, though so far the Government has taken the view that this is only a question of a mere book entry and that there was no point in allowing a rebate on aviation fuel to the I A C.

While on the subject of the performance of airline operations, would it be odious to suggest that the quality and efficiency of the service is also important, if not as important, as the load factor or the other technical criteria which are so fully set out in its latest annual report? A criterion which the I A C management may usefully apply is the time taken in actual flight and in transporting passengers between booking office and airport. How much of the flying time saved by the gleaming Viscounts acquired at such heavy initial cost (the Vikings just vanished and no one said a word) is eaten up by the slow primitive method of handling passengers' luggage and by the circuitous routes of the slow buses which carry the passengers to and from town. Should not the streamlining of the air services be extended to this necessary part of the journey also?

Then there is the police method of dealing with the passenger bookings, penal charges for transfer of dates or flights and the wholly unjustified confiscation of the entire fare from those who do not turn up in time — this, while chance tickets are issued and no doubt availed of by others on such occasions, so that the I A C does not lose the fare which the unfortunate late comer has to forego.

L I C Loans for Housing

THE practical absence of institutional loans against mortgage of house properties is one of the glaring deficiencies of the capital market which remains untouched, despite the proliferation of financing agencies in recent years. In pre-nationalisation days, a few insurance companies had taken special interest in housing projects, and some of these projects had partially succeeded. Most investments of insurance companies in real estate, however, followed no set pattern and the Life Insurance Corporation inherited a mortgage portfolio which was burdened with too many bad debts. Early last year, therefore, L I C announced that it was retiring from the mortgage loan market. Subsequently, however, the Finance Minister's policy statement on its investments gave the L I C a clear directive to take active interest in urban housing.

Towards the end of the year, the L I C decided to break new ground and announced its willingness to advance loans to State Governments for financing urban housing construction. This seems to have been done without adequate study of 'the market', for the loan has not clicked with the State Governments. Some of the State Governments have been unable or unwilling to borrow from the L I C as they do not have the necessary organisation to manage housing loans. Others have held aloof for some other reasons. The Government of Bombay turned down the offer because it found the terms too onerous. It will be recalled that Bombay's Housing Minister made a statement on the floor of the Legislative Assembly that Rs. 2 crores of housing loan from the L I C "could not be accepted" as its rate of interest was very high.

The Corporation has now followed up with another scheme of advancing loans for house construction, this time to apex co-operative housing finance societies, public limited companies and individual policy-holders. The loans to apex co-operatives will have to be guaranteed by the respective State Governments and will bear interest at 5 per cent. Loans for housing schemes of public limited companies will be secured by a first mortgage on the properties, and will not exceed 70 per cent of their value; the loan will carry

interest at 6½ per cent with a rebate of 1/2 per cent for punctual repayment while the maximum term would be 20 years. The companies would be encouraged to form co-operative housing societies with membership restricted to their employees; loans will be given to such co-operatives against the guarantee of the companies. The loans will be further secured by life policies taken out by the members of these societies for the aggregate amount of the loan, which would have to be assigned to the Corporation.

In the case of individuals, loans would be advanced to holders of endowment policies for Rs. 20,000 or more, which are at least five years old, for building their own

bate of 1/2 per cent for prompt repayment.

The desirability of using L I C funds for developing a mortgage market has been repeatedly stressed in these columns, since mortgage loans would help diversify L I C's investment portfolio, which is heavily weighted with Government securities, earn a substantially higher return, secure more business—life as well as general—and, simultaneously, provide a strong fillip to urban housing construction.

Unnecessary Restrictions

THE scheme is welcome though it seems to be unduly cautious and restrictive. Why should the loan be confined only to those policy-holders who have 5 year-old endowment policy of Rs. 20,000/- which was taken out for general protection rather than for the specific object of owning a house? What risk would the L I C run if loans were advanced to those who took out new policies in order to avail of the loans, or to those who hold policies for smaller amounts and want loans also for such amounts? What justification is there for lending only to those who will build houses of their own and being amateurs or inexperienced at the job, may make a mess of it and not to those who want to buy ready-made houses, the value of which adequately safeguard the lender-Corporation? Any attempt to solve the housing problem in cities which disregards the economies of specialisation and of scale would be misdirected.

That the Corporation is not unaware of the merits of housing construction on an organised basis, is suggested by the top priority given in the scheme to 'apex cooperative housing finance societies'. How many such societies exist today and what prospects are there for more of them coming up in the near future? Is the L I C out to sell this new idea and seek new avenues for profitable investment of its funds? One wonders. It has been notoriously shy in these matters and the manner in which it has put out this scheme, may do credit to its bureaucratic prudence, but it does not speak much for its selling skill or even the assiduous cultivation of public relations.

In fact, the scheme may be written off in so far it concerns 'apex co-operative societies'. The idea of

The Economic Weekly

Annual Number 1960

The Eleventh Annual Number of *The Economic Weekly* will be out at the end of this month. It will contain a minimum of 160 pages and will be priced Rs 2.50 per copy.

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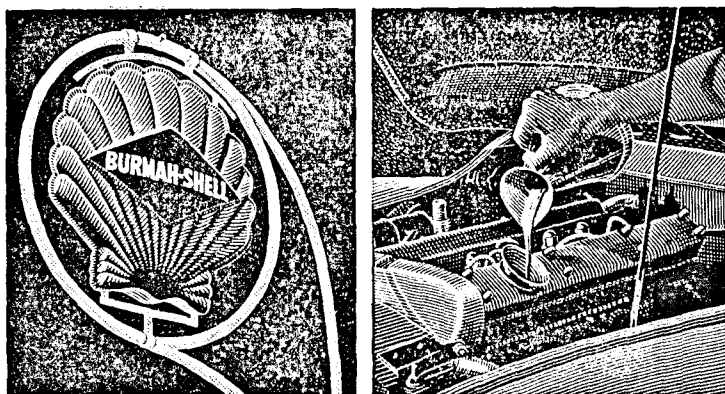
A. Fernandes
Business Manager

house. The scheme would be restricted to cities with a population of 10 lakhs or over, namely, Bombay, Calcutta, Madras, Delhi and Hyderabad. The loans would be secured against free-hold properties or leasehold properties with a minimum of thirty years for the lease to expire; a margin of 30 per cent of their value would be retained for cover. The maximum term would be twenty years, but not extending beyond age 70 of the borrower. Borrowers will have to assign their policies to the L I C. The minimum amount of the loan will be Rs 20,000 per policy holder and the maximum Rs 1 lakh. Interest on these loans will be charged at 7 per cent, with a re-

Courtesy

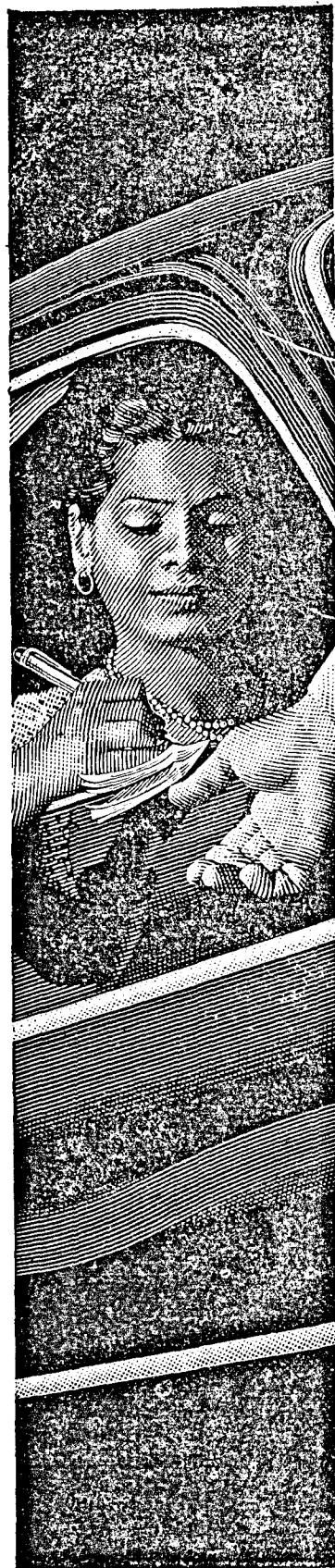
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loans to joint stock companies and individual policy-holders, is, however, basically sound subject to what has been said above. But why does the L I C have to insist that 'institutional' borrowers must be public limited companies? This insistence in the case of the Industrial Finance Corporation has already led to the creation of several nominally public companies that are very closely owned. There is in any case no justification for excluding those private companies which are wholly or largely owned by public companies. One can go further and say that ultimately the L I C should endeavour to cover all industrial employers, regardless of whether they are incorporated or not, so long as they satisfy certain criteria of creditworthiness.

The loans to public limited companies would be confined to those which desire to provide housing for their own employees. Thus building societies or housing companies would be excluded from the scope of the scheme; its benefits would, thus, be restricted to the employees of a few progressive companies. The core of the urban housing problem would remain untouched. True, many of the existing housing companies are not immune to the temptations of speculation in land, which is the bane of urban development. If, however, land values are appropriately controlled, at least in the case of public-owned lands, there is little reason to fear that L I C financing of housing companies would lead to abuses. In the meanwhile, Bombayites will be disappointed to learn that ownership flats, an innovation in India promoted by displaced persons from Pakistan, will not qualify for assistance under this scheme, since the transferability of the ownership of these flats is restricted.

The implementation of this scheme would require considerable strengthening of the L I C machinery for property valuation, which is admittedly a difficult task. It would be a great pity if prospective borrowers have to experience the same frustrations that embitter their attitude towards other schemes of public assistance.

Only an Ultimatum!

THIS month the West Bengal Government will offer free transport to settle and rehabilitate in Dandakaranya 4,000 refugee

families who were farmers originally. Alternatively, the Government will pay 'doles' for six months to those who refuse to move and they will cease to be the responsibility of the Government after July 31. Notices giving this choice have already been issued to four thousand families. This policy decision was taken early this week at a meeting of the State and Union Ministers concerned at Calcutta. It was also decided to hold monthly meetings at the ministerial level to review the work of the previous month and chalk out the programme for the one following.

This is not the first time that the Government has tried to give the impression that it means business. Only a year and a half ago in July 1958 a similar offer *cum* threat was announced by the Government in all solemnity. The declared deadline was July 1959. At that time, the population in camps was two lakhs, divided into 45,000 distinct families. It was decided to settle 10,000 families in West Bengal and the rest outside the State.

In November of that year, Pandit Nehru reiterated the above decision in Rajya Sabha. In December, the Union Minister for Rehabilitation said that movement of displaced persons would commence in January. A series of inspired articles ('Virgin soil upturned' type) appeared in the national press in the months immediately following, and in July 1959, Shri Meherchand Khanna came out with the assurance that substantial progress was being made although the results were not spectacular and that that should not worry us, as hardly a year (so said the press reports) had passed since the scheme was taken up. The number of families in camps which was 45,000 in July 1958 dwindled to 39,000 approximately. Of these 5,000 dispersed families were settled in West Bengal as against the target of 10,000. The ultimatum of 1958, however, it was given out in August 1959 (*vide* the report of the Rehabilitation Ministry for 1958-59), was only meant to create a sense of urgency all round. This sense of urgency had been created, according to the Ministry.

A Question of Confidence

NO, the doles were not suspended. Acrimonious debates continued in the State Assembly. Clearly things were not going well and despite Khanna's spirited defence of his

Ministry, there was no hiding from the public that the progress at Dandakaranya was slow. Then came the sudden decision to transfer the Chief Administrator of Dandakaranya Project to Punjab Government. The official explanation was that there was a clash of personalities. All the other members except the Chief Administrator thought they were equals and behaved as they thought. It was widely reported in the Calcutta press that the Chief Executive Engineer was at logger heads with the C A O and that different Ministries in the Central Government were supporting these quarrelling officials against each other and that the State and Central Ministries held conflicting views on the matter. Specifically the charge was made that the Rehabilitation Minister had withheld the necessary support from his own C A O. But the refugees at Dandakaranya believe that this is only part of the story. There are all sorts of rumours afloat, that the Defence Ministry wishes to settle its ex-personnel and they believe that it was his opposition to this idea that cost the Administrator his job at Dandakaranya.

And now another ultimatum. Will the Government have to live it down, as it had to do with the first? This is not to suggest that the rehabilitation of such a large number of people in unfamiliar surroundings is an easy job. Far from it. The administrative tasks are stupendous, and lack of coordination at all levels only makes the problem a great deal worse than it need be. Some refugees have been allotted land but the title deeds are yet to be granted, bullocks and implements remain to be provided. The houses allotted to farmers are those meant for clerks. Indeed the question is whether enough land has been cleared to settle all the farmers who are now being sent to Dandakaranya. It has been hinted that refugees would be utilised to do the clearing of the forest and construction of their quarters. If that be the Government's idea, why not take the refugees into confidence, who on their own admission are willing enough to go to Dandakaranya and not draw a rosy picture of the paradise that awaits them while simultaneously issuing threats, which create only a sense of confusion and not of urgency, as the high-ups believe?

Techno-Economic Survey

DOUBLE words like double talk should be guarded against. What is a techno-economic survey? An indication of it is given in the preface to the attractively produced volume *Techno-Economic Survey of Bihar*, brought out by the National Council of Applied Economic Research (Asia Publishing House, Bombay). The findings of the survey are to be in two parts: (i) economic report and (ii) project reports on a select number of industries, giving details of raw material availability, investment capital needed, possible and advantageous locations, rate of expected profit, etc. It further adds that the economic report is to serve as the basis and provide the guide-lines for the selection of 'candidate' industries for which project reports are to be prepared. This is interpreted to involve an assessment of the strength and weakness of Bihar's economy from a growth point of view and development of a strategy which would combine the appropriate growth agents for the take-off of the economy into a new phase of dynamism. Put thus, the task would really appear to be challenging.

The volume consists of two parts, Part I Economic Report and Part II Industry Profiles. The latter claims to give a general picture of the existing industries with expansion possibilities. The Economic Report takes the reader from the physical characteristics of the State to the various branches of the economy and ends with a series of recommendations to secure structural balance in the economy in terms of optimum utilisation of available resources with a view to maximising the gross national product! There is a warning in the preface that this report should not be taken for a comprehensive source book for detailed economic planning.

The economic report, however, falls sadly short of the objectives set out in the preface. The value of a report like this depends on the historical perspective from which the economic data are viewed and the social background against which they are presented. 'A techno-economic' report, if that is what is presented here, makes little attempt to understand the people of Bihar,

around whom alone any 'dynamic' policy could be thought of. The study team appears to have been in some haste to complete the survey. Its main source of information was the material readily available with the various Government departments. No attempt has been made either to evaluate or to analyse the data, with the result, that most of the conclusions drawn are at best impressions gained by the survey team during the course of its discussions with the officials of the State and others. Perhaps, the only solitary instance when it has warned the reader is in regard to the N S S round-to-round estimates of per capita consumption in Bihar.

It is not possible to examine in detail the large number of conclusions and recommendations given in the report. A few typical examples may suffice. In the chapter on agriculture, it is concluded 'that the strengthening of the agricultural base is of great importance if growth agents are to be planted in the economy.' And for that, a programme of agricultural development covering land reclamation, irrigation, flood control, improved seeds, fertilizers and agricultural techniques, is discussed and a target of net increase of 5.1 million tons of foodgrains is estimated for the Third Plan. Of the discussion on agricultural techniques, the following may be quoted as a fair sample: "Better agricultural techniques and practices should replace the existing ones. The departments of Agriculture and Community Development Projects Administration should tackle this problem more effectively and popularise improved techniques in crop husbandry, dry farming, soil conservation, green manuring and plant protection practices". The conclusion is drawn from this discussion that food production could be increased by 0.8 million tons through improved agricultural practices.

In the Chapter on Animals, Animal Products and Fisheries, it is pointed out that the fodder position needs urgent attention. The argument advanced to substantiate it is that 'there are only 2.83 acres of land under fodder for 100 bovine stock, compared to 32 acres in the Punjab which is renowned for the quality of its cattle.' It may be true that

the land under fodder may be insufficient in Bihar, but the quality of the cattle in Punjab need not be due to the higher acreage under fodder alone. It further jumps to the conclusion that there is much wastage in the process of hay-making and it is estimated that, with more care, as much as 50 per cent of the local production could be preserved for use. It would have mattered little if the figure had been put at 60 or 40!

In the chapter on Industrial Expansion the scope for increasing the production of alumina is discussed. The Indian Aluminium Co. started manufacture of aluminium at Muri in 1948 and not in 1938. Neither the capacity of the plant nor the production of aluminium at Muri is mentioned. Alumina is the first stage in the production of aluminium. No indication is given of the alumina required to produce one ton of aluminium, nor is any mention made of the demand for aluminium. However, the imports of aluminium sheets and circles, two of the aluminium semis, are given for the period 1951-56. Then the target fixed by the Planning Commission for aluminium in the Second Plan is given and from it, one is left to infer the scope for the expansion of alumina production. A more sketchy analysis of an industry which has bright prospects could not be expected.

Part II of the volume professes to give a general picture of the economic conditions and prospects of the existing industries. This part will not add much to the Industrial year-books that are available and does not call for any comment.

When one completes reading the book, the question that comes to mind is, hasn't the Bihar Government an Economics Department of its own which could do the job better? Hasn't the University of Patna a Faculty of Economics to undertake such studies? Perhaps this survey under the authority of the National Council may help the Bihar Government to sell some of its ideas to the Planning Commission which its own studies may not have enabled it to do.

Whither Germany?

AS 1959 drew to a close, two not very unrelated bits of news made the front pages of British dailies to remind one that the problems of European politics which so bedevilled East-West relations in the 1950's will be as prominent if not as dangerous to the peace of the world in the coming decade. The problem of problems in Europe is Germany. We have seen in the past ten years a national revival in West Germany without parallel, at least in Europe. This country of 52 millions, in apparent helplessness in 1950, closes the decade with an economy bustling with activity and prosperity and a set of political aims which have become the central subject of East-West relations and no doubt that of relations among the Western countries.

AGGRESSIVE NATIONALISM

The first bit of news was of the open manifestations of Nazism and Fascism—desecration of places of Jewish worship and outbursts of anti-semitism and race hatred in the beer cellars of Cologne, Munich and all those other centres notorious in the history of the rise of Hitlerism. A distinguished British journalist returning from West Germany has reported the extent of the return of known Nazi elements who have been re-admitted into the administration and the courts of law. No less alarming is the refusal of West Germans to recognise their guilt not only for the Second World War but also for the brutalities of the Hitler period.

It is, of course, not very 'nice' or 'fair' to discuss these renewed outbursts of German nationalism and for a long while the West had maintained a blind eye to the emergence of Nazi elements and influence in centres of West German Government and law. Objectivity, however, demands an exposure of these tendencies in West Germany for these tendencies are a reflection of the essential aggressiveness of German nationalism which, if given free rein, can carry the seeds of war with amazing speed and power.

DEFENCE BUILD-UP

It is the second bit of news which is the more concrete in showing the resurgence of West Germany in European politics. The Ministry of

Defence in Bonn has just issued its report for 1959 and suggests that it was an eventful year, that in no other year since its creation has it been more active. The Ministry of Defence was set up in 1955 after the ratification of the Paris Treaties (which enabled West Germany to become a member of Nato and to raise a national military force of its own). The Ministry was given the task of setting up a *Bundeswehr* (an armed force) of half a million men. By 1959 half this target was reached with the raising of an army of 250,000 fully trained men, and this, as the report states, is a 'considerable achievement.'

The report provides information about all four branches of the armed forces (the Army, Navy, Air Force and Territorials) that make up the *Bundeswehr*. The Army which is the biggest section of the total armed forces has been trained 'for the front line'. A number of the units of the Army have been equipped with multi-purpose weapons and are regarded as being on par with the best fighting units in the Nato command.

The air force has so far been equipped with F86 Sabre jets and some progress has been made in establishing and equipping 3 anti-aircraft rocket battalions. The tactical forces of the air arm have been strengthened this year by the addition of new fighter-bomber squadron (the fifth) and a missile (Matador) unit. The naval arm of the *Bundeswehr*, too, has grown rapidly. It now possesses 135 warships and a large number of auxiliary vessels.

ACCELERATED ARMAMENT

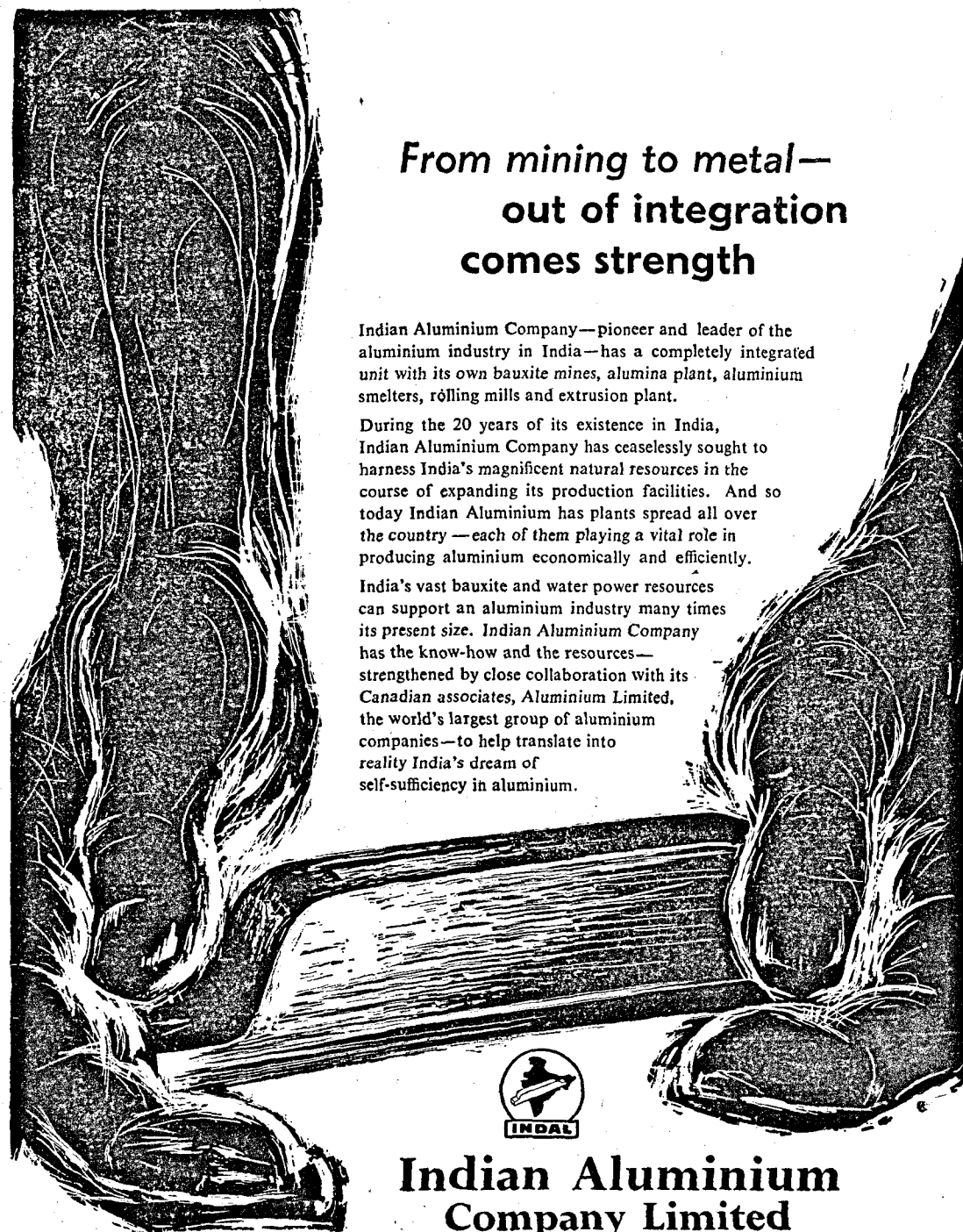
The rearmament of West Germany continues apace and the prospect for this year is one of accelerated armament with a possibility that the *Bundeswehr* will reach the full planned strength within the next eighteen months. The United States has already established a number of missile launching pads in West Germany and is providing training facilities for the missile unit set up in 1959. The giving of nuclear weapons to the West German armed forces is spoken of with ease and it is possible that such weapons have been provided under American supervision and control.

The progress in West German rearmament necessarily determines the degree of flexibility or rigidity of the political outlook of the Bonn Government. And this is no where more clear than in the West German attitude towards East-West negotiations and the general question of disarmament negotiations. The *Stuttgarten Zeitung*, regarded as being a particularly influential and well placed paper, commented after the Western Summit meeting in Paris on the relationship between the aim of German unification and West German rearmament in terms oblique enough to suggest a characteristically West German viewpoint. It said, "it is to be assumed that Mr Khrushchev, impelled by his sense of guilt about his policy of keeping Germany divided, sees disarmament first of all as a means of condemning Germany to impotence."

It follows then that rearmament is going to loom particularly large in West German plans in the coming year. There is already some evidence of this, apart from the promises contained in the report of the Ministry of Defence. Recently West Germany secured an amendment to the Brussels Treaty of the Western European Union whereby West Germany would be permitted to manufacture guided missiles. This was followed by reports that West German industrialists had become interested in arms production and the "Federal Republic was favourably considering the issue of arms contracts to West German firms."

ANGLO-GERMAN ARMS CARTEL?

The entry of German industry into armaments production is a matter of the gravest concern for Europe for, as in the United States and Britain, once the economy becomes dependent on arms production, it becomes almost impossible to stop the continued growth of armaments. It was this which agitated the Secretary of the Writers' Union in the USSR to the point of writing a long letter to the London *Times* the other day. He found that precisely at a time when the detente was proceeding with great possibilities for a settlement of the Berlin question, agreement was reported for the creation of an "Anglo-German arms cartel". The reference is to the



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A CANADIAN-INDIAN ENTERPRISE

1AP 3953

decision of Britain to allow British and German firms to cooperate in armaments production.

The resurgence of Germany in the 1950, remarkable in every sense, has unfortunately culminated in remilitarisation and in more open manifestations of aggressive nationalism. Equally unfortunate is the influential position which West Germany exercises and occupies in Western councils and particularly with the U S State Department. The Western Summit Conference was significant not so much for its decision to set aside a date for a meeting with the Soviet leader. It was

significant for the fact that the German Chancellor was able to arrange the undoing of all the progress made at the Geneva Conference of the Big Four Foreign Ministers on the Berlin question. The West has now decided to go back to an earlier Nato decision not to allow or permit any change in the status of Berlin which would involve the abandonment of Western rights in that city. The past month has witnessed just that amount of extra emphasis in German comment about the reunification of Germany as to suggest that this question will become a focal point for West German public activity and agitation.

At the same time the Bonn Government is reviving the 'Eastern Question' i.e., the lost provinces which were given to Poland under the Potsdam Agreement. West Germany has announced that the establishment of diplomatic relations with Poland will depend on how far Poland would be prepared to work towards a restoration of the 1937 status quo with regard to German boundaries. It is possible that this question will be raised more often in the coming year in order to foul the atmosphere and so sustain the tension which has marked all discussions of the German problem up to now.

The Naga Policy: Old and New

K C Chakravarti

BEFORE Independence the British in India had to deal with the Nagas, and their policy was practically successful. The old policy was based on the principle of non-interference. The Nagas managed their tribal affairs in their old traditional way and the administrators never tried to interfere. Except allowing Christian missionary activities, the British seldom attempted any social reform and hence, though no progress, in our sense of the term, took place, the Nagas felt secure and happy. The second principle of the old British policy was isolation. The Nagas were kept isolated. Outsiders were not allowed to enter the Naga areas. Indians of the plains, living in the adjoining areas always had a temptation to go to these areas to trade with the Nagas. Often they duped and exploited the simple hill people. But the British did not allow it.

The Naga Hills District was administered by the Government at Shillong but, in practice, full control was entrusted to some English I C S officer and Indians of the plains of Assam, Ahomiyas and Bengalees, were not allowed to mix with the Nagas. The income of the district was very small and the Government actually used to spend a large amount for the welfare of the Nagas. Welfare expenditure was left entirely in the hands of the District Magistrate, who was called the D C. There was obviously no statutory binding for such expenditure. The Nagas indulged in tribal warfare and on occasions revolted

against the administration but the local police assisted by the Assam Rifles could control them and the then Government managed matters tolerably well.

ASSOCIATION OR ASSIMILATION?

After Independence the Governors of Assam including the late Sir Akbar Hydari and Shri Fazl Ali who had a special responsibility in the matter, tried to continue the old British policy but the Congress Government of Assam did not appreciate it. Why should the Nagas be kept separated? The Nagas are Indians, and the Naga areas are within Assam. So, why should not the Naga areas come within their influence? It is true that because of the policy of isolation, the Nagas had no chance to feel that they are also Indians and the division between the people of the hills and the plains persisted. But the new policy of associating the Nagas with the Assamese, in the name of Indian unity, led to serious evils. It had no chance of bringing any unity.

It was virtually an attempt at assimilating the Nagas. The Nagas are so different from the Assamese, in race, language, religion, manners and customs that the attempt to fuse them into one gave rise to serious unrest, the full repercussions of which will not be confined amongst the Nagas only. The Assamese and Bengalee administrators, clerks, teachers and traders who go to the Naga areas, feel that they are superior and they try to impose their language and their culture on the

simple Nagas. This imposition the Nagas resent bitterly. This is the root cause of the Naga disturbances.

DEMAND FOR NAGALAND

The Government of India realised, rather late in the day, the folly of the new policy and in 1958 the Naga Hills district was separated from Assam and all the Naga areas were consolidated into one territory administered by the Centre. This single act of the Government has vastly improved the situation and within one year a considerable section of the Nagas have given up hostilities. One year ago, there was practically not a single Naga who was not hostile. But in October last, some three thousand Nagas representing some four lakhs of Nagas in all met at Mokokchang and expressed their desire to remain within India under certain conditions. Hostilities have not altogether ceased. Violence in Naga areas will possibly never disappear, but clearly the situation is within control.

The Naga People's Convention at Mokokchang in October last demanded that all the Naga areas should be formed into one separate State, called Nagaland. The State of Nagaland, they demand, should remain under the Ministry of External Affairs, should have a separate Governor with a Ministry and a popular legislature. No law affecting their tribal customs and religion should be passed without their consent and certain expenditure for their welfare must be the statutory obligation of the Centre. Further,

a Naga regiment should be found and maintained in Nagaland.

NON-INTERFERENCE NEEDED

In the past there was no occasion to formulate such demands by the Nagas; yet the Nagas enjoyed most of them in substance. A British member of the I C S administered the Naga Hills District like a king. He never interfered with their religion and tribal customs. He managed all their affairs with the help of their leaders and in practice the Naga areas were administered as if these formed a separate province. The District Magistrate acted, in practice, like a constitutional Governor of a Province. He also spent handsomely for the welfare of the Nagas but nothing was claimed as of right and these terms, Nagaland, Governor, Ministry, popular Legislature, Ministry of External Affairs, etc., were not heard of before.

The Nagas, like other hill tribes, are different from the people of the plains of Assam, and India has no justification to interfere with them so long as they do not create any trouble for India. If the Nagas form alliances with foreign powers unfriendly towards India, if they allow their territory as a base of operations against India, if they raid and loot adjoining Indian villages, if they disturb and dislocate communications and transport, then only should India interfere. Otherwise India has no business to meddle with their affairs. There are many customs amongst the Nagas which are repulsive to us but that is no ground for interference. The Nagas sometimes raid Indian villages and dislocate communications. In the past the Government, both in the North East as well as in the North West, took action. Otherwise, neither in the North West nor in the North East, the Government ever intervened. That old policy appears to be the best. And there is no doubt that that old policy will have to be adopted again.

HORNS OF A DILEMMA

It is difficult to understand how the Government can agree to the Naga demands. It is equally difficult to understand what else the Government can do. The difficulty now is not with the Nagas. They may be allowed to call their territories Nagaland, they may even be allowed the status of a separate State under the Ministry of External Affairs, under a Governor, a ministry of three members etc., —

though such luxuries, for a people of some four lakhs in an area of some 6,000 square miles, full of jungles and hills are impractical. A Naga regiment in Nagaland, however, may some day become a source of danger. And as soon as some of these demands are conceded, the other tribes of Assam will agitate and feel encouraged to make similar claims. In fact, some hill tribes of Assam, more than a dozen in number, are already restive and there is no doubt that sooner or later their demand for separation from Assam will have to be conceded.

Had our Government been a little more tactful, sympathetic and far-

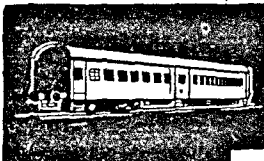
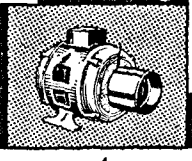
sighted before Phizo with his Nagas openly revolted, and pursued the old Naga policy, the Naga problem as well as the problem of the other hill tribes would not have arisen at all.

Before Independence, Orissa was separated without shedding a drop of blood. But after Independence, reorganisation of the provincial boundaries is taking place after considerable harm has actually been done. It is unfortunate that even a body like the States Reorganisation Commission could not foresee the trouble that lay in store for Assam and could not offer any solution.

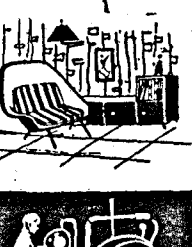
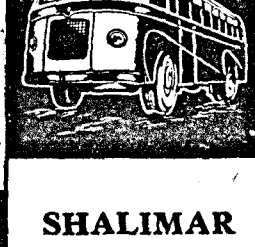
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A Gram Panchayat Election in Orissa

Nityananda Patnaik

GOPALPUR, a rural town of about 3,000 population, situated on the road side two miles to the south of Ranpur garh, is the headquarters of Gopalpur Gram Panchayat. This panchayat is composed of 24 wards with a population of about 6,000. Dimiria, a village of about 200 people, to which the writer belongs, is included under the Gram Panchayat. With it two other neighbouring villages, Nilamonipur and Nabaghanapur, are joined to make a ward of the Gram Panchayat. The number of this ward is 24 and it contains 260 voters.

The candidates stood for the vacant seat. One was the old member of the Gram Panchayat who had been returned uncontested at the last election. The other candidate belongs to Nabaghanapur and is closely related to the old candidate as *Samadi*, the former's son has married the latter's daughter. Both the candidates belong to the Sudra caste which represents about 63 per cent of the total voters in the ward. The voting population is analysed by caste in the Table below.

CASTE OF VOTERS IN WARD 24		
Caste	No of voters	%
Sudra	163	63.0
Kumbhar (potter)	36	14.0
Dhoba (washerman)	34	13.0
Barika (barbar)	14	5.0
Goura (milkman)	5	2.0
Kumuti (Businessman)	3	1.0
Pana (Untouchable)	3	1.0
Sanyasi (monk)	2	0.7
Total	260	100.0

POLLING STATION AND POLLING

Dimiria with 177 voters is the biggest of the three villages which make up the constituency. Nabaghanapur and Nilamonipur have 52 and 31 voters respectively. The polling booth was placed in Dimiria. The village shrine which lies in the centre of the village was taken over for the booth. The old candidate had a white box and the new candidate a yellow box. Polling time was between 1 pm and 3 pm on the 19th August 1959.

The writer would like to thank Professor A Aiyappan and Dr. F G Bailey for their criticisms of an earlier draft of this article.

The Presiding Officer and his assistants arrived punctually and the voters—men and women—gathered in small numbers. As the crowd was not very big there were no difficulties in polling. The women were made to form a queue but the men were more casual, some sitting on the near-by verandah and some standing round the table of the Presiding Officer, almost blocking the passage to the polling enclosure and talking noisily to one another. The women with their veils drawn down completely covering their faces, stood in a line waiting for their turn. When their names were read out by the Presiding Officer they signalled their agreement by nodding their heads. Many women, in spite of their veils, were too shy even to nod their head when their names were called. In these cases their relatives and the villagers helped the Presiding Officer to identify them.

At the end of the poll the boxes were opened in the presence of the candidates and the villagers and the votes were counted. The old member who belongs to Dimiria got 141 votes and was declared elected. The other candidate got 90 votes. After a short time a procession marched along the streets of the villages with drums beating, flags flying, and shouts of 'Jai' in honour of the old member. The candidate who won the election marched with them dressed in his best and garlanded.

FACTIONS IN THE VILLAGE

This is not the whole story of the election. We have also to ask why the old member won and why a rival candidate was set up against him. Before these two points are analysed it is necessary to discuss village politics and the people of the constituency in general and of Dimiria in particular, in order to understand the particular role of factions in the village. There are three factions in Dimiria. The potters are one and the Sudras bearing *Mahapatra* surname another. The rest of the villagers, with the exception of a few who are neutral or not actively engaged in faction, make the third group. The *Mahapatra* faction is the youngest, having originated a year ago; the other two factions have been in existence since 1953.

The factions of the potters grew out of a dispute between them and the washermen. At the time of marriage in every clean caste house a potter's wheel is worshipped. A potter's wife, preferably an old woman, comes with the wheel and installs it in the house where the marriage is performed. Then seven women belonging to the house and agnatically-related groups throw flowers on it and worship it. Thereafter the potter's wife is given her share of presents in the form of uncooked food and the wheel is returned to her after the rite is over. The potters are obliged to do this in the house of washermen. Though the washermen are untouchable, the potters have nevertheless been performing this rite since bygone days.

In this village the women, especially young unmarried girls, perform a rite known as *Khudurkuni*. This festival is observed on every Sunday in the month of Bhadrah (August-September). The goddess *Mangala* is worshipped on this occasion and the myth underlying the performance is a trading voyage which is said to have been undertaken by seven brothers to far off countries. The festival is performed at three places in Dimiria, one jointly among the potters and washermen at one end of the village, the second by a section of the people in the middle of the village, and the third one by the people at the other end of the village.

POTTERS AND WASHERMEN FALL OUT

In 1953 some of the educated potters refused to take their wheel to the house of the washermen for worshipping at the time of a marriage and did not allow washerwomen to worship *Mangala* with their women at the time of *Khudurkuni*. As the potters stopped giving their services which were sanctioned by tradition, the washermen refused to wash the clothes of the potters. In rural areas, the menstrual cloth of woman is given to washerwoman for cleaning. It is never washed at home. In fact all the families of potters are well-to-do. They have sufficient land to cultivate and also work wholtime at their caste occupation. But the washermen of this village are

very poor, as the income from their caste occupation is not enough to support them and therefore they seek employment as agricultural labourers, herdmen and wage earners in Dimiria and in neighbouring villages. Therefore the washermen are more dependent economically on the villagers, especially on one family of great influence and wealth, one household of the Patnaik family of Dimiria.

The Patnaik family has been divided into several nuclear families each having its own house and own separate property. The members of the Patnaik family, though separated, do not get on well with each other because of past quarrels over property and partition. A headman of one of the Patnaik families, who is not on good terms with another headman of this family and on whom the washermen are comparatively more dependent economically, sided with the potters and arranged for them an outside washerman to do service in potter's families. This outside washerman has come from another village about 24 miles from Dimiria and has settled down in a neighbouring village. As the caste assembly of the washermen is not functioning properly there is nobody to whom the washermen can complain about the encroachment of a new washerman into their territory.

CHANGING ALIGNMENTS

Thus the new washerman continued serving the potters for about

a year till there arose a dispute relating to usufruct of a mango grove belonging to Mahapatra and Patnaik families of this village. The members of Mahapatra and Patnaik families are related to one another by agnatic kinship. But they have been living separately for a long time. In this case some of the Patnaik families tried to deprive the Mahapatra families of their share in the mango grove. They pleaded that as the villagers watch the trees they are entitled to get a share of the fruits and that the Mahapatra families have no right over the disputed property. But the Mahapatra families pleaded that they, along with Patnaik families, watch the trees and no one else in the village has ever watched the trees, nor has got any share at any time. The Patnaik families joined together and fought against the Mahapatra group. The potters did not side with any group and remained neutral. The headman of the Patnaik family who arranged the new washerman for the potters was angry with the potters for their neutrality and instructed the washerman to discontinue service in potters' families, taking on himself the responsibility of paying him his salary from the village fund. Thus three groups were formed in the village: (1) the potters, (2) the Mahapatras, and (3) the Patnaik families, the washermen and the rest of the villagers. The old member of the Gram Panchayat is included in the Patnaik group.

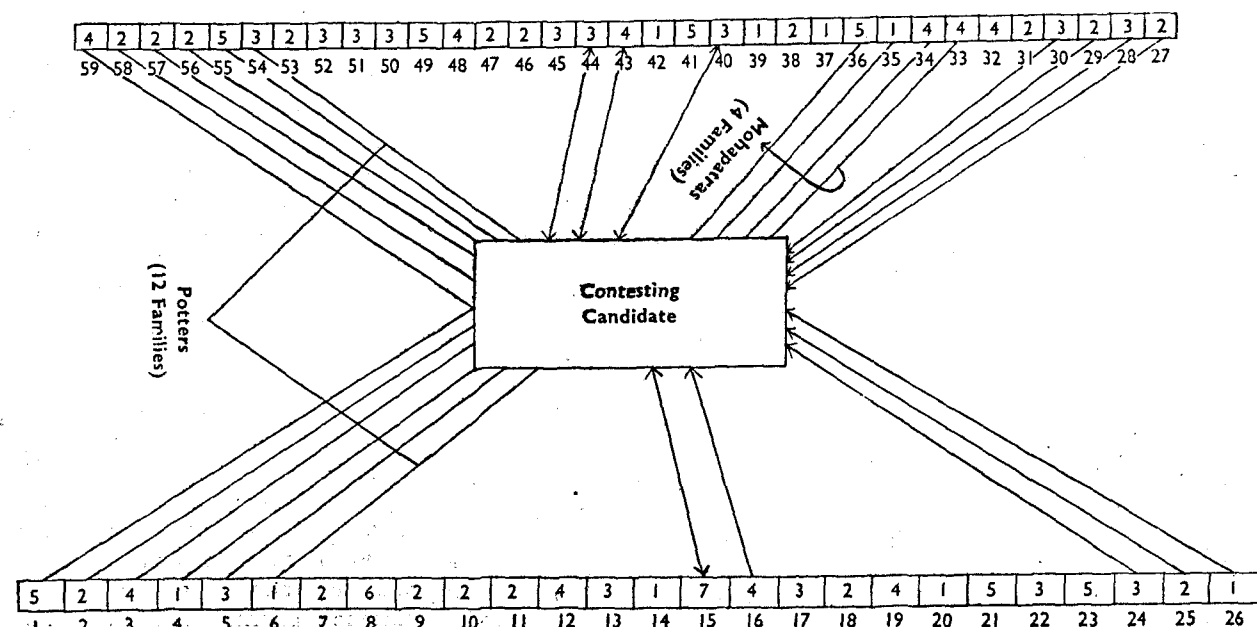
The case concerning the mango grove grew complicated and finally was taken to court where the decision was given in favour of the Patnaik family. To win the case all the court expenses were met from the village fund, as it was under the control of the old member. This made the potters and Mahapatras furious and, after the case, the Mahapatras and the potters joined together as one group, while the Patnaiks and washermen and the rest of the villagers remained as the other group. Therefore, at the time of election there were two factions in the village. In the election the Patnaik group chose the old member as their candidate and the potters and the Mahapatras nominated a new man.

KINSHIP AND THE NEW CANDIDATE

An analysis of kinship ties will show why the potter group chose that particular man to contest the election. This candidate is related to the old member. He is also closely related to many other families of Dimiria. He was originally living in the village, but due to want of room in his house as the number of members grew in his family he shifted to Nabaghanapur. Diagram 1 shows the division of the village into factions and the kinship ties of some of the families with the contesting member.

The village of Dimiria has two rows of houses and the village street running in between them. The

Diagram 1 — Houses favouring the new Candidate



numbered rectangular blocks represent individual houses. The number given below each block is the number of the house, and the number within the block is the number of voters present in that particular house. In the bottom row there are 26 houses and the upper row 33 houses. The house number 60 where there are three voters is the house of the village choudidar who lives at the outskirts of the village. The rectangular block placed in the centre of the street represents the ballot box of the new candidate. The lines joining the blocks of houses on both the rows to the ballot box shows the potters' families and the Mahapatras who set the new man against the old member. The arrow-marked lines show the houses with which the new candidate has kinship ties through blood and marriage relationship. The lines marked with arrows at both ends show the houses which favoured the new candidate for motives of self interest and as secret rivals of the Patnaik group.

INFLUENCE OF BOND FRIENDSHIP

The potters and the Mahapatras were sure that the new candidate would be supported by the voters indicated in Diagram 1. In addition to these ties bond-friendship of various kinds (*sahi*, *sangata*, *samadi* and *maitra*) played an important role. Gadei, son of Paramananda Barika of house number 23, who is on the side of Patnaik group, is related as *sangata* to Mahanta son of Ananda Swain of house number 40 who is aggrieved having been involved in a civil case by the villagers. Gadei

sided with the party to which his *sangata* Mahanta belonged. Agadhu son of Sonei Barika of house number 22, who is on the side of the villagers, is related as *sangata* to Surendra, the younger brother of the Mahapatra's leader of house number 36. He favoured the side which his *sangata* favoured.

House number 44 favoured the potters' group as the members of the family are cultivating some land which is under the management of one of the members of the Mahapatra group. But in many cases bond friendship did not work at all. For example one of the leaders of the Patnaik group is related to the leader of the potters' group. Their wives are also related to each other as *sangat*. But their relationship did not close the gap that exists between the villagers and the potters, because after the Mahapatras supported the potters the leader of the Patnaik group, who is at enmity with the leader of the Mahapatra group, became enemy also to the leader of the potters. In many cases an enemy's friend also becomes an enemy.

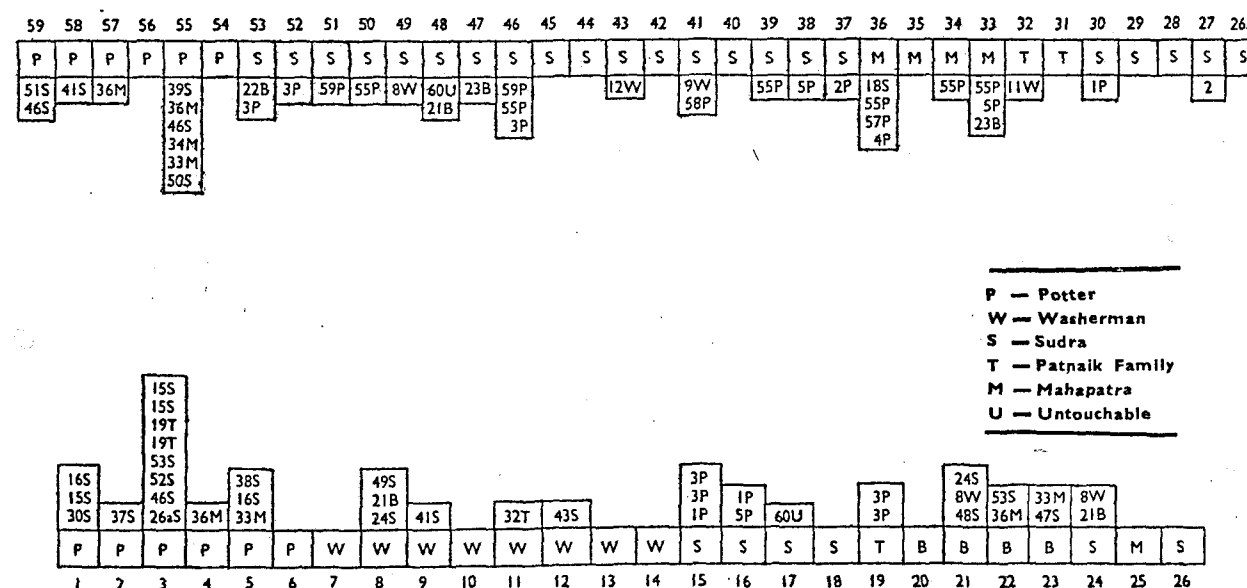
Thinking that there were so many families related to the new candidate and that there was every likelihood of getting their support in the election, the leaders of the potters and Mahapatras set him up as their candidate. Thus the new candidate met his relatives privately and besought their favour. The old-member party, being at first confident of success, did not resort to these tactics. Later they took measures to combat them. (See 'Taking

an oath' below.) The potters and the Mahapatras also helped him. They approached their bond-friends with whom they are accustomed to exchange food on festive occasions and requested them to vote in favour of their candidate. Bond-friendship cuts across the factional divisions and binds people belonging to different villages regardless of caste and economic condition. Diagram 2 (below) shows the bond-friendship ties that bind people to each other. It also shows how complicated this system is. Yet this system is an important determinant of behaviour. The analysis reveals that eleven male members and ten females of potter families have bond-friendship with nineteen villagers, four members of Mahapatras, three of Patnaiks and one washerman family. Secondly, leaving apart the potters, about thirty-four persons are interrelated with each other through bond-friendship ties. Of this number fifteen belong to the villagers group, seven to the washerman group, six to the barber group, two to harijans (the village watchman who is included in the villagers' group), three to the Mahapatra and one to the Patnaik group. Eleven persons are actually related by marriage. One belongs to the Mahapatra group and the others to the villagers' group (leaving out the Patnaiks).

TAKING AN OATH

Seeing that the new candidate was influencing people through kinship ties and bond-friendship, the leaders of the Patnaik's group canvassed from door to door and asked

Diagram 2—Relationship among the villagers through bond friendship



people to take an oath that they would cast their vote for the old member. They also arranged several meetings in the courtyard of the Siba temple and asked people to promise for the old member.

Those with conflicting ties were in a dilemma. They did not dare to side openly with their bond-friends or actual kinsmen. Nor had they completely rejected the idea of favouring the old member who belongs to their village. In the end many divided the family's vote, one half for the white box and the other for yellow. They told their women folk to vote in the yellow box while they voted in old member's white box. In this way the men could say truthfully that they voted in the white box. No one was going to cross-question the women. Had there been no oath the new candidate would certainly have won the election, but since the votes of his kinsfolk and related members were divided he lost the election.

CONCLUSION

One faction in Dimiria originated out of the breakdown of the traditional system of exchange of goods and services between the potters and the washermen. The other faction

fight, between the Patnaik families and the rest of the villagers on one side and the Mahapatra families on the other side, originated in a dispute over property. Of all the factors which affected the election of the new member, faction was the most important.

Though the new candidate is very closely related to the old member through marriage, and although there is no quarrel between them and their families, yet the new candidate agreed to contest with his relative. He was put up by the potters and Mahapatras who are at enmity with the rest of the villagers and the Patnaik's family. He agreed to stand because he hoped that if he won and came to power, he could revenge himself on one of the senior leaders of the Patnaik's family who has harassed him on many occasions.

In village life bond-friendship unites people belonging to different castes and opposing factions and different villages. But persons having influence in the village through their family name and fame, and property, and who are experienced in village politics and litigation, dominate the poor villagers. Though

the villagers in general liked the old member for the good work which he had done for the village, their kinship ties with the new candidate and the bond friendship which they have with the potters and Mahapatra group who put up the new candidate strongly influenced them at first. But the economic power which the Patnaik families enjoyed in the village plus the religious tactics used by them to win peoples' favour worked successfully to defeat the new candidate.

EXPANSION OF STEEL WORKS COORDINATING COMMITTEE

A COMMITTEE has been set up to coordinate the detailed planning of the expansion of the three steel works in the public sector. It will plan their expansion with a view to securing the timely production of various categories of steel for which demand is likely to arise during and after the Third Plan.

The General Managers of the steel plants and a representative each of the Department of Mines and Fuel and Iron and Steel, the General Manager (Construction Division) of the Hindustan Steel Ltd and the Iron and Steel Controller will be the members of the committee.

Opportunities for Small Industrialists

Industrial Economist

THIS is a follow up to the author's previous article 'Socialistic Pattern for Small Industries'* in the issue of December 19, 1959, in which the case was made out for the establishment of an experts cell whose function it would be to point out to small businessmen the opportunities for profitable investment in small scale industries. It is proposed to set out below some specific opportunities in the fields of engineering, industries of which advantage may be taken by businessmen of limited means. A subsequent article will cover foundry, rubber, electrical and chemical industries. The projects discussed here, though they may claim to satisfy the practical requirements and the prospectiveness of the suggested enterprise are not, however, by any means exhaustive. They are discussed more by way of illustration, in order to give a lead in the matter. The specific propositions discussed are all within the official investment limit of Rs 5 lakhs in fixed assets. Anything like an adequate survey of the field can only be undertaken by an expert team of the type which had been discussed earlier.

BICYCLE ASSEMBLY

Engineering Industries are far too many to be enumerated by me for profitable investment. There are quite a number of them in which the small sector is playing a very significant part. Bicycle manufacture is one of those industries in which small scale units have proved their worth. Besides dominating in the manufacture of spare parts and accessories, small scale units have already taken up the assembly of complete bicycles. Under the Approved Production Programme, of the total target of production for 1960-61 of 12½ lakh bicycles, 2½ lakh bicycles are reserved for assembly in the small scale sector.

This reserved capacity has been further allotted to each State for licensing to small entrepreneurs. In the Punjab, about two dozen units have already been licensed to as-

semble one lakh bicycles. Four units in Madhya Pradesh and five units in Bombay State have been licensed to assemble 18,000 and 29,500 bicycles respectively. In Madras and Andhra Pradesh, a unit each has been licensed to assemble 5,000 bicycles. However, a considerable portion of the reserved capacity yet remains to be licensed in the States of Madras, Andhra Pradesh, Mysore, Bombay and Madhya Pradesh. Small entrepreneurs who wish to take up the manufacture and assembly of complete bicycles have to apply to the Director of Industries in each of these States.

Those licensed to assemble bicycles under the Approved Production Programme are required to manufacture any four of the following parts:

- (i) frames,
- (ii) seat stays,
- (iii) chain stays,
- (iv) chain wheel,
- (v) cranks,
- (vi) pedals,
- (vii) handles,
- (viii) forks,
- (ix) mudguards, and
- (x) brakes.

The licensed firm is entitled to import components worth Rs 4 per bicycle.

This industry is very suitable for organisation on small scale. All the large scale producers of bicycles in this country started as assemblers and gradually took up the production of various components. Even today most of them are buying ready made rims, free wheels, tyres and tubes. Besides, some are purchasing components and accessories made by small scale units. With the exception of a few components which are difficult to manufacture, e.g. free wheels, chains and rims, small scale producers are making complete range of bicycle components cheaper than large scale producers. Small scale units have much lower overheads and labour charges as compared with the large scale producers. In Punjab small units have successfully taken up most of the capacity reserved for assembly in the small scale sector. They are prepared to take up additional capacity as they feel they can quite successfully compete with the large producers. Punjab, however,

does not enjoy any special advantage over the other States; on the contrary, it is at a disadvantage in the matter of raw material prices. All the other States offer similar scope for small scale assemblers. It is not, however, possible to give an idea of the investment or to discuss production aspects in the case of bicycle assembly. They would vary with the capacity licensed as well as the particular component that is chosen for production.

ACCESSORIES AND COMPONENTS

There is a huge and growing demand for components and accessories in the States of Madras, Andhra Pradesh, Kerala, Mysore, Bombay and Madhya Pradesh. All these States offer very good scope for profitable investment in them. The demand for accessories and component parts in the three Southern States for replacement alone, it is estimated, will rise to Rs 30 lakhs and Rs 40 lakhs respectively by the end of 1960. Demand for spare parts for replacement in the States of Madhya Pradesh, Bombay and Mysore are collectively estimated at Rs 2.14 crores during the year 1960. This huge demand for spares is being mostly met by imports from the Punjab as with the exception of Bombay, where a few small scale units are engaged in the production of bicycle accessories and parts, no capacity worth the name exists in the small scale sector in any of the other five States referred to above. The only large scale unit namely, T I Cycle, Madras, manufactures components mainly for use as original equipment for its own bicycles. It is, therefore, highly desirable that future capacity for spare parts and accessories be built up in these States to meet the local demand.

PRODUCTION OF HUBS

Besides the general scope that bicycle accessories and components offer, the manufacture of bicycle hubs in the country also offers profitable investment opportunity. Hubs are reported to be in short supply. Till recently, the entire demand for hubs used to be met from imports. The three main producers of bicycles, namely, Hind Cycles, T I Cycles and Sen-Raleigh Industries are now making hubs for their own requirement. Unfortunately the statistics of indigenous production

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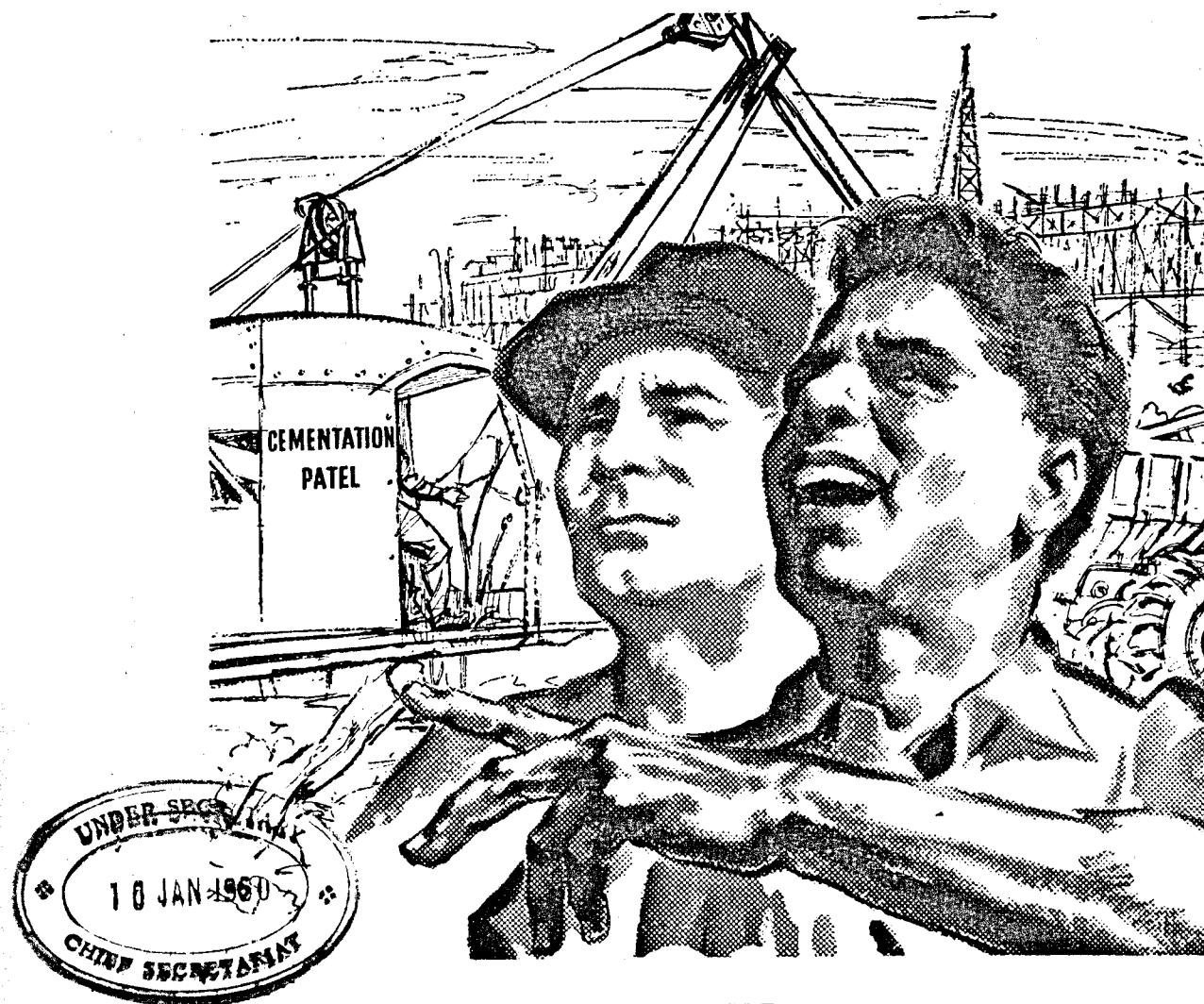
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* The name of the author of this article was wrongly printed as Industrial Engineer, instead of Industrial Economist. The error is regretted—Ed.



WORKING TOGETHER to help build Durgapur for India

A PARTNERSHIP of Indian and British skills is building a great new steelworks where sparse jungle lay at Durgapur. It is a project that will produce more than a million tons of steel for the nation every year.

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and of the imports of hubs are not available. The annual replacement demand for hubs by the end of 1960 is estimated by the Tariff Commission at 10 lakh pairs. This is in addition to about 10½ lakh pairs that will be needed for new bicycles manufactured in the country, if the production target for 1960-61 is attained.

A fair sized unit with a capacity to make 1½ lakh hubs annually, can be put up with an investment of nearly Rs 3½ lakhs, of which machinery would account for about Rs 2 lakhs. The main items of machinery required to manufacture hubs are power presses, automatic lathes, rolling machines, tool room lathes, tapping and screwing machines. It would also be necessary to have an electro-plating plant consisting of nickel plating, chromium plating and salt bath furnace. With the exception of the automatic lathes, the entire equipment is available locally. The main raw materials required are M S Sheets of deep drawing quality and high tensile M S Rods. The latter may have to be imported.

FREE WHEELS AND BICYCLE CHAINS

We were mainly dependent on imports for free wheels and chains a few years ago and even now import a sizeable portion of our requirements. However, it is reliably learnt that sible to manufacture chains and free wheels and chains has been licensed to large scale producers, details of which are not available. These two items are generally considered in official circles to be beyond the competence of the small scale units, to which view we do not subscribe. The expert opinion is that it is possible to manufacture chains and free wheels on small scale. It is, therefore, suggested that the Development Commissioner, Small Scale Industries, should encourage some enterprising party or parties to take up their manufacture on small scale.

The replacement demand for bicycle chains by the end of 1960 is estimated by the Tariff Commission at 23 lakhs and for free wheels at 14 lakhs. Besides, we shall need 12½ lakhs of free wheels and the same number of chains for new bicycles. Thus the total demand for chains and free wheels by the end of 1960 would be 35.50 lakhs and 26.50 lakhs respectively.

While licensing the manufacture of components considered beyond the competence of small scale units,

Government should take care that some capacity for these components is licensed to some independent units which are not engaged in the production of complete bicycles in order that these components may be available to the small scale assemblers at competitive prices. Licensing the entire capacity of such components to large scale producers of bicycles would put the small scale producer-assemblers at the mercy of the latter in the matter of regular supply and competitive rates.

STEEL BALLS

Let us now move on to another industry, namely, forged steel balls which offers very good scope for the small scale producer. Forged steel balls are used as a grinding media for cement and other products of stone. They are also used by chemical industry. At present we are importing our entire requirement of forged steel balls.

To produce, 1,000 tons of forged steel balls of 30-100 MM per annum, an investment of nearly Rs 2.5 lakhs would be required in machinery alone. The main items of equipment are two pneumatic hammers which would cost nearly Rs 1.75 lakhs and the dies would cost another Rs 40,000. The pneumatic hammers and dies have to be imported. The essential raw material is carbon steel bars which have also to be imported. The working capital needed for the 1,000 tons capacity unit would amount to nearly Rs 4 lakhs. However, this need not deter even a small entrepreneur, for working capital can be obtained from the State Bank against imported raw material. As an alternative, a lower capacity unit may be put up. Power required for a unit of the capacity mentioned above, is little over 100 K W and a built up area of factory shed may be about 10,000 sq ft.

AIR COMPRESSORS

Air Compressors are another item which can be profitably made on small scale. They are used for spray painting and for working of pneumatic tools. They are also needed in research establishments, industrial shops and textile mills. Their imports amounted in value to over Rs 2 crores in 1957, but declined to about Rs 84 lakhs in the following year due to import restrictions. A large quantity of air compressors is also being imported as part of painting equipment and pneumatic tools.

A unit with the capacity to make 50-75 air compressors per month (depending upon the size) can be put up with an investment of about Rs five lakhs. Machinery would account for nearly half the investment. The main items of equipment required are lathes, milling machines, drilling machines, grinding machines, welding equipment and sheet metal working machines. The entire equipment is available locally with the exception of grinding machines.

The main raw materials are M S Sheets, cast Iron Castings, M S Angles, high tensile M S Rods, springs and steel balls. All the raw materials are locally available with the exception of high tensile M S Rods which are required in very small quantity. The difficult part in the manufacture of air compressors is the designing for which an experienced engineer will have to be employed by the intending producer.

The magnitude of the imports of air compressors, makes it clear that several small scale units will be needed to meet the huge requirements of the country.

TUNGSTEN CARBIDE TIPPED TOOLS

Tungsten Carbide Tipped Tools are used in mining for making bores in rocks and for other quarrying purposes. They are also used in the machine shops. Carbide tipped tools are considered more lasting and useful than the ordinary high speed tools, and are likely to replace the ordinary tools as our engineering industries are modernised.

Carbide tipped tools worth Rs 19 lakhs were imported in 1957 and tools worth Rs 9 lakhs were imported in the first 8 months of 1959. Besides the tools, we are also importing a huge quantity of tips. Since the prices of imported carbide tipped tools are high, many large consuming industries are making their own tools by importing tips. These industrial users would cease to make their own tools, if they could get their requirements at reasonable prices from other producers.

There is thus scope for the manufacture of both carbide tipped tools and tips. As a beginning, two or three small-scale entrepreneurs may be encouraged to take up the production of Tungsten Carbide Tipped Tools with an investment of nearly Rs 4 lakhs each. The cost of equipment will be over Rs 2 lakhs. The main items of equipment are milling

machines, shaping machines, power-hack saw or metal cutting band saw, grinding machine, lapping machine and electric induction brazen furnaces. With the exception of the last item, all the others are being manufactured locally.

The raw materials needed are carbide tips and mild steel bars. While carbide tips will have to be imported till some one is encouraged to make them within the country, mild steel bars are available from indigenous sources.

MECHANICAL TOYS

Another item which offers excellent scope for the small industrialist is the making of Japanese style mechanical toys. These toys are spring winded and motor operated. There is a huge demand for them, in spite of their exorbitant price. The spring winded toys which sell between Rs 15 and Rs 25 are available in the country of their origin for less than Rs 5. The motor operated toys, which work with battery, costing Rs 50 and above here, are available for one sixth the price outside. There is a growing demand for such toys and the demand would vastly increase if they become available at lower prices.

The West Bengal Government, it was reported some time ago, was contemplating the establishment of a large scale unit for the manufacture of mechanical toys. This is not an item which is suitable for production in the public sector. Consumer goods which need frequent changes and variety in design, should be left for the private sector, especially the small scale sector. Moreover, instead of bringing one large scale unit in one corner of the country, several small scale units should be established and spread over various parts.

It would not be possible for any one to put up an up-to-date small scale unit for the production of these mechanical toys without Japanese collaboration. The two Japanese Delegations who visited this country last year, showed their willingness to help India in its efforts towards industrial development. It should be possible for Government of India to help in bringing about collaboration between Indian entrepreneurs desiring to take up the manufacture of toys with the Japanese manufacturers of these toys.

Eleven New Paper Mills

ELEVEN new schemes have been approved for the production of paper by small units. The requisite licences have been granted and the foreign exchange required for these units has been computed at about Rs 22 lakhs.

The production capacity of the proposed units will be about 21,200 tons of paper per annum.

Three of these units with total capacity of 7,200 tons will be set up

in Bombay State. Uttar Pradesh will also have three new mills with a total capacity of 4,200 tons per annum. Punjab will have two producing 2,700 tons per year while the remaining three with about 7,000 tons capacity will be set up in West Bengal.

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

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Standardisation of Land Revenue Assessment

R Giri

THE Taxation Enquiry Commission (1953-54) was in favour of undertaking settlement operations in only those areas where original settlement had not been done so far. In respect of the areas in which settlement had already been carried out and land revenue had been assessed on the basis of detailed land survey and soil classification, the Commission did not favour revision of settlement as it would be an expensive and time-consuming process, particularly when resettlement was overdue for most of the areas in the country and the technical personnel were not available in so a large number as to complete the operations in a reasonable time. The Commission, nevertheless, pointed out large disparities in the assessment of land revenue in the different States and in the different areas of the same State, and greatly emphasised the desirability of standardising the assessment and raising the receipts from land revenue in this process.

The Commission attributed the existing disparities in land revenue assessment chiefly to the differences in price-levels of the different periods in which original or revision settlements were done. To minimise the disparities, it recommended that the present incidence of land revenue in the areas last settled during the periods 1880-99, 1900-19 and 1920-39 should be raised by 25, 12.50 and 6.25 per cent respectively in conformity with the continued rise in prices since 1873, while no enhancement should be effected in those areas in which revision or original settlement had been done after 1939. It also recommended revision of standardised assessments every 10th year according to rise or fall in the average level of the prices of the decennium over that of the preceding 20 years. For the price-rise of more than 25 per cent and upto 43.75 per cent and above, it suggested enhancement of 3.25 to 12.50 per cent, and for similar price-falls, reduction of 6.25 to 25 per cent. (Report of the Taxation Enquiry Commission, Vol III, pp 225-30)

WIDE DIVERSITY IN LAND REVENUE

One would hardly dispute the Commission's finding regarding the wide divergence in the assessment of land revenue of the different

areas. If we take for illustration the present Madhya Pradesh State which comprises the areas of four old States formed of parts of both erstwhile British India and princely States, we find that the incidence of land revenue per acre of occupied area works out to Rs 0.90 in Mahakoshal, Rs. 1.45 in Vindhya Pradesh, Rs 2.02 in Bhopal and Rs 2.40 in Madhya Bharat. In individual districts, it varies from below Re 1.00 in Bastar, Mandla, East Nimar, Betul, Chhindwara, Seoni, Raipur, Bilaspur, Surguja, Raigarh and Shahdol districts to between Rs 2.50 and Rs 4.00 in Gwalior, Shajapur, Mandsaur, Morena, Ujjain, Indore, Datia, Ratlam and Bhind districts. In the remaining 23 districts it ranges from Re 1.00 to Rs 2.50. Higher incidence of land revenue in Madhya Bharat and Bhopal in comparison to Mahakoshal is understandable to some extent, but it is difficult to understand the rationality of higher rates in Vindhya Pradesh where soil fertility and economic conditions of the people are in no way better than those in Mahakoshal.

But the Commission's view that the diversities in incidence of land revenue are largely due to divergence in price-levels of the different periods in which settlements were done, is not sound. It assumes that the basis of assessment has been uniform in the different areas and times, and only the variation in prices has been taken as the sole criterion to revise the assessments. According to this view the percentage increase in the original incidence of land revenue should be less in the case of resettlements done during the years 1900-19 when the prices were 195 per cent of the prices in the year 1873 (the base taken by the Commission) than the percentage increase in incidence in the case of resettlements done during the years 1920-39 when prices were 242 per cent of those in the base year. But it is found that the increase in the incidence in Damoh, Jabalpur, Sagar, East Nimar, Hoshangabad, Seoni, Betul, Balaghat and Chhindwara districts of the Madhya Pradesh State re-settled during the former period varies from 15 to 40 per cent and the increase in the

incidence in Narsimhpur, Mandla, Raipur, Durg and Bilaspur districts resettled during the latter period also varies from 14 to 43 per cent. In the same Morena district, the revision settlement of 1925 resulted in 30 per cent increase in the incidence of land revenue in Khategaon Pargana, and 20 per cent decrease in Kanod Pargana while the revision settlement done in Morena Pargana in 1939, gave only 16 per cent increase.

BASES OF ASSESSMENT

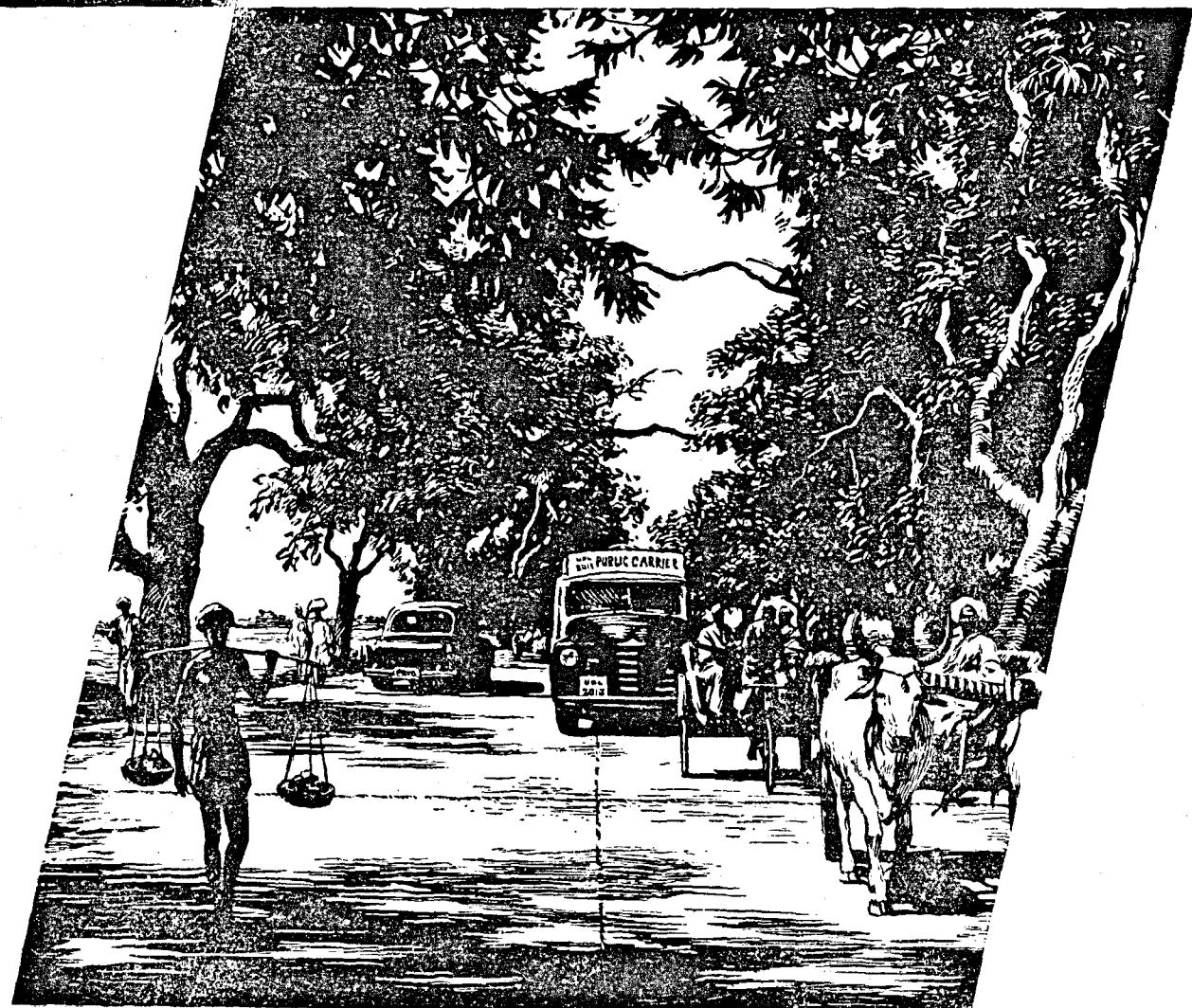
Thus the available data do not substantiate the Commission's view that the disparities in land revenue in the different areas are mainly due to differences in price-levels of the periods in which they were settled or resettled. Naturally the question arises: what are the other causes of diversities in land revenue assessments of the different areas? For an answer, we must examine the bases of assessment.

The basis of land revenue assessment in some States or tracts is net assets of the estate, while in others, it is net produce or gross produce. Still in another set of States, capital value or rental value determines the basis of assessment. These different bases are essentially the function of certain agricultural and economic factors. The agricultural factors are quality of soil and level or position of the land, type of crops raised, possibilities of natural or artificial watering, manuring, and land improvements, and the economic factors are nearness to the village habitation and market, transport and communication facilities, prices of crops raised, and the economic condition of the tenants. Though the different bases of assessment agree more or less in essentials, they differ substantially with regard to details of calculation. The different factors are not scientifically and comprehensively assessed in all settlements. Some factors are completely left out, and idiosyncracies of the Settlement Officers have often filled the gaps. In different settlements, different systems of soil classification have been adopted; and they are not comparable. While a comparison is possible on the basis of productivity and value of land in areas taken in

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one settlement, no comparison is possible between areas which have been assessed in different settlements in the same or different periods. It is thus the difference in details of calculation of the bases of assessment which is chiefly responsible for differences in land revenue.

HISTORICAL FACTORS

Other factors responsible for disparities are historical circumstances, difference in the outlook of the rulers of the princely States, and abundance or scarcity of resources other than land on which taxation could be imposed. In the same Ratlam Tehsil which is comprised of villages belonging to three former princely States, the rate per acre for the same standard Kali I soil varies from Rs 2.19 to Rs 6.06 (Rs 3.81 in Dhar, Rs 4.56 in Ratlam, and Rs 2.19 to Rs 6.06 in Sailana). The non-occupancy tenants in the Madhya Bharat districts were required to pay somewhat higher contractual rents than the occupancy tenants who paid rents fixed by the Settlement Officer at circle rates on the soil-classification basis. The pitch of assessment in the Jagirdari areas was generally higher than that in the Zamindari areas. In the wheat districts of Sagar, Damo, Jabalpur, Hoshangabad and Narsimhpur in Mahakoshal, the rents were quite high even in the original settlements, while those in the rice districts of Bilaspur, Raipur and Durg were much lower. The old disparities have continued during the subsequent settlements because no attempt was made to follow a uniform scale of soil-classification in the different areas; and enhancement effected in these areas was mostly on an ad-hoc basis according to local circumstances.

It is not that the Commission was not alive to these basic factors and historical circumstances which have led to disparities in land revenue assessment, but in its anxiety to simplify the procedure of standardisation, it has laid undue emphasis on the part played by fluctuations in prices at the cost of other factors which govern land values and should thus form the basis for formulation of any scheme for lessening the disparities in assessment. The following quotation from its report bears ample testimony to its awareness of these factors and circumstances:—

"Though the general pattern of land revenue settlement and assessment in India broadly follows the description given above, (i.e., in its report), the development of the different systems has not been on the same lines in all States. This disparity has been further widened with the integration of the former princely States where, except in a few States administered by retired or deputed officers from British India, there were no regular settlements or systems of land revenue. The result is that, at one end we find States like Punjab, Bombay (before the merger in it of certain princely States), Madras, Assam and Mysore in which practically all the land has been surveyed, measured and settled on some definite principles. At the other, there are States like Rajasthan, Saurashtra and Madhya Bharat where there are still large portions of unsurveyed and unsettled land and where settlements made in the past followed no scientific principles and have been more or less the result of political conditions prevailing in the States at the time. In between, there are States like Uttar Pradesh and Madhya Pradesh where there have been settlements on regular lines, but owing to the prevalent zamindari system, several intermediaries had crept in. Recently, these intermediaries have been eliminated and the former tenants have become occupants of land directly responsible to the State Governments for payment of revenue. But the revenue realised from these former tenants is the same as the rent paid by them previously to the intermediaries and has not been revised on the abolition of the intermediaries. The lands have not been resettled on the hitherto accepted principles of revenue assessment, viz, productivity of the land, cost of cultivation, economic facilities, etc. It appears that in these States, considerations such as past history, political expediency and the administrative difficulties most influenced the rates of land revenue recently fixed and these are likely to continue for a time. Conditions in the States of West Bengal, Bihar and Orissa are more or less similar, and in quite a large part of these States, there was no organised land revenue administration at the lower level because of the permanent settlement (*ibid*, pp 184-85)."

ALTERNATIVE METHOD OF STANDARDISATION

Since the Commission's recommendation to standardise the land revenue assessment by eliminating the effect of variations in general price-level is not sound, it is necessary to evolve some different method to measure the extent of disparities in assessments in different areas and to formulate proper scales to minimise them. Instead of correlating the pitch of assessment only to price-level, it would be more appropriate to link it with the money-measure of the total effects of the various factors which contribute to the value of land. Such procedure will take into account both the agricultural factors which govern the productivity of land and the prices of the products raised which ultimately determine the value of land. The required money-measure of the total effects of these agro-economic factors can be found either from the sale or lease value of the land or the net or gross value of all produce raised thereon.

The statistics of sale or lease value of land can be tabulated from the returns of the registration offices. However, data on sale or lease value of land are not readily available in a systematic compilation in many States. The gross value of the produce can be calculated on the basis of the average yields and farm prices (i.e., the wholesale prices received by the farmers) of the crops during the preceding decennium or quinquennium. Such data are now available in almost all States for a fairly large number of years. The net value of the produce can be obtained after deducting from the gross value of the produce the cost of cultivation of crops. For the determination of which practically no State has conducted comprehensive enquiry on a scientific basis. Thus the statistics of the gross value of the produce can only be used as a dependable money-measure of the total effects of the various agro-economic factors which determine the value of land.

GROSS VALUE AS MULTIPLE

The gross value of the produce can be calculated in terms of per acre of cultivated area. Land revenue is expressed either in terms of per acre of occupied area (i.e., area of holdings) or per acre of cultivated area. For the sake of

comparison, both should be expressed in terms of per acre of cultivated area. After this is done, the gross value of the produce can be expressed as multiple of the current rate of land revenue. This multiple can be calculated for the whole of a district or a smaller administrative unit which has been covered in the same or similar settlements. Where this multiple is high, the obvious conclusion would be that the present pitch of assessment is low and there is justification for enhancement and vice-versa.

There will be little justification for any enhancement in land revenue in those districts or areas where the gross value of the produce is only 20 or less times the land revenue. The Taxation Enquiry Commission has further ruled out any enhancement larger than 25 per cent over the existing rates, because a sudden rise might cause inconvenience and hardship to the people and might arouse their resentment. Therefore, a maximum enhancement of 25 per cent may be effected in those districts where the gross value is 100 or more times the rental value or thereabout. Between these two extreme limits, the incidence of land revenue may be enhanced in progression by 10 to 20 per cent. The scales of enhancement may be as follows:

Gross value of produce as multiple of land revenue.	Proposed % increase.
Below 20	0
20-30	10
30-50	15
50-100	20
Above 100	25

THE CASE FOR UNIFORMITY

A question worth consideration at this stage is whether the assessment within a district or any other administrative unit should be raised at the same rate in all the assessment groups in it or a graduated scale should be adopted as the incidence of land revenue differs widely from one assessment group to another assessment group in the same district or area. It may be pointed out that within a district or any area settled simultaneously, either the settlements in all the parts have been done during the same period or during periods close to each other, and they have been done almost by the same Settlement Officer according to the same prin-

ciples. The variations in the assessments within a district or area is, therefore, not so much due to variation in price-levels or historical circumstances as due to genuine differences in the productivity of the soils and other factors which are taken into consideration in fixing the assessment. There would be thus little logic in applying different scales of revision in the different assessment groups of the same district or area.

In view of high appreciation in land value and value of the produce raised due to economic advancement and price-rise, there is little justification of any reduction in the present pitch of assessment in any area, howsoever high it may appear in comparison to other areas. Therefore, no decrease is recommended. But the grading of the multiples and the rates of increase for the different grades of multiples can be varied in the different States on the consideration of local conditions. After the statistical ratios of land revenue to land value are calculated and enhancement effected on the basis of these ratios, the effects of agricultural and economic factors which should really form the basis for land revenue assessment, will be reflected in the enhanced assessment, and the effects of such extraneous factors such as historical circumstances will get minimised. If the disparities in any State are very pronounced, they can be ironed out in stages by repeating this process, without causing drastic revisions in one stroke.

After the standardisation of assessment, it should be possible to adopt the scales of periodical revision of standardised rents on the basis of variation in price-level as recommended by the Taxation Enquiry Commission and as referred to in the concluding part of the first paragraph of this paper.

CONCLUSION

With the imposition of ceiling on land holdings, standardisation of land revenue assessment will be the final link in the chain of land reforms in this country. The various classes of landed aristocracy having been eliminated and the land distributed to the actual cultivators in not too big holdings, the standardisation of land revenue assessment will not only contribute to equitable distribution of the burden of land-tax on them, but they will also be made

to contribute their appropriate share to the national revenue which has to be raised in all possible justified manner for financing the development projects.

The various land reforms measures have been taken chiefly with a view to benefitting the actual tillers of land to whom does also accrue the benefits of agricultural developments under the Plan. The standardisation of land revenue assessment should, therefore, receive the attention of the policy framers and legislators to achieve the twin objectives of equity in taxation on land and raising of finances for our development plans.

SUGAR RELEASES

GOVERNMENT has decided to release 1.75 lakh tons of sugar. There will be no release for free sale from the factories in Uttar Pradesh, North Bihar and Punjab. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, Madras, Orissa, Kerala, Bombay State, Himachal Pradesh, Assam, Manipur and Tripura, from factories in the controlled region, will be made only to the nominees of the State Governments. In the case of Punjab and Jammu and Kashmir, allotments will be made direct to the State Governments or to their nominees. In the case of West Bengal, allotments in the districts and also for Calcutta will be made to nominees of the State Government. Allotments to Delhi will continue to be made on the existing basis.

The controlled ex-factory price for U P and North Bihar factories is Rs 37.85 per maund and for factories in Punjab Rs 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed F O R destination prices in respect of allotments made to Kanpur and Calcutta will be Rs 38.60 and Rs 39.85 per maund respectively for sugar of ISS D-29 grade.

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Around Bombay Markets

Equities Drift Lower

Thursday, Morning

DALAL STREET had only three sessions last week. Equities drifted lower. And when compared with the highest rates touched during the Christmas holidays some of the counters showed quite sizable losses. Tata Steel which had been bid up to Rs 159.50 were sold down to Rs 152. Indian Iron fell from Rs 23.62 to Rs 22.76, Tata Locomotive from Rs 218 to Rs 206.75, Premier Construction from Rs 368 to Rs 352, Bombay Dyeing from Rs 71.30 to Rs 69.40, Kohinoor from Rs 337 to Rs 323 and Voltas from Rs 198 to Rs 188. The setback was due mainly to persistent bull liquidation. Fresh support was generally lacking. Bears, however, remained reserved.

It might be rash to read too much into this setback in prices. End-account considerations alone could have produced bull liquidation large enough to cause a decline. But one could not fail to notice the change in trading sentiment brought about by last week's setback in prices. Cotton Mill shares turned lower despite excellent news from the cotton piecegoods market and prospects of raw cotton supplies to the industry at controlled rates (cotton has been selling in the blackmarket for a long while). Tata Steel declined sharply in spite of increased output at Jamshedpur in December. Saleable steel production at 108,600 tons was 4,600 tons more than in November and pig iron output increased from 128,900 tons to 136,000 tons.

Bulls have still a hold on the market. But it is doubtful whether they will care to risk big fortunes on the Budget. And every day that passes brings the eventful day nearer. The exigencies of defence and the massive effort needed to quicken the economic tempo in the country will call for great sacrifices. Shri Morarjee Desai might not find it easy to oblige the stock market despite his known leanings towards Bib Business. The market will need to retreat to a safer place to be able to stand any shock that the Budget might have in store for it.

It is tempting to emphasise the rising trend in industrial production, the bright economic prospect and

the outlook for equities in an inflationary situation. But since equities have already recorded a very impressive rise over the past two years, investors will need to exercise great care in selecting the scrip. Apart from the Budget uncertainty, the tightness in the short-term money market and the pressure of new issues in coming weeks might also have a restraining effect on the market. Banks are reported to be restricting their "budli" business, presumably under the Reserve Bank's advice.

Oilseeds

CASTOR AND CRUZEIRO

CASTOR were very much in the news last week. It was not because the May contract fell from Rs 175.37 to Rs 167.75—Wednesday's closing rate was a little better at Rs 169.50—when groundnut, cottonseed and even linseeds were up on the week, but because the decline had a good deal to do with certain currency changes in Brazil which is the world's largest producer of castorseed. Down came castor tumbling when the news was received that the Brazilian Superintendency of Currency and Credit (SUMOC) had transferred from January 1 castor oil to the free exchange market category. This meant that exporters of castor oil had now been permitted to convert all the dollars earned through the sale of oil into cruzeiros at the free market rate of about 220 cruzeiros to a dollar against the previous rate of 100 cruzeiros. Previously, exporters were allowed to retain only 10 per cent of their earnings to be converted into local currency at the widely fluctuating free market rate.

Announcing the transfer of castor oil to the free exchange market category the official announcement says that the Banco Brazil will pay on sight only 130 cruzeiros per dollar in cash with the difference to be paid in Banco Brazil note of six months maturity and bearing interest at six per cent annually. Shorn of all technicalities this change implies a very large amount of devaluation as far as the export of castor oil is concerned, which would naturally affect the competitive position of

Indian castor oil in the U S market. The local market's reaction therefore cannot be dismissed as emotional. But whether this development can by itself materially alter the outlook for Indian oil in the months ahead is another matter. For much depends on the trend of castor oil prices in Brazil, the size of the crop, U S demand and India's ability to market its oil outside the U S.

If the immediate reaction to the news from Brazil was a marking down of prices here, the U S buyers too were said to have withdrawn from the market. While castor oil prices, both in U K and the Continent held quite firm, the U S buyers were said to have reduced their quotation for castor oil Commercial from 15 cents to 14.25 cents per pound. Exporters have turned a little cautious about the immediate outlook but they continue to be optimistic about selling Indian oil abroad, including the U S. With Brazil's 1959 crop estimated at no more than 1.55 lakh tons of castorseed, America will not find it easy to keep off the Indian market when its consumption is running at quite a high level. Since Brazil has already disposed of the bulk of its small crop, the change in the exchange rate is not of much practical significance. Notwithstanding the good Indian crop and the satisfactory flow of arrivals which is reflected in the wide spot discount—about Rs 8 per candy for Small ready—few observers are inclined to take a bearish view of castor prices. The remarkable strength in groundnut and cottonseed alone should have a tonic effect on castor.

GROUNDNUT FIRM

The sharp break in Castor futures had its effect on other seeds. Groundnut February came down from Rs 194.50 to Rs 191.25, cottonseed February from Rs 150.50 to Rs 148.25 and linseed May from Rs 34.50 to Rs 34.19. The lowest rate were recorded on January 2. But thereafter the market turned steadier again and excepting castor all the other seeds wound up the week with net gains. Groundnut February were up again at Rs

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197.50, cottonseed at Rs 151 and and linseed at Rs 34.50. Trading in new contracts in groundnut and cottonseed was allowed from January 2. While the May contract in groundnut generally fetched a premium of about Rs 3 per candy, cottonseed May was quoted at a discount ranging between Rs 2 and Rs 2.50.

Groundnut firmed up despite the fairly satisfactory flow of arrivals and absence of any fresh export business, in oil or oilcakes. Sustained support from crushers and vanaspati manufacturers for the spot material induced bears to cover their sales in futures. And with the market grown very thin because of the heavy margin of Rs 60 per candy, it responded quickly to influential professional bull support. The supply position of groundnut is considered to be rather tight. Export houses reported revival of Communist inquiry in extractions and prospects of sizable business were rated high. Overseas advices for groundnut oil were distinctly firm, with the U K and Continent quoting as much as £ 120 per ton. Only a few weeks ago the quotation stood as low as £ 105. Export houses continue to await fresh policy for oil. Informed sources say that New Delhi would soon release 20,000 tons of groundnut oil for export up to April and export incentive will include not only an expeller quota but also import of certain goods. It hardly need be added that the export of oil will give a further push to the upward trend in prices. But that cannot be helped when the domestic supply position is tight and the country needs foreign exchange almost at any cost.

Groundnut oil naturally followed the up and down movements in seeds, with the quotation for April-May delivery, which had eased from Rs 20.97 to Rs 20.56 per quarter, rising again to Rs 21.31. Cottonseed futures were a dull market. The undertone continued to be firm because of the tight bull grip. Interest in linseed was generally on the low side. Follow-up support on the rise was lacking but offerings dried up on the decline. Export houses did not mention any fresh business in oil but overseas advices were said to be more encouraging than before. The quotation for April-May shipment was reported at around £ 110/111 per ton against £ 105½ a few weeks ago. The U S Commodity

Credit Corporation has not yet effected any sale of stockpile oil because of the poor prices offered by the buyers.

Cotton

DULL, FIRM

TRADING in cotton futures was an extremely dull affair throughout last week. Fluctuations were irregular but small and the general tone was firm. Activity was essentially professional and of a jobbing nature. Outside interest was virtually absent. That neither bulls nor bears should feel inclined to take much interest in futures is not the least surprising. The tight supply position of cotton has compelled the authorities to introduce 'rationing' and quality control. The cloth market continues to be in excellent form. But spot prices are already above the official ceilings and they cannot therefore rise much further unless the authorities are completely unable to enforce discipline on the market. And with the hedge contract what it is—an utterly fictitious contract—futures cannot advance very far from the current level.

Conditions in the spot cotton market were not any better. Quota system and quality control have made mills very cautious. Upcountry markets are said to be a little more active than Bombay. Unofficial premiums have suffered some decline recently and with the quality control fairly comprehensive premiums should come down still further. Logically it should be possible for the mills to procure all their quotas at the ceiling rates. Of course, mills are more interested in supplies than in the price factor because cloth can be readily sold at good prices.

Arrivals are gradually picking up but with crop ideas revised to around 43 lakh bales, increased arrivals are unlikely to have any important effect on the price trend. The view is widely shared that the Textile Commissioner should use his influence, if not authority, to persuade the mills to utilise their import quotas expeditiously with a view to easing pressure on indigenous cottons. Despite the release of a large import quota, the quantity licensed remains disappointingly small. The high prices of foreign cottons are said to have discouraged mills from making quick purchases but then the price outlook abroad is generally thought to be firm. The latest report that the U S has agreed to supply India

with 2.50 lakh bales of cotton P L 480 holds out the larger imports of American because of its relative cheapness. Whether the U S agreement will include short staple cotton is not yet known. Meanwhile the ceiling for the export of 71,500 bales of Bengal Deshi cotton (this is the shippers' share in the 75,000 bale quota) has already been reached. The bulk of business is said to be for distant shipments. In view of the tight supply position prospects of a further export quota are far from bright.

Money

BILL RATE UP

TIGHTNESS continues in the short-term money market. The inter-bank call money rate among the exchange and bigger Indian banks is firm at 3½ per cent. Trade demand for funds is steadily growing with the progress of the busy season. Scheduled banks' advances in the week to December 25 increased further by Rs 5.32 crores. Investments declined by Rs 1.53 crores. Total Deposits, however, were Rs 2.03 crores higher. The treasury bill rate has hardened further to 2.420 per cent. The Gilt-edged market, however, has continued to hold firm despite the tightness in the money market. Business has dwindled appreciably and interest has become very selective. Only the State Loans seem to be popular at the moment.

Bullion

NEW HIGH FOR GOLD

AFTER keeping slightly subdued due to corrective profit-taking bullion prices developed renewed strength during the latter part of the week on short covering, scarcity of offerings and fresh bull support. While silver held close to its previous top gold rose to a new high level of Rs 128-8, Maha delivery. The sky is perhaps the only limit for bullion prices. It is difficult to determine a dependable norm for gold and silver prices in India. Imports are confined to smuggling activity and peculiar social customs and habits continue to be a steady drain on the marketable supplies. It is difficult to find a futures market which is working all the time under such abnormal circumstances as gold and silver. One wonders what good it does except bringing some revenue to the Government by way

of stamp duty and satisfying the human instinct to gamble.

That a few professional bulls have a virtual hold on the market is no news. Floating stocks are known to be tightly held, particularly of gold. Seasonal influences seem to have hardly any effect on the price trend. Prices have continued to rise despite the slack off-take (because supplies have been limited) and in spite of the high carry forward charges. The spread between Posh and Maha deliveries is as high as ten annas in gold and Rs 1.5 in silver. After easing a little from Rs 127-1½ and Rs 213-14 to Rs 126-10 and Rs 212-8, gold and silver, Maha delivery, improved to Rs 128-8 and Rs 214-2 respectively near the week-end.

Company Notes

Flying Performance Better

THE losses of public corporations hit the headlines readily enough but improvement in their performance seldom receives the same attention. Indian Airlines, which has a monopoly of all scheduled flying routes in the country, has been suffering heavy losses year after year since its inception, but the magnitude of these losses has been steadily declining while operating results have maintained an equally steady pace of improvement. Now for the first time the I A C has been able to break even before charging depreciation. During the year ended March 31, 1959, its losses came down from Rs. 103 lakhs to Rs. 91 lakhs, while depreciation charged went up from Rs. 65 lakhs to Rs. 94 lakhs. In addition, the Corporation provided Rs. 10 lakhs for obsolescence of spares during the year.

Capital investment now stands at more than Rs. 19 crores against nearly Rs. 20 crores in the previous year, but accumulated losses and miscellaneous expenditure take away Rs. 6 crores against Rs. 5 crores, leaving effective investment nearly constant at about Rs. 13 crores.

The Corporation's working results deteriorated between 1953-54 and 1955-56, but since then, nearly every indicator of technical performance has maintained a consistent improvement. Break-even load factor has been brought down from 83.7 per cent in 1955-56 to 78.3 per cent in 1958-59 while overall load factor has come back to 70.6 per cent after

declining in between. This has been achieved largely by introduction of Viscounts, standardisation of equipment and training and administrative reorganisation. Revenue earned per capacity ton-mile flown has increased at a significantly faster rate than cost. In the latest year, a part of the larger earnings is attributable to revision of passenger fares, while the increase in cost is wholly due to provision for obsolescence and additional insurance.

The Corporation now has an operating fleet of 58 Dakotas, 10 Viscounts, 5 Skymasters, and 3 Herons. All the Vikings were withdrawn during the year and 4 Herons were put into storage. The remaining Skymasters and Herons are also presumably on the way out. The report, however, does not make any reference to the problem of replacing Dakotas. Since the Corporation's accounts are presented like those of any joint stock company, it is surprising that the report has nothing to say about developments since the close of the financial year.

Rubber Plant in Kerala

KERALA has been a depressed area so far as large-scale industry is concerned. Its Communist Government had endeavoured to rectify this deficiency by inviting industrialists from other States to set up industries and offered them various attractions, not always very wisely. As a result, two major industrial projects had come up, one for manufacture of viscose rayon from wood pulp, and the other for production of rubber tyres and tubes for heavy vehicles and passenger cars. The plant for viscose rayon is now being erected by Gwalior Rayon, a Birla concern, under a special agreement, some features of which have been the subject of criticism. The other project was held in abeyance for a considerable time, as the Kerala Government wanted to have an equity interest in it to which the Planning Commission was opposed on principle. The project, however, was sound. Dayton Rubber of U S A made a technical study which clearly brought out the feasibility of a rubber plant in Kerala. The original promoters of the scheme almost despaired of bringing it to fruition, and the project was taken over by an enterprising group of independent businessmen at Bombay. The Planning Commission ultimately relented and a company by the name of Premier Tyres was floated

to set up this plant with the active participation of the Kerala Government.

Premier Tyres have been licensed to produce 240,000 tyres and the same number of tubes mostly for heavy vehicles. A site for the factory has been chosen between Cochin and Alwaye on the Bombay-Kanyakumari national highway. The company will be the first rubber manufacturing concern with predominantly Indian capital and complete Indian control and management. Daytons, the technical collaborators, will erect the plant, secure the materials and equipment, train personnel and maintain production of high quality products. They will allow use of all their patents, trade marks, etc. and will also permit Premier Tyres to export their products to any part of the world.

The capital for fixed assets is estimated at 1.58 crores, preliminary expenses, etc. at Rs 7 lakhs, and working capital needs at Rs. 90 lakhs. Total capital required, therefore, is Rs. 2.55 crores. Of this, Rs. 55 lakhs would be raised from bankers in due course, and the balance of Rs. 2 crores is being raised by issue of shares, three-fourths of it in the form of equity. The Kerala Government and Daytons have taken up equity shares of Rs 50 lakhs and Rs 10 lakhs respectively. The L I C has taken up Rs. 10 lakhs worth of preference shares while another Rs. 15 lakhs has been placed with institutional investors, etc. The promoters and their associates have retained equity of Rs. 45.90 lakhs. The public issue is for equity of Rs 44 lakhs and preference shares of Rs. 25 lakhs. The Government of India has released foreign exchange of Rs. 1.21 crores for import of plant and equipment; this is believed to be more than adequate.

Notice

Subscribers are requested to inform us regarding non-receipt of their copies within a fortnight from the date of publication. It will not be possible to replace a missing issue, free of cost, unless timely intimation is given. Complaints can be attended to promptly, if Subscribers kindly remember to mention the Subscription Number.

This Is only an Announcement Regarding Issue of Prospectus. It Is Not a Prospectus.

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

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

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

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

Premier Tyres Ltd.

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

SHARE CAPITAL AUTHORISED

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

ISSUED CAPITAL

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

SUBSCRIBED CAPITAL

Of the above Issued Capital of Rs. 2,00,00,000 -
95,900 Equity Shares of Rs. 100/- each of the value of Rs. 95,90,000
have been subscribed as follows
Promoters, Directors, Managing Agents, Friends & Associates. Rs. 45,90,000
The Government of Kerala 50,00,000

CAPITAL AGREED TO BE TAKEN UP

EQUITY SHARES:—

M/s. Dayton Rubber Co., Dayton, Ohio, U.S.A., against purchase of Machinery and Equipment to be supplied by them.
10,000 Equity Shares of Rs. 100/- each of the value of Rs. 10,00,000

6½% TAX FREE CUMULATIVE

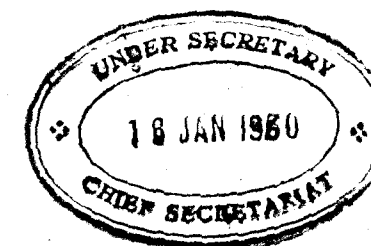
REDEEMABLE PREFERENCE

SHARES:—

Life Insurance Corporation of India :—
10,000 Shares of Rs. 100/- each of the value of Rs. 10,00,000
Promoters, Directors, Managing Agents, Friends, Associates and Institutional Investors:—
15,000 Shares of Rs. 100/- each of the value of Rs. 15,00,000 Rs. 25,00,000 35,00,000
Rs. 1,30,90,000

The balance of:—
44,100 Equity Shares of Rs. 100/- each of the value of Rs. 44,10,000
AND

25,000 6½% tax free Cumulative Redeemable Preference Shares of Rs. 100 - each of the value of Rs. 25,00,000
is offered for public subscription. Rs. 69,10,000
Rs. 2,00,00,000



PAYABLE AS FOLLOWS:

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

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

APPLICATION FOR SHARES

Applications which must be for 5 shares of either class or multiples thereof will be considered only if made on the printed form attached to the prospectus or a printed copy thereof and forwarded with the amount payable on application before the date of the closing of the subscription lists, to:—

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

Copies of the application forms may be obtained from the Registered Office of the Company or from the Company's Bankers or Brokers named in the Prospectus and from M/s. Desh Bandhu Gupta & Co., Share Brokers, 45, Stock Exchange, New Delhi-1.

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

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

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

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

RIGHTS OF REDEEMABLE CUMULATIVE PREFERENCE SHARES:

The Cumulative Redeemable Preference Shares shall confer on the holders thereof the right to receive out of the profits of the Company which it may from time to time determine to distribute in dividends, a fixed Cumulative Preferential Dividend at the rate of six and a half per cent per annum (free of Income Tax) on the capital for the time being paid up thereon and the right in winding up to be paid all arrears of preferential dividend, whether earned, or declared or not, down to the commencement of the winding up and also to be repaid the amount of capital paid up or credited as paid up on the Cumulative Redeemable Preference Shares held by them respectively in priority to any payment in respect of the Equity shares but

such holders shall not be entitled to any other rights in the profits or assets of the Company. The said Cumulative Redeemable Preference Shares will rank for dividend from the date of allotment on the capital for the time being paid up thereon. The said Cumulative Redeemable Preference Shares shall be liable to be redeemed at Rs. 100/- either wholly or in part at the option of the Company at any after ten years but so as to be not later than fifteen years on six months previous notice in writing being given by the Company in that behalf to the holders thereof in accordance with Section 80 of the Companies Act 1956.

DIRECTORS

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

REGISTERED OFFICE

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

MANAGING AGENTS

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

TECHNICAL COLLABORATORS

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

BANKERS

1. The Bank of India Limited, Mahatma Gandhi Road, Bombay 1.
2. The Central Bank of India Ltd., Mahatma Gandhi Road, Bombay 1.
3. The Indian Bank Ltd., Sir Phirozshah Mehta Road, Bombay 1.

4. The Chartered Bank, Mahatma Gandhi Road, Bombay 1.
5. The Indian Overseas Bank Ltd., Veer Nariman Road, Bombay 1.
6. The Travancore Bank Ltd., Mahatma Gandhi Road, Bombay 1.
7. Devkaran Nanjee Banking Co. Ltd., Horniman Circle, Bombay 1.

BROKERS:

1. Shri Chandrakant S. Desai, 70, Stock Exchange, Apollo Street, Bombay 1.
2. Messrs. Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay 1.
3. Messrs. Kantilal Purnapshi, New Stock Exchange Building, Apollo Street, Bombay 1.
4. Messrs. P. R. Subramanyam, 70-A, Stock Exchange, Apollo Street, Bombay 1.
5. Messrs. J. R. Motishaw & Co., 32, Apollo Street, Bombay 1.
6. Messrs. Mahadevia Brothers, Old Stock Exchange Bldg., Bombay.
7. Messrs. B. U. Advani, 52, Agakhan Building, Dalal Street, Bombay 1.
8. Messrs. G. M. Pyne, Allahabad Bank Buildings, 14, India Exchange Place, Calcutta.
9. Messrs. Kothari & Sons, Oriental Buildings, Armenian Street, Madras.
10. Messrs. Paterson & Co. 22, Errabalu Chetty Street, Madras 1.
11. Messrs. Maconochie & Co., Post Box No. 291, Mercantile Bank Buildings, Madras 1.
12. Messrs. Harbans Singh Mehta & Co., 33, Regal Buildings, Parliament Street, New Delhi.

AUDITORS

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

SOLICITORS

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

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

THE OBJECTS OF THE COMPANY

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

BRIEF HISTORY AND PROSPECTS OF BUSINESS

The Licence issued by the Government of India entitles the Company to establish an undertaking in Kerala State for the manufacture of Automobile Rubber business in automobile tyres and tubes and other rubber goods at present is as follows:—

Bus and Truck Tyres	1,99,920
Passenger Car Tyres	40,080
Total Tyres	2,40,000

Bus and Truck Tubes	1,99,920
Passenger Car Tubes	40,080

Total Tubes 2,40,000

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

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

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

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

With the economic and industrial development of the country contemplated under the Second and Third Five-Year Plans, it is expected that there will be a greater need for road transport and that there will be a corresponding increase in the demand for tyres and tubes over 4 million.

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

TECHNICAL COLLABORATION

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

The Company has entered into two Agreements dated 9.10.59 with Dayton Rubber Company. The first agreement provides for initial technical assistance services to be rendered by Dayton Rubber Co. to the Company to enable it to erect a plant, structures, acquire suitable equipment and machinery, instal and erect such equipment and machinery, train personnel,

procure the required materials and supplies and initial and efficiently maintain production of high quality products. In consideration of such services it has been agreed to pay to the Dayton Rubber Company the remuneration set out in the agreement.

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

Import of Machinery & Equipment and Foreign Exchange.

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

CAPITAL REQUIREMENTS AND MINIMUM SUBSCRIPTION

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

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

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

MINIMUM SUBSCRIPTION

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

BROKERAGE

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

MANAGING AGENTS

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

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

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

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

DIRECTORS, THEIR QUALIFICATIONS, POWERS AND REMUNERATION

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

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

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

INTEREST OF DIRECTORS:

Shri Nusserwanji H. C. Dinshaw Adenwalla, Shri Chandrakant S. Desai and Shri D. N. Khandke are Directors of Indo-Orient Agencies (Private) Ltd., Bombay, Managing Agents of the Company. Shri Chandrakant S. Desai is also one of the official brokers of the Company for the issue and is interested in the brokerage payable to him. Shri C. C. Desai is a Director of Life Insurance Corporation of India who have

agreed to underwrite and subscribe for preference shares of the value of Rs. 10,00,000/- Shri N. B. Vakil is a partner in the firm of Messrs Little & Co., who are the Solicitors of the Company. Shri N. E. S. Raghavachari and Shri George Thomas are nominated on the Board of Directors as representatives of Kerala State Government. Mr. Rosenberg is Manager of Dayton Rubber International which is a division of Dayton Rubber Co. and is interested in the payments to be made to Dayton Rubber Co.

RESTRICTIONS ON TRANSFER OF SHARES

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

BORROWING POWERS

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

VOTING RIGHTS

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

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

PRELIMINARY EXPENSES:

The estimated amount of preliminary expenses including the expenses of the issue (estimated at Rs. 80,000/-) is Rs. 4,00,000/-.

PROFITS

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

INSPECTION

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

The Subscription List Will Open at 11 a.m. on Monday the 11th January 1960 and Will Close on Thursday the 21st January 1960, or Earlier as May be Decided by the Directors, But Not Earlier than Monday the 18th January 1960.

LONDON GOLD AND SILVER MARKETS

THERE was a bigger domestic demand for silver in London during 1959 than in any year since the war, reports Mocatta & Goldsmid's annual circular on gold and silver. It also gives figures for the first time of Britain's imports and exports of gold bullion, including imports from Russia. (See current statistics)

With industrial activity maintained as it has been, says the survey, some increase in demand for silver was to be expected. But the event has outstripped any reasonable forecast. Mocatta & Goldsmid estimates that silver consumption in Britain in 1959 will turn out to have been about 17½ million ounces — a rise of about 30 per cent over the total for 1958. It reads "This obtained on the Continent, so that large domestic demand pushed up prices in London above those at which the Austrian Mint, which

bought some 83 tons of silver during the year, was supplied from Germany on terms with which the London market could not compete. This situation is also reflected in the figures for U K imports and exports. For the first eleven months of the year, imports have been well above those of last year, and to them must be added about 4½ million ounces of Australian silver which being imported in the form of lead bullion, do not enter into the silver statistics. Exports, on the other hand, have been lower by about 25 per cent."

"The last quarter of the year has been marked by a shortage of supplies, amounting almost to a silver famine, due to strikes in most of the larger American refineries which were finally settled in mid-December. As a result the Canadian Mint placed buying orders for silver in London for the first time

on record, and bought 1,000,000 ounces. Until the effects of the strikes have been fully overtaken, a continued world shortage of spot silver can be expected. The London price might then settle down on the parity of American silver delivered in Europe, if no other major disturbances ensue."

It describes 1959 as an unusually and, sometimes unpleasantly, eventful year for the London silver market. It adds, "The disconcerting tactics of the French Mint increased, for a time, the uneasiness of the market. In January it was announced that 2,000 tons of silver would be required for the minting of the new 'heavy' franc. This programme was expected to be spread over not less than three years, but in March there were massive purchases in every accessible quarter, which absorbed all the silver readily available."

CURRENT STATISTICS

BANKING RETURNS

Rs Crores				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note Circulation	1742.63	1730.11	1710.26	1602.00
2. Rupee Coin	132.44	132.93	133.01	135.85
3. Deposits				
(a) Central Govt	55.56	58.87	52.89	52.99
(b) Other Govts	20.76	24.65	14.66	18.52
(c) Banks	106.58	73.02	78.24	76.56
(d) Others	115.76	116.35	119.03	118.14
4. Foreign Securities	163.01	163.01	163.01	164.68
5. Balances abroad	49.62	50.13	41.21	24.52
6. Rupee Securities	1337.43	1327.43	1311.69	1194.79
7. Investments	225.77	236.83	242.74	265.67
8. Loans and advances to Govts	19.94	19.24	26.67	25.25
9. Other Loans and Advances	112.55	92.36	86.60	77.43
Scheduled Banks				
1. Demand Liabilities (net)	693.96	714.80	717.03	717.25
2. Time Liabilities (net)	879.57	1111.25	1117.65	1110.83
3. Cash	119.34	113.00	119.30	114.10
4. Borrowings from Reserve Bank of which Usance Bills	10.94	12.04	1.56	11.82
5. Advances of which State Bank's	741.48	808.06	774.66	812.18
6. Bills Discounted Inland Foreign Total of which State Bank's	83.30	105.38	104.27	106.16
7. Invst in Govt Sec of which State Bank's	40.84	45.75	44.57	46.17
Cheque Clearance	124.14	151.13	148.84	152.33
	14.87	14.80	13.72	14.21
7. Invst in Govt Sec of which State Bank's	637.17	789.35	812.81	787.82
Cheque Clearance	160.98	168.28	203.08	146.76

† For Reserve Bank and Cheque Clearance Week ended 1-1-1960. Scheduled Banks week ended 25-12-59.

Bombay Money Rates

(Selected Scheduled Banks other than State Bank)

(per cent per annum)

	25-12-59	Week Ago	Month Ago	Year Ago
Call Money From Banks	3½	2½-3½	1½-1½	3-3½
Deposits				
Seven Days	3-3½	3-3½	3-3½	2½-3½
Three Months	3-3½	3-3½	3½-3½	4
Six Months	2½-3½	2½-3½	2½-3½	2½-4

Bombay Bullion

(In Rupees and nP)

	7-1-60	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	128.25	125.44	124.19	115.12
Forward	128.94	126.69	124.87	115.50
Silver (per 100 tolas)				
Spot	213.00	210.25	208.01	193.62
Forward	214.50	212.59	209.72	194.31

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Week Ended	19.12.59	12.12.59	21.11.59	20.12.58
Group and Sub-group				
Food Articles	117.3	119.1	121.0	113.0
Cereals	100.2	100.9	105.6	104.5
Pulses	92.1	91.1	93.8	110.8
Fruits & Vegetable	118.4	120.8	125.2	114.1
Milk and Ghee	104.1	110.4	109.2	104.3
Edible oils	128.2	128.3	128.3	117.9
Fish, Eggs and Meat	115.8	114.8	109.3	110.1
Sugar & Gur	148.4	150.9	161.7	120.7
Others	186.0	188.0	178.5	150.4
Liquor and Tobacco	103.1	103.1	104.1	98.5
Tobacco	101.7	101.7	102.9	95.0
Fuel, Power, Light and Lubricants	116.6	116.5	116.4	114.8
Industrial Raw Materials	126.1	125.9	122.5	112.6
Fibres	121.2	119.6	111.8	105.2
Oilseeds	130.5	131.0	130.6	122.2
Minerals	95.2	95.2	95.2	107.3
Others	129.3	130.3	129.9	109.3
Manufactures	113.5	112.6	111.6	108.1
Intermediate Products	117.8	118.3	116.3	110.5
Finished Products	112.8	111.7	110.9	107.7
Textiles	110.3	108.3	106.9	101.5
Cotton	119.3	116.3	116.3	110.0
Jute	93.9	93.9	93.9	84.9
Woollen	104.2	104.2	104.2	105.9
Silk and Rayon	99.1	96.3	93.6	90.2
Metal Products	144.6	144.6	144.6	143.1
Chemicals	106.5	106.9	106.3	110.3
Oilcakes	144.5	145.2	147.5	143.7
Machinery & Transport Equipment	106.0	106.0	106.0	104.4
Others	113.8	113.8	113.4	114.4
All Commodities	117.2	117.9	118.0	111.2

FOREIGN TRADE

(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 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	65.60	47.03	-18.57
April	80.40	45.14	-35.26
May	66.12	45.49	-20.63
June	77.18	43.54	-33.64
July	63.11	51.46	-11.65
Aug	58.37	58.52	+ 15
Sept	69.42	60.22	-9.20
Oct	65.04	59.75	-5.29

*Including re-exports

Source: D C I S, Calcutta

U K BULLION TRADE

(Jan-Nov, 1959)

(i) Gold (ounces)

IMPORTS	Refined	Unrefined
Aden	—	5,442
Belgian Congo	832,000	—
Belgium	50,758	—
Canada	3,974	—
Ethiopia	15,123	—
Finland	3,463	—
Ghana	6,800	733,614
Gold Coast	—	89,895
Holland	—	2,416
Hong Kong	—	6,400
Kenya	—	52,543
Malaya	1,470	—
Nicaragua	—	61,560
Rhodesia	—	503,813
Russia	7,291,734	—
Singapore	—	1,518
South Africa	15,846,750	—
Sudan	1,525	—
Tanganyika	—	68,367
Uganda	—	4,676
Other Countries	—	2,817
TOTAL	24,053,597	1,533,061

EXPORTS

	Refined	Miscellaneous
Aden	—	3,732
Argentina	21,325	318,097
Austria	232,168	5,520
Bahrain/Kuwait	2,835	288,027
Belgium	281,365	22,227
Canada	807	3,059
Cuba	—	2,114
Cyprus	—	2,548
Czechoslovakia	2,011	—
Denmark	—	1,811
Formosa	40,107	—
France	1,417,246	50,062
Holland	176,530	281,922
Hong Kong	—	7,058
India	654,421	—
Iran	8,795	140,604
Israel	—	1,800
Italy	10,409,767	—
Laos	45,494	180,930
Lebanon	301,694	199,710
Macao	314,112	—
Malta	—	6,485
Norway	6,868	3,455
Peru	—	9,636
Portugal	23,318	1,608
Saudi/Iraq	721,503	—
South Vietnam	3,196	—
Switzerland	2,857,832	596,941
Syria	—	8,816
Tangier	3,198	39,360
Tunisia	25,819	—
Uruguay	3,215	88,502
U S A	—	10,114
Venezuela	49,266	5,477
West Germany	522,931	14,819
Other Countries	807	5,437
TOTAL	18,126,630	2,299,871

(ii) Silver (ounces)

IMPORTS	Unrefined	Refined
Argentina	—	270,800
Australia	—	2,751,700
Belgium	—	112,900
Burma	46,100	1,343,500
Chile	—	16,100
China	—	2,608,100
Czechoslovakia	—	160,800
Finland	—	160,700
France	16,900	993,300
Holland	—	869,400
Hong Kong	415,500	57,200
Malaya	25,800	11,600
Mexico	—	203,300
Nicaragua	11,200	—
Peru	—	2,095,500
Rhodesia	33,000	—
Roumania	—	461,700
Singapore	818,500	311,700
South Africa	—	1,659,300
Spain	—	305,400
Sweden	—	62,700
Tanganyika	10,900	—
U S A	—	1,101,400
West Germany	—	307,500
Yugoslavia	—	4,900
Other Countries	6,800	—
TOTAL	1,384,700	15,869,500

EXPORTS

	Refined
Austria	31,800
Brazil	91,200
Canada	1,000,500
Cyprus	5,200
Denmark	75,400
Finland	2,900
France	4,950,500
Holland	338,600
Israel	30,300
Italy	1,756,800
Japan	160,400
Lebanon	4,300
Libya	201,200
Nigeria	21,000
Norway	326,800
Portugal	534,800
Sweden	89,900
Switzerland	176,900
Tunisia	9,300
Uruguay	99,700
U S A	102,300
West Germany	796,000
Other Countries	29,900
TOTAL	10,835,700

LONDON BULLION PRICES

(Spot)			BAR GOLD			BAR SILVER		
			(Shillings and Pence per Ounce Fine)			(Pence per Ounce .999 Fine)		
1959	H	L	A	H	L	A	H	L
Jan	250- 3¼	249- 6	249.11	76½	75½	76.25	76½	76.25
Feb	249- 8¾	249- 5½	249.7	78	76½	77.21	78	76½
March	249- 6½	249- 1½	249.4	79½	78¾	79.28	79½	78¾
April	249- 3½	248-11¾	249.2	79½	78¾	79.19	79½	78¾
May	249- 9	249- 3	249.6	79½	78¾	79.10	79½	78¾
June	249-10	249- 6½	249.8	78½	78¾	78.33	78½	78¾
July	249-11¾	249- 7¾	249.10	78½	78	78.26	78½	78
Aug	250- 2¾	249- 9¾	249.11	79	78½	78.84	79	78½
Sept	250- 9	250- 3	250.7	79	78¾	78.90	79	78¾
Oct	250- 7¼	249-10¾	250.2	80¼	79¼	79.95	80¼	79¼
Nov	250- 3	250	250.2	80¼	80¼	80.25	80¼	80¼
Dec	250- 8½	250- 3¼	250.6	80¼	80¼	80.25	80¼	80¼
For Year	250- 9	248-11¾	249.10	80¼	75½	78.83	80¼	75½

H—Highest; L—Lowest; A—Average.

Source: Mocatta and Goldsmid, London.

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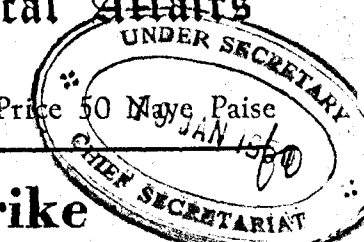
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THE ECONOMIC WEEKLY

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FOR more than a week, all the Air-India International planes have remained grounded. All their flights have been cancelled since the pilots went on strike on the 8th. All the moves to end the strike have failed so far and the employees of the A I I, numbering some 4,500, now face the dismal prospect of a lay off which the management has announced that it would be forced to impose, if the strike is not called off. Whether lay off requires a 21 days notice or not under the Industrial Disputes Amendment Act 1957, is not a material point. If it does, it will only postpone and not avert the dismal fate which awaits the A I I employees.

The Pilots Guild (87 of the 95 A I I pilots are its members) had just concluded its protracted negotiations with the management for higher pay and better service conditions for the pilots. And an agreement had been reached on this year-old dispute only a week before the strike, which was started on 16 hours notice preceded by an ultimatum. The reason for so precipitate an action was the decision of the management to send one of the line pilots for training on Boeing plane at Seattle, out of his turn, and overlooking the claims of his seniors. The pilot selected is 14th in order of seniority and the Guild's contention is that by selecting him out of turn for Boeing training, the position of the other pilots senior to him has suffered. The question of seniority, which seems to be the bone of contention, will be discussed later.

Despite the many press releases that have appeared on the subject, the facts of the case do not appear to be quite clear. Why was the particular pilot selected in preference to the others? This was, according to the management, because he was the only pilot who had taken his training in the simulator, which was the condition precedent for sending anyone to Seattle for training on the Boeing plane. But why was he the only pilot who had taken this preliminary training? Had the others deliberately refused or held back, in order to create an impossible situation for the management who were naturally eager to have the pilots trained in order to take delivery of the Boeing plane on the due date?

The first two in the seniority list who had been offered to take simulator training were not in a position to avail of it, according to the pilots' version, because they got the message when they were out of India on the flights scheduled for them. It was not, therefore, possible for them to report in time for this training. The other version is that the Guild had directed them not to take this training. Apparently there was failure of communication, for when the strike commenced so abruptly, the pilots who were stranded at the airports where they had flown their planes had no idea what the strike was for.

The management claims that all that had been agreed upon was that 22 pilots were to be selected on the basis of their seniority for Boeing training, and that though the pilot who had been sent for training was 14th in the list of seniority, the seniority claims of the other pilots will not be affected in any way thereby.

This assurance of the management the Guild does not accept. This is not because the Guild lacks faith that the management will keep its word. The status and the professional standing of pilots and there-

fore their earning prospects depend on their log book and the grading of pilots in the free international market is strictly according to their seniority and flight experience. In this particular case, it will depend on the date of obtaining their licence for flying jet planes and the number of hours flown.

Pilots contend that because they are the employees of the A I I, it does not follow that they will always remain with the present employers and that when they got out into the wide world to look for jobs, it is

not their seniority in the books of the A I I which will count but what is written into their log books.

If this is the correct and fair interpretation of the element of truth in their claim, the dispute can be readily settled by the A I I. All that needs to be done is to ensure that the order in which their jet flying licences are signed by the D G C A or whichever authority does it, is strictly according to their seniority, and not according to the order of their Boeing training, in which the sequence had to be dis-

turbed for unavoidable and extraneous reasons.

The Pilots Guild has been gaining support from the other trade unions, especially the Air Corporations Employees Union, which organised a rally for the purpose. This is understandable but should not be interpreted as an indication of any support from the public, which the Guild has not. In fact the Guild has lost public sympathy by spoiling the case it has by declaring a strike in such peremptory manner and on such short notice.

Bonn's Political Underworld

WHILE every civilised person throughout the world will be distressed at the rash of anti-Semitic incidents which have broken out in various parts of Western Germany, only the un-informed or the naive will be surprised. The Christmas Day defacement of the Cologne synagogue and the desecration of various Jewish cemeteries, with the appearance of the Swastika in many places, these are all a natural and inevitable outcome of the official post-Hitler attitude in West Germany.

This attitude has been particularly erroneous and unfortunate in two respects. The first is that the authorities have sought ever since the defeat of Hitler to bury his memory instead of, as they should have done, to stamp out Nazism in the country. Indeed when the question arose two years ago of how the Nazi era was to be taught to the new German generations in schools and universities, the decision was to leave it alone altogether, and to pretend that the era never existed. This extreme form of self-deception is such as to make a head-in-the-sand ostrich look like an amateur in the game. Adenauer has believed, with a child-like innocence ill-befitting his years, that a problem ceases to exist if you pretend it never existed at all.

The second deplorable feature of the official West German attitude which has given rise to the present wave of anti-Semitism is, in a way, a mere corollary of the first. It consists simply of the fact that prominent Nazis have, after the defeat of Hitler, continued to be retained in positions of eminence in the country. Their Nazi careers were conveniently forgotten in the fond expectation that, if forgotten, they

will cease to matter. How utterly wrong this line of thinking was is borne out tragically by the writing of the Swastikas on the walls today.

We are told by political pundits that it would be unwise to exaggerate the significance of these anti-Jewish slogans and Swastikas. The Neo-Nazi Reichs Party, they say, has no parliamentary strength; its total membership is below the 20,000 mark; and its leaders deny Neo-Nazi sympathies any way. In proof of the last argument, we are informed that the Cologne branch of the party took stern action against the two members who were found involved in the synagogue incident; it expelled them.

All this amounts to heaping naïveté upon naïveté.

The insignificance of the Reichs strength in the total electorate is irrelevant and misleading. Equally so is the fact that the official membership of the party is small. What is pertinent is that the strength of the Nazi underground in West Germany is unknown and that it is now obviously on the increase. The existence of the Nazi underground and its present spread are both the outcome of the official policy of wearing blinkers when seeing the problem; and that being so, the best possible way of ensuring that the underground goes forward from strength to strength is to continue to wear the blinkers and pretend that nothing serious has gone wrong.

It is a frightening tragedy that the recent anti-Jewish activities in West Germany have been able to occur; but what is infinitely more frightening is that the present official attitude towards these incidents is such that it gives no hope what-

ever about the future in this regard. The Minister of the Interior has hinted that the Reichs party may be banned. While this is no doubt necessary, the fact that there is no indication that the ban will be followed up in any other way, means that whatever Nazis are now above ground will also go under and swell the ranks of the illegals. The Minister of the Interior is threatening to illegalise people who are already outside the pale of the law.

What is needed, of course, is a thorough Nazi-hunt in the whole of West Germany. The Nazis who are in positions of authority need to be stripped of their positions; and the entire pressure of the German police must be exerted to crush the Nazi movement wherever, in whatever form it exists. In short, what Dr Adenauer must do is to revise his whole philosophy about the methods of eradicating Nazism; he must realise that it is not the sort of rubbish which can be swept under the carpet and forgotten; it has to be swept clean out. In schools the children must be taught exactly what the Nazi era signified; its shame must not be hidden from them.

Will all this be done? Will West Germany see the wisdom in this one instance of bringing out its dirty linen and washing it in public—for, after all, the whole world knows the linen is there unwashed?

The Weimer Republic was the first to underrate Nazism; the Bonn Republic will be the second. Not only the Jews but all the rest of us must keep our fingers crossed in the hope that the consequences of the latter will not be fully as disastrous as those of the former.

Motor Vehicle Taxation Again

THOUGH intensive lobbying has succeeded, of late, in securing some concessions from the Government for road transport, particularly in the licensing of inter-State transport, nothing has been done so far to reduce the heavy and varied burden of taxation on the industry. The numerous committees appointed to go into the question have been unanimous in recommending that taxation of motor vehicles should at least be simplified if not lowered. The Central Transport Advisory Committee is the latest committee to ask for it but it won't be the last. There will be others.

For a long time the development of road transport was inhibited by opposition from railways. While that opposition has softened to some extent, difficulties are still being created by the refusal of State Governments to bring about uniformity in their tax rates and to cease treating road transport as a convenient source of finance. Since most taxes on motor vehicles are levied and collected by State Governments, the confusion and inconvenience caused by the present tax structure continue to retard further development of road transport.

At present, motor vehicles are subject to excise duty, sales tax, registration fee, annual vehicles tax and in some cities, wheel tax, in addition. Tyres and tubes bear excise duty and sales tax in addition to import duty on their raw materials there is an excise duty on batteries as well. Passengers and goods are taxed in some States, there are tolls at a few places, and most cities levy octroi duties. The tax rates vary widely. According to the Estimates Committee Report for 1956-57, the tax per truck of 14,500 lbs laden weight ranged from Rs 1,600 in Madhya Bharat to Rs 200 in Delhi; the range of tax per passenger bus (30 seater) was from Rs 3,600 in Madras to Rs 219 in Pepsu. The position has not altered significantly since then. Moreover, in spite of repeated appeals from the Centre, the States have yet to provide relief in 'double taxation' to inter-State operators. Rajasthan alone has made agreements with all States (except Bombay and U P) to provide for levy of tax at one point only, and charge of only

the difference between the tax rates in the State of registration and the State in which the truck is operating for the time being. Most other States have arrived at agreement with one or two neighbouring States at the most.

Since these obstacles inhibit the growth of inter-State trade, it is

obviously desirable that, either the States should agree on a common road policy and stop mulcting road transport for the benefit of general revenues, or, the levy of motor vehicles tax should be Centralised, and its proceeds distributed to States in proportion to the number of vehicles registered in each State.

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Weekly Notes

Defence Casts Its Shadow

THE present session of the Congress at Bangalore has some surprises, at least for those who believe that the Congress is still capable of carrying out in action a fraction of what it promises to do. There is, first of all, a stress, not altogether new, but sharper than in recent past, on the participation of Congress members in the programmes of economic development. The Draft Resolution on Planning is specific on this point. "The Congress has a crucial role in the effective implementation of these policies and programme. . . Congressmen should concentrate during the coming year on the formation of service cooperatives and organisation of village panchayats . . ." So long we had a democracy with a single party, since no other party had come up and gained sufficient strength to challenge the Congress seriously. We will now have a single party democracy, instead of a democracy with a single party.

The other striking change is the stress on administrative efficiency and eradication of corruption. This is a subject which the Congress had approached with a great deal of hesitation. There is nothing to suggest that it is prepared to grasp the nettle. For the Congress knows better than its critics, how far the roots of corruption have spread and into what quarters. Pandit Nehru indignantly turns down the suggestion for setting up a tribunal which would be independent of the administration as well as the Ministries. But how can corruption be stamped out when those who are involved directly or indirectly remain the final judges and arbiters?

Ending corruption, however, is only a step towards bridging the gap between policies and programmes and their implementation. This calls for a radical change in the present system of administration. It is not enough to lay down right policies and programmes, it is by the performance and implementation that the work of individual officers of all grades should be judged, and praise or criticism given. "Responsibility should be fixed for specific tasks . . . and methods and procedures which cause delay and hamper initiative should be changed".

All this leads up to the attainment of a "self-sustaining and self-generating economy both in agriculture and industry." The Congress has convinced itself that "The advance already made has brought the country nearer the stage of a higher economy. Further quickening of the progress would call for a more intensive and rapid effort . . ."

A new note of urgency has been added by the developments on the north and north eastern frontiers which "further necessitates such intensification and concentration on economic development". True, defence is better than opulence and it is good that heavy industry gets its rightful priority and enthusiastic approval from the Congress. But the phrasing of the resolution in many places offends economic sanity. How can there be a "self-sustaining and self-generating economy both in agriculture and industry"? Are these separate, closed, non-interacting compartments and does a country really move nearer the stage of a "higher economy," when the back log of unemployment goes on increasing from plan to plan? Some one raised that question at the last Economic Conference and there was no answer.

Food for Peace Plan

HOW to channel the surplus food stuff of the food exporting countries for the development of under-developed countries has long engaged the attention of the Food and Agricultural Organisation of the United Nations. Excellent studies have been prepared on the subject, investigations have been carried out and the proposal has long been debated in successive meetings of F A O. Its programmes for surplus disposals have been limited for the obvious reason that U S, the biggest disposer of agricultural surpluses, especially of wheat and millets, has her own programme under P L 480. Food, in certain circumstances, can be a munition of war and it is natural that one who pays the piper should also call the tune. The programme of disposal of American Farm Surplus has, therefore, been conducted by the U S herself and so long U S has not favoured the idea of channelling the surplus through the F A O or

collective action through an international agency.

The formal assurance that the loan or gift of surplus wheat or cotton would not interfere in any way with the operation of normal market forces no longer means anything to the wheat exporting countries who are faced with the prospect of losing their export markets for good to the U S. This is also among other reasons because consumer preferences get conditioned by habit and once people of so many countries get used to American wheat, there is less likelihood of their changing over to other varieties, even when the recipient countries are able to overcome their foreign exchange difficulties and restore free markets.

This is presumably the reason why Canada, France, Australia and Argentina have responded so readily to join the Committee sponsored by President Eisenhower in pursuit of his 'Food for Peace Plan.' This Committee will explore the possibilities of collective supply of wheat to India and other under-developed countries on the lines of the American P L 480. That is to say, if the Committee succeeds in its aim, as it is likely to, in view of the change in the attitude of the member-countries, food will be funnelled into development on a much bigger scale than before.

The Committee consists of representatives of the major wheat exporting countries, U S, Canada, Argentina, France and Australia. The sixth member is from India, nominated by the F A O, presumably to represent the interests of the wheat importing countries. Dr S R Sen, formerly Economic and Statistical Adviser to the Food and Agriculture Ministry and Joint Secretary to the Planning Commission at present, has been given this important assignment and has left for Washington where the Committee will meet next week.

Machine Tools Expansion

IF an economy has to be industrialised, it will need machines, and machine tools would occupy a key position in its programme of development. From some such premise, the idea of setting up the production of machine tools in the country was taken up at a fairly early stage. But Hindustan Mach-

ine Tools did not have a flying start by any means. The very idea of having a machine tool factory in the public sector was challenged on the ground that there were already too many producers in the field and that the demand for machine tools had been grossly over-estimated. Both the latter contentions have by now been thoroughly disproved and Hindustan Machine Tools has more than lived down its past.

It got going properly only after its collaboration with Oerlikon was terminated; production has increased since then, the range of its products has been widened—too much, according to some. The productivity of labour in the plant has gone up by leaps and bounds and now it compares very favourably with the production standards in Western Europe. To top it all, H M T has also proved a financial success—it has started to pay. In fact, it is now fast approaching the stage where it should be able to pay for its expansion substantially from its own resources. And machine tools are the mother machines!

It will not be surprising, therefore, if H M T were to become the publicity symbol of the Government of India today, as Community development had been yesterday and D V C the day before. That would, however, be a doubtful gain.

Though the technical collaboration with Oerlikon did not work, the plants then set up—on too big a scale, judged by the production programme then envisaged—proved a big asset when the factory was re-organised and its working put on a sound basis. Production could then be expanded substantially and pretty fast, without any substantial addition to the existing equipment. What the plant lacks today—and this initial handicap is proving more and more crippling with the expansion of production—is a proper foundry. This is an essential ancillary. Since the starting point of all machine making is the casting, which goes through the various operations in the machine tool factory, its omission in the initial planning of the plant seems inexplicable. Hindustan Machine Tools does not have a foundry of its own, and has to farm out its orders for castings wherever capacity is available—with Coopers, Kirloskars and as far out as Jay Engineering in Calcutta.

H M T having long exceeded the target of production set for it un-

der the Second Plan, its expansion has also been overdue, and this has now been approved by the Government of India. A press note which has been issued announcing this decision has given an account of its performance in terms of number of machine tools produced and also of the financial results. But it is silent on the lines of expansion for which approval has been given. All that the press note says is that the expansion programme will involve capital expenditure of Rs 2.8 crores of which the foreign exchange component will be approximately Rs 1.15 crores. This will enable the capacity to be doubled from 1,000 machine tools to 2,000.

Apart from the foundry which is now a must, H M T has already on hand the scheme of setting up a unit near the heavy machinery building plants that are coming up in Ranchi. This unit would be for the production of heavy machine tools. It is possible that the expansion programme now approved includes both. But why leave the public in the dark on this important and very desirable development?

Along with increase in production and striking improvement in labour productivity, H M T has been able to bring down the sale price of its products by stages so that machine tools manufactured by it are now sold to the public at prices appreciably lower than those of imported machine tools of a comparable quality. This is an important decision on pricing policy of a public sector undertaking, whether to pass on the benefit to consumers or to make more profits, plough them back and finance expansion from its own internal resources. In view of the current controversy on pricing policy, one would be curious to know who took this decision and whether there is a general Govern-

ment directive on this important decision.

Wholly Indian Enterprise in Tyres

THE entry of Premier Tyres Limited in a field in which Indian enterprise had been very slow to enter has been enthusiastically welcomed, judging from the public interest in its capital issue the subscription list for which opened on Monday this week. Estimating costs of production on 'a very broad basis', the Directors of the new company are confident that on working to its full capacity, the plant will be able to give a reasonable return.

That the plant will be very favourably situated in regard to raw rubber is not by itself a major consideration, for raw rubber accounts for only 15 per cent of the total cost of production of tyres. Materials like rayon, cord, and, of course, labour constitute the major items of cost. The market for tyres is keenly competitive in quality and brand but not in price and it is a fast growing market. The disadvantage that Premier Tyres may have to face as new entrants in this field and in setting up a distribution net work would be offset by its favourable location in the South, which has a beautiful road system and highly developed road transport.

The Tariff Commission had wanted a wholly Indian Tyre Company to come up, a company which would be 'outside the group' of Dunlop, Firestone and Good Year, in order to stimulate competition. In this competitive but expanding market, Premier Tyres enters with all the goodwill of the Indian people and the joint participation of public and private sectors in its capital and also on its Board of Directors should give it a flying start.

Annual Number 1960

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 23 and February 6.

The Annual will contain about 160 pages and will be priced Rs 2.50 per copy. It will be supplied free to subscribers.

Non-subscribers are requested to order their copies in advance. Registration and postage charges are Re 1/-.

A. Fernandes,
Business Manager.

Congress Bid for Civic Power

AFTER a break of three years, the Congress Party in the Bombay Municipal Corporation is confident of regaining control over civic affairs. It may be recalled that in the last Municipal elections, the Congress was defeated by the combination of parties represented in the Samyukta Maharashtra Samiti, which included also a group of dissident Congressmen who called themselves the Congress Jan Parishad. Though the Congress had secured only 55 out of the total of 131 seats, as against 72 seats going to the Samiti, it was able to improve its position slightly with the support of two out of the four Independents in the Corporation. Moreover, because of the political differences that started emerging later in an acute form among the various parties constituting the Samiti, the Congress, though numerically weak, was able to make common cause with one or

other of the Samiti groups and influence civic decisions, particularly in the wake of the move to bifurcate the bilingual State of Bombay.

With bifurcation in sight, the Congress Jan Parishad, whose only difference with the Congress was on the issue of bilingual Bombay, began to veer closer to the parent body. And last week, seven out of the eight members of the Congress Jan Parishad in the Corporation crossed the floor to rejoin the Congress Party, improving the strength of the latter to 64 in a house of 131. That reduced the strength of the Samiti to 65, leaving it only a nominal majority of one which is offset by the fact that the remaining two Independents in the House often vote with the Congress. The Congress hopes that three more members are likely to join it in the near future, which will give the party a working majority.

Though this does not amount to the position of unassailable strength which the Party had enjoyed in the long spell of its power earlier, it should still be enough to give it a fairly decisive voice in shaping the affairs of the Corporation. Whether the Congress will start asserting its position immediately or will wait till April when elections to the Mayoralty and to various civic committees are due, remains to be seen. If the former course is decided upon, there is bound to be considerable disturbance in civic affairs for some time, particularly as the Samiti, whatever its internal differences, had tried during its supremacy to strike out in many new directions not wholly to the taste of the Congress. In adopting a more liberal attitude to the demands of municipal workers, bringing to bear a less cautious outlook on civic finances, promoting closer association of the mass of people with civic administration and generally sharpening the sense of public vigilance, the Samiti had made a bold departure from past practice. Will the Congress be able now to reverse the trend or even to check it?

Letter to the Editor

Long Delayed Publication REPLY

YOUR correspondent, 'Statistician' has written a few comments in the issue of October 10, 1959 (pp 1393-94) on my review article on the 11th Report of the National Sample Survey which appeared in the *Economic Weekly* on the 22nd August last. His comments came to my notice only recently and in view of his strong reactions, I would like to place my reply before the readers of your Weekly.

(1) Since the reference period of the survey was calendar years 1949 and 1950, the capital structure figures were not coincidental in cases where the accounting years were different from calendar years. Therefore, the capital and revenue structure figures did not always refer to the same period. It is not "clear and unambiguous" from para 2-1 of Chapter Two of the Report whether in case of a discrepancy between the calendar and the accounting year of an establishment the choice should fall on the preceding year, as 'Statistician' reports, or the succeeding year, as I assumed in the absence of clarification.

Moreover, if "the data relating to capital structure were collected as on the date when the books of accounts were last closed at any time during the calendar year" and not that accounting year which corresponds to the reference period more than any other accounting year, establishments closing their accounts any time between January and June cannot cover even six months of the reference period. On the other hand, if the respondents were asked to select that accounting year which covers at least six months of the reference period, administrative difficulty may be resolved by choosing the preceding year when the accounting year of an establishment covers exactly six months.

(2) While I agree with 'Statistician' that the CMI and the ISIC classifications of industries were not entirely identical in all respects, I hold that the two classifications were basically similar, apart from minor overlappings. The main point of similarity between the two classifications was that both were classified on the basis of establishments and not as technical units. The first three Reports of the CMI, to which a reference has been made, declare that "effort has been made to make them comparable as far as practicable."

(3) I only wish that the public were informed about the reasons, which 'Statistician' now offers, for non-inclusion in the survey of factories which came for the first time in the list of factories under the Factories Act, 1948.

(4) It is unfortunate that 'Statistician' has completely missed my point about my remarks regarding depreciation and inventory valuation. My argument was that a financial approach as distinguished from the physical approach is utterly inadequate to estimate capital consumption for national income purposes. Whether the assumed rate of depreciation used in the Report compares favourably with the accounting practice is not relevant.

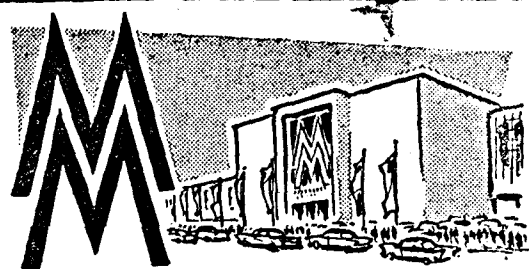
(5) Lastly, my view about the suitability of sampling method in the unorganized sector has been taken out of its context. It appears to me that the CMI as well as the SSMI are restricted to the organized industrial sector with the result that avoidable confusion and competing

statistical jurisdiction have developed. The SSMI being more speedy and less expensive than the CMI, it is natural to expect that the SSMI should cover not the field of organized industries which is overcrowded but turn to the field of unorga-

nized industries which is virtually no-man's land.

ABHIJIT DATTA

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DA 59/493

Our Kerala Letter

Election Prospects

THE stage is set for the mid-term elections in Kerala to be held on February 1. There are 300 candidates contesting for 126 seats. There will be straight contest for 70 seats. The Communist party has put up 103 candidates and is actively backing 23 independents, including one Lohia Socialist. The Congress-Praja Socialist-Muslim League Alliance has 125 candidates in the field—Congress 80, PSP 33 and Muslim League 12. The other parties who are also contesting and the number of candidates put up by them are: Revolutionary Socialist 18, Kerala Socialist 12, Lohia Socialist 3, Jan Sangh 3 and Karnataka Samiti 2. The Karnataka Samiti stands for the cession of Kannada speaking territory on the border to Mysore. Considering that no linguistic appeal can be entirely ignored, the Congress has not put up any candidate for one of these seats. All these minor parties notwithstanding, the contest is going to be between the Communists and the Alliance.

What are the election issues? The Communists seek a verdict on (a) the unconstitutional methods adopted by the Vimochan Samiti to unseat the government which commanded a majority in the Legislative Assembly and on the unwarranted Central intervention; and (b) the need for a stable government to undertake economic and social reforms for the prosperity of the land.

It is doubtful whether the constitutional niceties of the first issue will have any appeal for the electorate. On the second issue, the opinion is unanimous that the Communists and the Communists alone can give a stable government in the immediate future. But the other parties are not prepared to make it an electoral issue. They approach the electorate with a straight question, Can the Communists be trusted to form a government and to work within the frame work of the Constitution? This is for two reasons: first, their alleged extra-territorial loyalty, as revealed by the attitude

of the Central Executive of the CPI to Chinese aggression and second the twenty eight months' "atrocious partisan" rule of the Communists. People are in a position to judge the latter allegation, because they have experienced it.

LOWER STRATA HAS BENEFITED

Here exaggerations only spoil the case, and the Communists' approach to the electorate on this issue is straightforward. In his last Independence Day Message delivered after the dismissal of the Communist Ministry, the Governor complimented the Government officials for the full utilisation of the Plan allotment in 1958-59 for the first time, when the Communist Government was in power. After much hesitation and doubt, the President's Rule was compelled to renew the licence to the Toddy Tappers' Cooperatives, because after careful scrutiny the Adviser could not find any thing incriminating to warrant cancellation of the licences to the societies. The Report of the Labour Department for 1958-59 reveals that the num-

ber of registered factories has increased from 1,613 in 1957-58 to 2,128 in 1958-59 and that of factory employment from 1,07,629 to 1,65,822. The Report also details the various beneficial measures, including the minimum wages, made effective by the Communist Government.

On the top of all this, there are the Agricultural Relations Bill, the Jananikaram Abolition Bill and the Debt Relief Bill. These measures passed on the initiative of the Communist Government and pending with the President, are the trump cards of the Communists. In fact, the Communist rule during the 28 months has definitely been beneficial to the lower strata of society and the attempts to ridicule the Communists have only intensified the class feelings and in the process, the alleged extra-territorial loyalty of the Communists is receding into the background.

IMPLICATIONS OF ALLIANCE

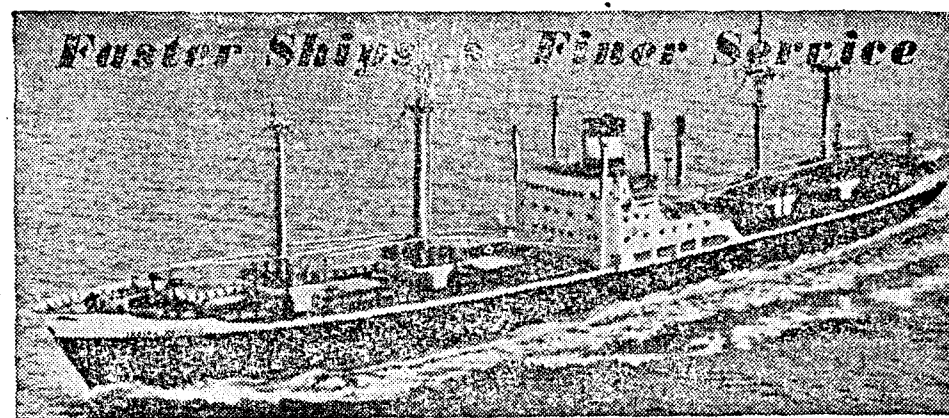
On the other hand, every political party realises that a stable government by Communists would lead to the ultimate extinction of all other parties. They also know that it is risky to carry the fight against Communism in terms of pure political and economic issues. And the only chance of defeating the Communists is to divide the electorate on communal lines. The political implications of this strategy are not yet fully realised. Victory to the Alliance will mean a coalition government, though the Congress has a lurking hope that it will have a small majority. With a powerful Catholic Church on the one side and the professedly communal Muslim League on the other, any coalition would be reduced to impotency and would be unable to implement the Agrarian Relations Bill even in a modified form. That will only strengthen the Communists, unless large scale industrialisation is undertaken and a solution to the unemployment problem is found. No serious thought was given to these issues, when the electoral alliance was forged.

It is difficult to make any assessment of the prospects of any party. Definitely, the Communists have been able to establish a closer contact with the lower strata of society by their sustained effort. They expect to secure 70 to 75 seats at the moment. The Alliance parties are confident that they will get more

than 100 seats. Their calculations are based on the assumption that (a) 90 per cent of the Christian votes and 90 per cent of the Muslim votes would be in their favour and (b) that the Communists got the maximum votes at the last elections and that those who did not vote then, would all vote for the Alliance parties.

It is possible that the Alliance parties have overestimated the strength of the Muslim League and of the Catholic Church. There is a silent revolt among the rank and file against the League and the Church. Only the ballot-box will

show how wide-spread the revolt is. Secondly, there is an honest and intelligent section among the Hindus, who have not been able to reconcile their conscience to the Congress-P S P-League Alliance and they cynically comment that a vote to the Alliance means a vote to the Catholic Church. This is becoming clear even in the constituency from which Shri Pattom Thanu Pillai, the Chief-Minister designate of the future coalition ministry, is contesting. Shri Pattom is still respected for his past services and high integrity. But his success this time is not so sure, as it used to be in the past.



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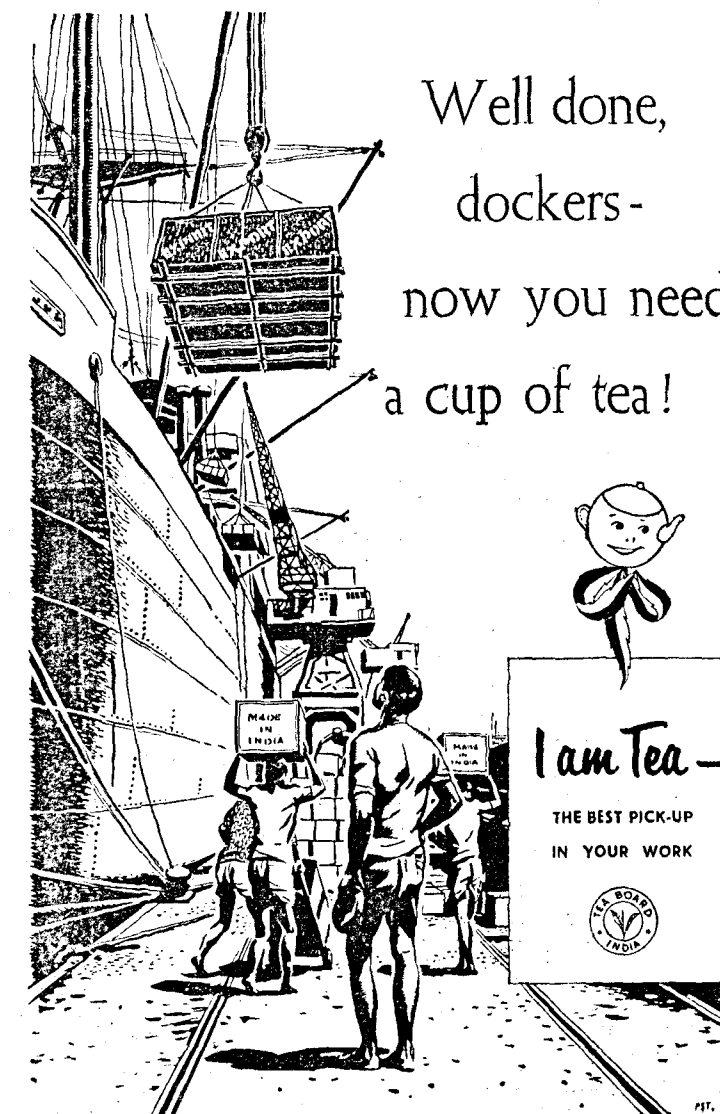
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Trade and Aid from Europe

FOLLOWING the decision of the Western Summit last month, the Ministers and officials of various delicately chosen countries are meeting in Paris this week under the auspices of the Organisation of European Economic Cooperation (the OEEC) for what certainly appears to be the most elusive and difficult of tasks — securing some agreement between the Six and Seven with representatives of the United States and Canada sitting in.

The OEEC was set up in 1948 to distribute Marshall Aid funds and to formulate and develop a code of trade behaviour which would help to lift European trade out of the morass of bilateralism that then existed. The OEEC did well in its time. Through the European Payments Union it paved the way and provided the mechanism for currency transferability and, later, convertibility. The code of liberalisation brought about an effective reduction in quotas and other restrictive practices. However, ever since January 1959, the OEEC has been in the throes of death. The European Payments Union has been wound up and the Six who form the Common Market have virtually contracted out of the OEEC following the creation of their own more powerful and influential European Commission (of the European Economic Community).

GETTING THE SIX AND SEVEN TOGETHER

There have been suggestions that the OEEC may be revived and given new tasks as a result of this week's meetings in Paris. President Eisenhower has indicated that the wealth of OEEC's experience may be employed to studying the ways of organising a system of coordinated aid for under-developed countries. Although in point of fact the OEEC has no experience in this field, the main purpose of the European visit of Mr Douglas Dillon, the U S Under-Secretary of State, appears now to have been to canvass West European support for such a system of co-ordinated aid through the OEEC.

The task of securing some agreement between the Six and Seven is clearly of considerable importance. And yet it is this which remains

shrouded in a mystery of silence. Nobody in London, least of all in Paris, makes any claim that a *modus vivendi* between the two rival groups is likely to come out of these meetings. The American Press, insofar as it mirrors the policy of the U S Government, is inclined to believe that the presence of the United States in these discussions is not for the purpose of assisting in securing an agreement or to arbitrate between the two groups.

U S ATTITUDE

The *US Journal of Commerce* under Washington dateline, reported that Mr Dillon returned from his European tour "convinced that the United States should not exert pressure to force an agreement between West Europe's two trade blocs" and that "Mr Dillon believes that the US should continue its support of the Common Market." The *Wall Street Journal* stated that the US interest in the West European trade dispute "is to make sure that any agreement between the two groups which may be arrived at does not discriminate against United States goods." This newspaper further reiterates that "the present speed up in the implementation of Common Market goals . . . is viewed as a good thing by U S observers." Thus, insofar as these American press comments provide an indication of how the US authorities are thinking, it is not at all likely that the US will provide a formula for agreement between the Six and the Seven.

BRITAIN AND THE FREE TRADE AREA

America's policy towards the question of tariff negotiations was made abundantly clear at the recent Tokyo session of GATT. There, the U S secured agreement for the convening of a conference in Geneva next September for an overall reduction in tariffs. The countries of the Common Market, having now decided among themselves the speed and the pace for setting up their single external tariff, appear to be ready to negotiate with the United States as indeed with all the 36 members of GATT, and have generally welcomed the Geneva tariff negotiations.

In Tokyo, by contrast, Britain

indicated that it was not prepared to participate in the Geneva negotiations since as it was implicitly understood that the British Government had an urgent need to use all its bargaining leverage to force a favourable settlement of its differences with the Common Market. Mr Dillon is, however, reported to have brought some pressure to bear on this question and the U K Government are now reconsidering their decision. Thus, as the dispute between the Six and Seven takes its complex course, the celebrated "bridge-building" which the Seven have been talking about is, at least for the moment, unlikely to materialise.

All this necessarily strengthens the hands of the Common Market. By contrast, the European Free Trade Association is beginning to exhibit various symptoms of tension. Mr Alan Day, writing in the *London and Cambridge Economic Bulletin* reports the case of a prominent Swedish industrialist complaining that all Swedish industry would get out of the Association would be stiffer competition with no opportunities to expand its market elsewhere. Some of the Seven who thought that EFTA would hasten a settlement but now see rather an overall hardening of attitudes, are beginning to suggest that the U K should consider extending Commonwealth preferences as a basis for the solution of the dispute. It is known that suggestions of this kind are not ever likely to be accepted in Britain. There are other signs of tension as well and, overall, the EFTA does not present a pretty picture. And this only makes the French more rigid in their approach to this question.

LONDON NOT OPTIMISTIC

What then of this week's discussions in Paris? Reports from the Continent suggest that these discussions are expected to "range over world wide trading problems and difficulties between the Six and Seven may be relegated to a relatively minor place." The *Financial Times* reports that influential American opinion fears that if a bridge between the Six and the Seven is really built, US business interests in

Europe will suffer. This substantiates the reports appearing in the United States press. The British Foreign Office in a briefing to a few important British newspapers has indicated that the Paris meetings will be opening with an unchanged "objective of working for a European-wide non-discriminatory trading area" but "there is little hope in London" of any progress being made.

The heart of the American problem is to secure some new system of international aid that matches the considerable impression which President Eisenhower's visit to India and Pakistan has made on US policy. Clearly, the US with a deficit of the order of \$4,000 million in its international balance of payments for 1959, cannot shoulder fully the financial commitments of its policy to secure a more effective position in the under-developed countries. While the US Government has no intention to reduce the size of its own aid appropriations, it certainly does not intend increasing the size to the full amount required. It is here then that the OEEC may be able to play a role of some significance for the development of American policy.

POLITICAL OPERATION?

No matter what structural form the OEEC takes and whether or not the European countries accept the US suggestion to appoint a few "wise men" to study the problem of reforming the OEEC, the burden of this week's meeting is to secure an agreement at least for converting the OEEC into a forum where all aid-providing nations would exchange information on what they are doing and how much they are providing, to whom and by what means and ways, so that the US may possess a fairer knowledge of West Europe's overall contributions to the economic development of the under-developed countries. This minimum possible agreement, however, will not be as easy to reach across the conference table as it looks on paper. The British Foreign Office has already warned that it is most anxious to see that any organisation taking the place of the OEEC should not disturb channels through which aid is flowing. What in fact this suggests is that the United States is beginning to view the vast question of aid as a political operation and which may as a result impinge upon

or even imperil Britain's own objectives and policy in this regard.

AID TO AFRICA

This makes some sense when related to a recent report in the *Financial Times* that Mr Dillon was particularly impressed by the fact that Africa alone of the under-developed regions was almost wholly dependent on West Europe for investment and aid funds. This indeed is the case. The areas of dependent Africa have been quietly but decisively subjected to the dictates of West European capital making the entry of the United States into this continent difficult. In the meantime the burden of aiding the more "sensitive" regions of the under-developed world, particularly S E Asia, the Middle East, Turkey, Greece and so on, has been almost wholly borne by the United States.

Hence, the *Financial Times* statement that in the view of the US "there is no organisation dealing solely with aid to the under-developed countries—especially Africa", seen in the context of the virtual monopoly which West European capital has had on the African continent, necessarily means that the

United States wishes the OEEC to operate as a coordinating centre for capital outflows into Africa and in which the US interest will for once be present. Possibly the OEEC's role in the matter of investment and aid to Africa will parallel that of the International Development Association which will confine itself to the making of soft loans to under-developed countries which are sovereign and independent.

It is equally possible that as soon as the three bankers appointed by the World Bank to look into the financial needs of India and Pakistan submit their report, the organ through which the financing of these needs will be discussed and assessed will be the OEEC. As the *Wall Street Journal* put it, putting the OEEC to this use, "could bring significant pressure on West Europe to make more long-term credits in high risk areas of the world." But the solution to the American problem is not easy of accomplishment. The same journal has warned that among West European countries "where imperialist pasts still colour present policies, aid without strings is regarded as woolly-headed nonsense."

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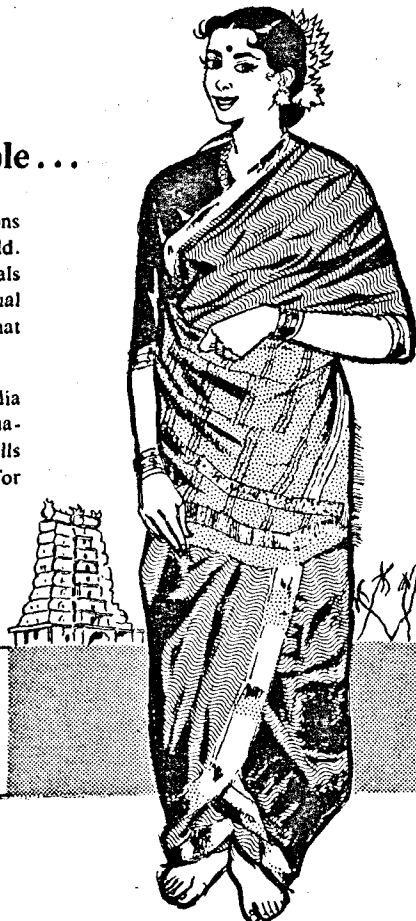
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The dress of the people...

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MAFATLAL HOUSE, BACKBAY RECLAMATION, BOMBAY I.

Normal Cost of Coal and the 'Representative' Colliery

A B Ghosh

I
THE coal industry came under Government control in 1944 when the prices fixed contained an adequate margin of profit. After Independence prices were revised from time to time to compensate producers for higher wage awards and concessions to workers. The revisions, however, did not satisfy the industry. It has been repeatedly urging for higher prices on account of increasing cost of indigenous and imported stores, costlier mining operations owing to gradual exhaustion of upper seams, additional capital and revenue expenditure necessitated by more stringent safety regulations and, finally, heavier burden of taxation. The spokesmen of the industry have been declaring that without an adequate margin of profit it will be difficult, if not impossible, to fulfil the targets allocated to it. The relevant production and the target figures are given in Table 1 below.

In response to the demand of the industry, the Government appointed the Coal Price Revision Committee in May 1957 with the following terms of reference:

(i) "to examine and report upon the cost of production of coal/coke in the country, taking into account *inter alia* the awards and other relevant factors that have a bearing on the coal production programme envisaged in the Second Five Year Plan".

(ii) "On the basis of such investigation to recommend whether, and if so, what changes are necessary in the price structure of coal and coke."

The Committee recommended a revision of the price structure of coal after an examination of the cost structure. Having been convinced that the computation of costs by the method of averaging would

be "definitely inappropriate" they attempted "an assessment of what might be regarded as *normal* for each main item of cost; in other words that a mere examination of costs actually incurred by various collieries would not be enough and the objective should rather be to determine, by a study and comparison of actual costs, the cost of production, as it should be, in a colliery managed with *reasonable efficiency* and *economy* and facing no problems of special difficulty."

In making this assessment they considered that "along with the conditions which actually prevailed during the period of costing, it would be equally necessary to take note of later trends of production and development and the conditions necessary to achieve the targets of production set for the Second Five Year Plan. Expressed in a different way, the concept of *normal* should relate to a colliery working with reasonable efficiency and economy not only to maintain production but also to expand production at the rate envisaged under the Plan." (Para 34)

This recalls to our mind the concept of the 'representative firm' formulated by Alfred Marshall especially for analysing the long period falling supply price of a given aggregate of output of a commodity produced for a freely competitive market by firms the differences in whose relative efficiency are not permanent. The supply price is equal to the average cost including normal profit of a representative firm which becomes larger when the aggregate output expands in response to a growth in demand.

The concept has been subjected to many debates in which the critics have attempted to demolish it by introducing mechanical elements, e.g. perfect competition, failing to

take note of the biological character of the firm as formulated by Marshall. The whole debate has centred on the practicability or otherwise of spotting a firm in reality "which has had a fairly long life, and fair success, which is managed with normal ability, and which has normal access to the economies, external and internal, which belong to that aggregate volume of production". (Principles, BK IV: Chapter 13, Section 2.)

Not much attention has however been paid to the average character of the representative firm (in his "Industry and Trade", Appendix N, Marshall inferred the growth in the representative establishment in U S A by adopting the method of averaging) and to the valuable practical advice given by its author to arrive at such an average by "selecting, after a broad survey, a firm whether in private or joint-stock management (or better still, more than one), that represents, to the best of our judgment, this particular average". (Principles, BK IV: Chapter 13, Section 2.) This may be interpreted to imply that the supply price may be calculated by measuring not the average cost of a representative firm (which one can hit upon by accident only) but the *normal* level of each of the main cost items through a scrutiny of the cost of production of a number of firms in an industry. The Coal Price Revision Committee Report published in March 1959 may be analysed for an illustration of the method involved in such an interpretation of 'representative firm'.

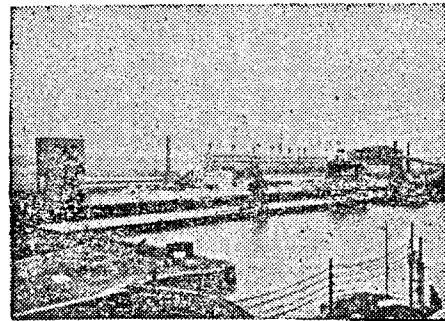
The coal industry is no doubt subject to diminishing returns. This does not however imply that the concept of the representative firm has no applicability here. First, at the very start of the analysis of the equilibrium of normal demand and supply (Principles BK V: Chapter 3, Section 4) Marshall recalls the 'representative firm' when discussing the normal supply price without specifically mentioning that he would confine himself to increasing returns. (While analysing the concept of margin of production, Marshall states in the footnote 2 to Section 6, Chapter 5, BK V of his Principles, "... necessity of referring our reasonings to the circumstances

TABLE I—COAL PRODUCTION AND TARGETS

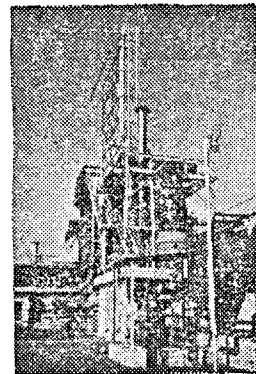
	(million tons)				
	1951	1955	1958	1960-61	1966
				Targets (Tentative target)	
Private Sector	31.43	35.36	41.66	45	NA
Public Sector	3.00	2.86	3.66	15	NA
Total	34.43	38.22	45.32	60	100

Here are a few examples of Simon-Carves' ability to combine their long experience of engineering design and construction with the specialised technical knowledge of their clients and to accept responsibility as main contractors for complete industrial plants on a major scale.

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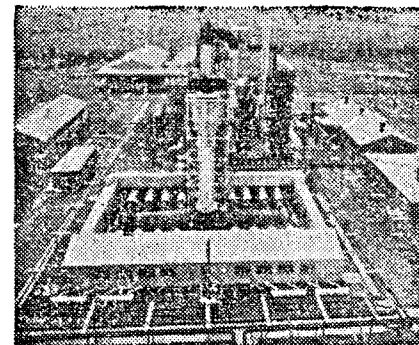


Over 40 million lb. of phosphorus from phosphate rock are produced from this factory at Portishead, U.K., every year for Albright & Wilson; Simon-Carves were the main contractors for civil engineering and building and for detail design and construction of plant and buildings. Two travelling pneumatic unloaders were supplied by Simon Handling Engineers.



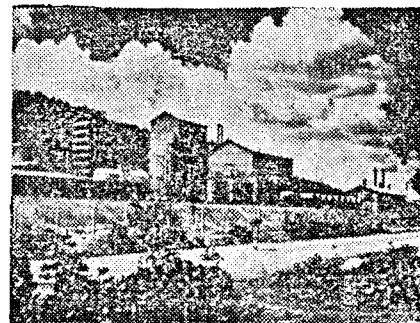
BASED ON CLIENT'S KNOW-HOW

India's first 3,500 tons per annum Polythene Plant at Rishra, West Bengal, set up by the Alkali and Chemical Corporation of India—Simon-Carves were the main contractors for engineering and for detail design and construction of plant and buildings.



60,000 lb. of carbon black are daily manufactured in this plant by the "furnace process" for Cabot Carbon Ltd. (wholly-owned subsidiary of Godfrey L. Cabot Inc. of USA) at Stanlow, Ellesmere Port, U.K. Simon-Carves were the main contractors for the entire plant on a green-field site.

The Indian Explosives Factory at Gomia, Bihar, where Simon-Carves were responsible for design, construction and erection of the sulphuric acid and oleum plant, for construction and erection of the denitration and acid blending unit and ammonium nitrate plant, and for erection of the nitric acid plant.



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of a representative firm, especially when we are considering industries which show a tendency to increasing return.")

Secondly, to make the normal cost correspond to marginal cost, we shall need the assistance of the representative firm. For, if the marginal cost refers to the average cost in a marginal colliery, we must find one in the Bengal-Bihar field which is worst in respect of the assistance it receives from nature but normal in respect of management; otherwise we shall be paying a premium for managerial inefficiency. It is only by accident that we shall find the worst coal resources associated with a normal entrepreneur. Over a period such an entrepreneur will either leave the mine or develop it. When he develops the mine, the marginal cost will not be the cost of an additional ton of coal. "A producer does not often isolate the cost of each separate small parcel of his output; he is apt to treat a considerable part of it, even in some cases the whole of it, more or less as a unit. He inquires whether it is worth his while to add a certain new line to his present undertakings, whether it is worth while to introduce a new machine and so on. He treats the extra output that would result from the change more or less as a unit before hand." (Principles, BK V: Chapter 5, Section 6). Thus to estimate marginal cost we need to investigate the average cost of one or more collieries that represent that industry in respect of the normal managerial ability corresponding to the given aggregate of production.

Thirdly, differences in the relative efficiency of the collieries are continuously modified by rationalisation and/or amalgamation.

Fourthly, "a mine does not give a diminishing return in the same sense as a farm does The supply of agricultural produce and of fish is a perennial stream; mines are as it were nature's reservoir. The more nearly a reservoir is exhausted, the greater is the labour of pumping from it; but if one man could pump it out in ten days, ten men could pump it out in one day; and when once empty, it would yield no more. So the mines that are being opened this year might just easily have been opened many years ago: if the plans had been properly laid in advance, and the requisite

specialised capital and skill got ready for the work, ten years' supply of coal might have been raised in one year without any increased difficulty; and when a vein had once given up its treasure, it could produce no more". (Principles, BK IV: Chapter 3, Section 7)

II

The average method of estimating representative cost adopted by the Coal Price Revision Committee is described below.

On account of wide variations of working conditions in different coalfields and in mines within the same coalfield, the Committee's first task in estimating cost was to entrust it to a team of Cost Accounts Officers in representative collieries selected in consultation with the three associations of colliery owners of the Bengal-Bihar coalfields. Table II below indicates the coverage of the representative group.

TABLE II— COVERAGE OF REPRESENTATIVE GROUP

Field	Percentage of collieries costed	Total No of collieries costed	Percentage of production of costed collieries to total production
Bengal-Bihar	4.7	35	19
M P, V P and Orissa	26	17	47
Andhra Pradesh	100	3	100
Assam	50	8	70

The Committee proceeded on the assumption that the report of the Cost Accounts Officers of the Bengal-Bihar coalfields provide the basic data for the cost structure as these fields produce about 80 per cent of the Indian output. As the report of the Cost Accounts team revealed wide variations in the same items of cost even among collieries within the same field and variations in O M S (Output per man-shift) in similar collieries, the Committee asked for the report of a technical team appointed by it for scrutinising these variations in costs. Then it proceeded to assess the normal costs in the Bengal-Bihar coalfields under the following heads:

- wages,
- labour amenities and Coal Mines Regulations,

- salaries and administration,
- stores,
- power, royalty, cess, collieries' own consumption of coal and other miscellaneous items,
- depreciation, and
- brokerage and commission.

Although the wage cost of 26 collieries costed showed variations ranging from Rs 6.70 to Rs 13.99 per ton, "eighteen out of the 26 collieries constitute a broad cross-section showing a relatively narrow range of variation in the wage cost per ton" (p 16)—around Rs 9.50 per ton which was considered by the Committee as the most representative and was a reasonable guide for determining the normal wage cost. The incidence of the Appellate Award was assessed at Rs 1.10 per ton. The total wage cost of Rs 10.60 per ton was based on the average O M S (.36 ton) of the 26 collieries (their range of O M S varying from .23 ton to .58 ton). The normal wage cost was fixed at Rs 9.55 per ton on the assumption of an O M S of .40 ton, based on a comparison of the 1956 and 1957 O M S of Jharia, Raniganj and Karanpura fields and the all-India average.

Thus even a single item of cost was assessed partly on the basis of the wage cost of a broad section of collieries of the representative group costed, forming about 5 per cent of the collieries of the Bengal-Bihar coalfields, and partly on a 'guestimate' of the O M S based on the scrutiny of the trend in the Bengal Bihar field and the whole of India. The tabular statement (overleaf) of the calculation of the different cost items by the Committee shows at a glance the varied bases of the assessment of the different items of normal cost. I have also included the estimate of the Indian Mining Federation, wherever available, as it represents largely the medium size colliery owners.

Normal costs of wages (item 1) and stores (item 4) seem to have been based on the mean value of the range of cost of the relevant items in the costed collieries; its maximum value, on the other hand, seems to have been the basis of brokerage and commission (item No 7). The normal cost of labour amenities and coal mines regulations (item 2) seems to have been based on the minimum of the in-

STATEMENT SHOWING CALCULATION OF VARIED BASES OF COST ITEMS				
Item of cost	Range of variation in the collieries costed	Industry's estimate as given in the Report	Committee's estimate	Basis of the estimate of the Committee
1	2	3	4	5
(1) Wages	Rs 6.70 to Rs 13.99 per ton	N A (The Report of the I M F Committee, 1958, assessed impact of Appellate Award between Rs 1.25 and Rs 1.75 per ton)	Rs 9.55 per ton	(a) central group of 18 collieries costed show a narrow range of variation around Rs 9.50 per ton. (b) Committee's estimate of the Appellate Award = Rs 1.10 per ton (c) O M S assumed = 0.40 ton.
(2) Labour amenities & coal mines regulations	N A	Rs 1.09 to Rs 3.23 per ton (I M F Report 1957, estimate Rs 1.75 per ton)	Rs 1.10 per ton	As the item could not be isolated and the 1957 coal mines regulations had not been fully implemented upto the time of the Report, the basis was mainly observation, discussion and judgement.
(3) Salaries and expenses on administration	N A	(a) ranging from Rs 1.38 to Rs 1.60 per ton for collieries producing between 16,000 and 18,000 tons per month (b) Rs 2.17 to Rs 3.24 per ton for comparatively smaller collieries	Rs 1.70 per ton	Judgement of Committee
(4) Stores	Rs 0.59 to Rs 2.76 per ton	Rs 2.50 per ton	Rs 1.75 per ton	"
(5) Royalty, power, cess, own consumption of coal, stationery, printing, postage, T A, legal charges etc	Royalty varies from Rs 0.01 to Rs 1.18 per ton, Cess from Rs 0.03 to Rs 0.26 per ton, stationery etc from Rs 0.13 to Rs 1.00 per ton; wide variations in power and own consumption of coal	N A	Rs 1.85 per ton	Reasonable enough for an average colliery
(6) Depreciation and development allowance	N A	N A	Rs 1.70 per ton	At the beginning of the Second Plan the capital employed in the private sector was Rs 14 per ton (output: 35 million tons). Additional output to be produced by that sector by 1960-61 = 10 million tons through operating existing collieries and areas immediately contiguous to existing mines. Total capital employed by 1960-61 = $(35 \times 14 + 10 \times 20)$ million rupees. This gives Rs 16 per ton. Allowing for 25 per cent for Development rebate and assuming an average life of 12 years for equipment, the cost per ton becomes = Rs 1.70
(7) Brokerage & Commission	Rs nil to Rs 0.27 per ton	N A	Rs 0.25 per ton	Maximum permissible = Rs 0.27 per ton. This has not to be paid for direct sale by collieries to Railways which consume nearly 1/3rd of the total output
(8) Profits	N A	N A (The I M F Committee Report 1958 puts it at 6.3 per cent)	Rs 1.75 per ton	11 per cent of the capital employed or 10 per cent of the cost per ton
Total			Rs 19.65	

dustry's estimate. The maximum of the industry's estimate for larger collieries i.e., those producing between 16,000 tons and 18,000 tons per month, seems, on the other hand, to have been the basis for the normal cost of salaries and expenses of administration (item 3), though smaller collieries contribute more than fifty per cent of the total output. The normal cost of royalty, cess etc (item no 5) was based on what in the judgment of the Committee was the cost in an average colliery, which also was the basis for depreciation and development allowance (item 6).

No precise measurement of the last item is possible depending, as it does, on the estimates of the probable life of the different items of fixed assets which may be lengthened or shortened at the time of replacement according to the current market price of the assets and the current rate of obsolescence. Further, the estimates would depend upon the assumed value of the capital employed currently. This was estimated by the Committee to be Rs 14 per ton, the basis of which was not revealed to the public. The Committee considered that "the allowance for depreciation and development should be equal to the average capital employed (about Rs 16 per ton) plus 25 per cent of that capital divided by the average useful life of the complex of assets of different kinds constituting an average colliery" (para 42). The Committee estimates that Rs 20 per ton will be the additional cost of producing the quota of 10 million tons allocated to the private sector.

Similarly estimates of other items including a fair margin of profits cannot be made with precision. Judgment of the estimator will be the strongest determinant. Our purpose is not to evaluate the estimates but to analyse the method adopted in reaching them. We have found that the method of calculating the normal cost through an estimation of the normal level of each of the main cost items is highly complicated. Complexity is inherent in the attempt, for it is only an omniscient Committee that can take the place of the countless individual decisions of the market. Our object was to show that the Committee attempted to follow a method of measuring normal cost per ton of coal which would have the blessings of Alfred Marshall, the father of the concept

of normal cost and 'representative' firm.

III

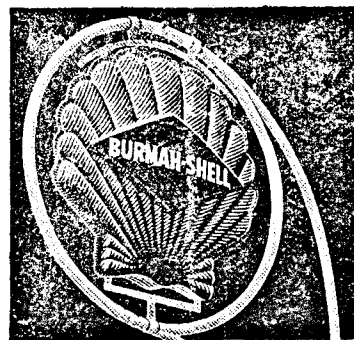
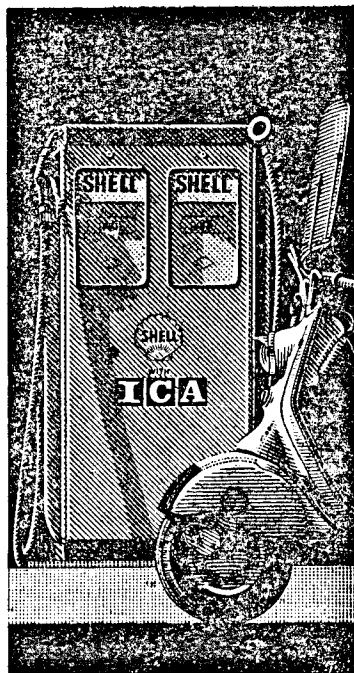
The Coal Price Revision Committee's objective was, as stated before, to determine, by a study and comparison of actual costs, the cost of production, as it should be, in a colliery managed with reasonable efficiency and economy and facing no problems of special difficulty. In the month in which it was appointed was published the report of the Committee on Amalgamation of Collieries which undertook "a survey of the present situation regarding the collieries in West Bengal and Bihar States with a view to their amalgamation into single economic units, and adjustment of boundaries where such adjustment is considered to be necessary for efficient production and conservation of coal etc. In making the investigation, account is to be taken of the principal relevant factors including the area of holdings, the current output and capacity of collieries, geological and geographical and other relevant factors, the need for efficient and economic production and the conservation and preparation of coal by such processes as washing etc." It discussed

the problems of the proper size of a colliery consistent with optimum production and maximum conservation and recommended that "the amalgamated unit shall consist of such number of collieries or part or parts of collieries as to fulfil the criterion regarding minimum production of 10,000 tons a month".

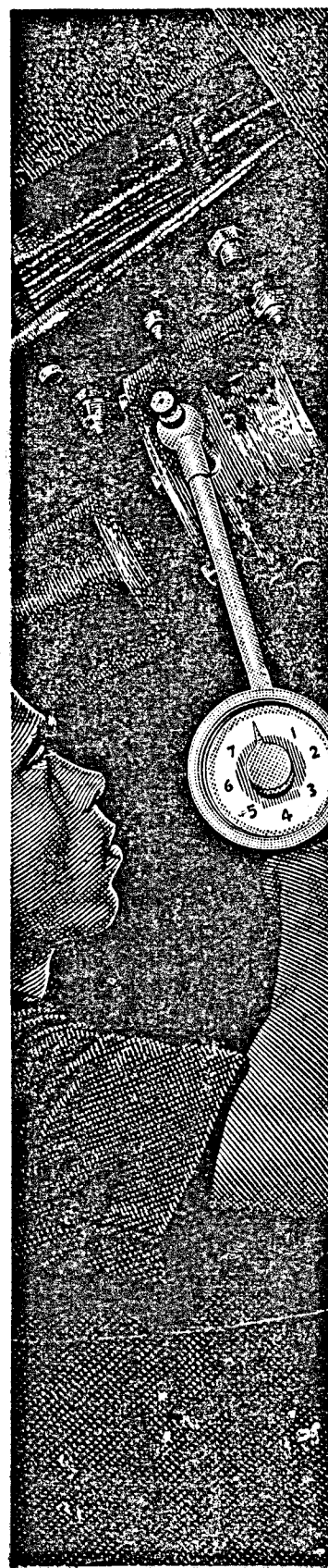
The Coal Price Revision Committee nowhere mentions this Report although the Government accepted the scheme of amalgamation proposed by it. The unpublished cost data collected by the Amalgamation Committee would have been of immense assistance to the Price Revision Committee. As the Government had accepted the minimum efficiency unit as recommended by the Amalgamation Committee, much effort and time would have been saved if the Price Revision Committee's work was coordinated with the findings of the Amalgamation Committee. This would have not only facilitated the calculation of normal cost per ton of coal of the various cost items in collieries accepted as satisfying the minimum conditions of efficiency but would have also helped the cause of amalgamation and thus that of the fulfilment of the targets of the private sector without undue delay in arriving at a decision regarding prices.



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Scope for Small Industries

Foundries and Rubber Products

By Industrial Economist

IN the article which appeared in the last week's issue opportunities of profitable investment for some of the engineering industries were discussed. The present article deals with similar opportunities in Foundries and Rubber Products.

CAST IRON FOUNDRIES

There is scope for profitable investment in all types of foundries. Engineering industries are dependent on foundries for castings. Some units have their own foundries and others get castings done on job work basis from foundry units. There is a large number of cast iron foundries in the country particularly in Bombay, Calcutta, Agra and Ludhiana. Madhya Pradesh, however, does not have many cast iron foundries and offers good scope for them in its towns like Durg, Raipur, Jabalpur and Indore. The first two towns are very near Bhilai and are, therefore, ideally situated for the purpose. There is large demand for builders' hardware items in these towns owing to tremendous building activity going around these towns and in Bhilai. Foundries in these towns with modern machine shops attached to them will also get good orders from Bhilai factory for different types of small items needed by the plant.

Jabalpur and Indore offer good scope for items of municipal requirements and builders' hardware items, as the towns are growing fast. They are also coming up very well industrially. Indore, having a good number of textile mills, also offers scope to foundries for casting textile machinery spare parts.

In spite of quite a large number of cast iron foundries in Bombay, there is scope in the line because of huge demand in this city for items of municipal requirements, flushes, surface boxes, bends and pipes and strainers.

HIGH GRADE CASTINGS

Besides the limited scope for low grade castings, the scope for foundries making high grade castings is excellent. Of the 160 small scale foundries existing in Bombay, there

are only half a dozen which are making high grade castings and even they do not possess equipment required for physical and chemical testing. Castings obtained by them are, therefore, not quite satisfactory. High grade castings are required for machine tools and component parts, diesel engines and component parts, locomotive cylinders, high duty cast iron parts for railways, such as, chains and horn cheeks and pressure tested soil pipes. The demand for high grade castings for diesel engines and machine tools is very good, and is likely to increase at an annual rate of 15 per cent and 25 per cent, respectively. Pressure tested soil pipes are a fast selling product. There is not a single foundry making this item in Bombay.

To install a *model cast iron foundry* for the production of high grade castings, an investment of nearly Rs 2 lakhs would be required — sand testing and physical testing equipment alone would cost nearly Rs 50,000. Other equipment and tools including cupola of 2.5 to 3 tons capacity would cost nearly Rs 40,000. Land and building, if owned, would cost nearly Rs 30 to 40,000. About Rs 80,000 would be needed by way of working capital.

IF SHORT OF CAPITAL

Entrepreneurs not having funds for the entire project can effect some saving by taking land on lease or both land and covered area on rent. This would mean a reduction of nearly Rs 30,000 in initial investment. Further, they get major equipment, such as physical testing equipment, Sand testing equipment, cupola, hand moulding machine, foundry sand mill and moulding oven on hire purchase from the National Small Industries Corporation, a Government of India Concern. Thus equipment worth nearly Rs 80,000 can be had for initial investment of about Rs 15,000. Those wishing to start foundry for high grade castings in Bombay need not immediately go in for physical testing equipment, for they can avail of the facility avail-

able at the laboratory put up by the Small Industries Service Institute at Worli.

A foundry without a machine shop would be an incomplete unit, for all castings need finishing. It will have to work as a jobbing unit, that is, doing castings for other engineering units. To reap full profits of a model foundry, it is necessary to have a machine shop attached to it. The investment in machine shop would again depend on the types of castings that the foundry will undertake. The better the castings — and this means a good deal of machining and finishing — the more is the margin of profit. A good machine shop consisting of one Universal Milling Machine, 1 Coopers' shaper, 4 centre lathes, 2 drilling machines, 1 double ended grinder and 1 power hacksaw, would cost nearly Rs 80,000. This entire equipment can again be had on hire purchase, for about Rs 15,000.

NON-FERROUS FOUNDRY

Non-ferrous foundry offers a better scope for profitable investment than cast iron foundry. The huge demand for it is increasing at a fast rate. The important items of non-ferrous castings which are in great demand are sanitary fittings, taps, cocks and valves, bearings for oil engines and railways, and bushings and axle boxes for railways. Water taps and cocks are the most important of the items mentioned above. Present indigenous production of water taps and cocks is valued at about Rs 1 crore. Taps and cocks worth about Rs 25 lakhs are exported annually. Our important customers are Ceylon, Burma, Iraq, East Africa, Egypt, Malaya, Thailand and Indonesia. The most important centres of production of water taps and cocks are Surat in Bombay State and Jullunder in the Punjab. Other centres where taps and cocks are produced are Delhi, Mathura, Agra and Poona.

The demand for water taps and cocks is expected to increase by 100 per cent during the next five years. Rapid industrialisation is bound to

be accompanied by urbanisation. Further, there is likely to be greater stress on health and community services. Consequently, a large number of towns will be covered by water supply schemes, which would result in increasing demand for water taps and cocks. Export prospects are also quite bright. There is likelihood of increasing purchases by neighbouring countries where also extension of water supply schemes is in progress.

RISE IN DEMAND FOR BEARINGS

Like water taps and cocks, the demand for sanitary fittings is increasing rapidly and is likely to double during the next five years for the same reasons as those for water taps and cocks. The demand for bearings for diesel engines is increasing for replacement purposes as well as for original equipment. It is estimated at about 20,000 (numbers) and is likely to increase at the rate of 15 per cent per annum during the next five years. The demand for railway requirements such as bearings, bushings and axle boxes is huge and is recurring. With expansion plans for railway transport system, the demand is likely to increase substantially.

Thus several non-ferrous foundry units can be put up all over the country to produce items discussed above. A unit with a furnace of 200 lbs melting capacity, can be put up with an investment of about Rs 1 lakh. Equipment and tools would cost about Rs 25,000 and working capital requirements would amount to about Rs 75,000. Main items of equipment are Sklenar Furnace, Patterns, Moulding Boxes and Hydraulic Testing Machine. The entire equipment is available locally. Raw materials are brass scrap and gun metal, which are also available locally.

ELECTRIC INDUCTION FURNACES

Steel castings by electric induction furnace offer the most profitable investment opportunity. Steel castings are in great demand in the country. Railways are one of the biggest buyers of steel castings, namely buffers and casings. Steel component parts for tractors are also required in large quantity. Steel plants have huge recurring demand for steel castings, such as, moulds for pig iron making machine, etc. For stone crushing and mining industry, for components of electric and pneumatic hoists and cranes, steel castings are needed in large quantity.

It is not possible to estimate the demand for all types of steel castings that have been mentioned above. All the large-scale producers engaged in the production of steel castings are working to full capacity. At present there is not a single small-scale unit making steel castings by electric induction furnace.

The investment for an electric induction furnace of one ton capacity (it would give about 15 tons of finished castings per month) is estimated to be about Rs 5 to 6 lakhs. Of this, other equipment would cost Rs 2.75 lakhs and working capital required would amount to Rs 1.75 lakhs. The main items of machinery are electric furnace and chemical and physical testing equipment. All the items mentioned have to be imported. The main raw material is steel scrap which is easily available in the country.

RUBBER PRODUCTS

In rubber, several items offer good scope for profitable investment. They are:

- (1) Bicycle Accessories, such as, pedals and pedal covers, rubber for brakes and hand grips.
 - (2) Automobile accessories, such as bushings, radiator caps, shock absorbers, door and window channels, matting and covering for accelerator, brakes and clutches.
 - (3) Surgical goods such as, hot water bags, ice caps and tubings.
 - (4) Bottle caps for injection vials.
 - (5) Sponge chappals.
- Of the above items, bottle caps and sponge chappals offer better scope to small scale investors.

BOTTLE CAPS

Bottle caps made of rubber are needed for injection vials and are also used as covers for bottles containing capsules. Hindustan Antibiotics, Pimpri, is one of the largest buyers of bottle caps. There are several other manufacturers of drugs like Glaxo, Dumex, Lederle, Atul, Alembic and Sarabhai who need them in large quantities. Production of penicillin, insulin and vitamin injections has risen in recent years and may be expected to rise rapidly in the near future.

Bottle caps are presently being produced by large-scale producers. Their production is a very easy process and is very suitable for

the small-scale sector. Such items which are easy to make should be reserved for production on small-scale. They have an advantage over large ones in the matter of overheads and labour charges and hence they are able to produce items requiring simple processing, cheaper. Under the Stores Purchase Programme, Government has reserved several of its requirements for purchase from small units. Bottle caps made of rubber is a suitable item to be included in that list. Pimpri Factory alone can keep busy a good number of small-scale units.

An economic unit for making rubber caps for bottles can be started with an investment of Rs 75,000. This excludes cost of land and building. The equipment required are Rubber Mixing Mill of 600 lbs capacity, 6 presses, 1 boiler and 2 or 3 dies. The entire equipment which is available locally would cost nearly Rs. 45,000 and can be had on hire purchase from National Small Industries Corporation by paying initially 20 per cent of the total cost.

SPONGE CHAPPAIS

There is hardly any need to build up a case for the scope of profitable investment in chappals. These chappals were first imported from Japan and soon became very popular. Their production in India was first undertaken by Batas and Carona Shoe Company, both of which are large-scale units. Their selling prices were exorbitant, ranging from Rs 7 to Rs 10 per pair, as compared with the price of Japanese chappals which ranged between Rs 2.50 and Rs 3 per pair—of course, outside India. The huge margin of profit encouraged some small entrepreneurs in the North to take up their production, and they are now selling in Bombay for Rs 4.50 to Rs 5.50 per pair. The cost of producing these chappals in an economic size unit in Bombay is estimated by rubber experts to be around Rs 2.25 per pair.

A small unit for the manufacture of sponge chappals can be put up with an investment of Rs 1½ lakhs. The main items of equipment are 1 Rubber Mixing Mill, 12 presses, 1 boiler 10 H.P., 1 vulcaniser for shrinkage, 10 dies, 6 slabs and 1 punching machine. This equipment will cost about Rs. 70,000.

Economists Confer

(From a Correspondent)

THE Economic Conference held at Annamalai Nagar this year was very well attended though most of the senior economists who are usually regular in their attendance were conspicuously absent. On the other hand, one of the seniors, who had not attended a single conference for the last 12 years, turned up to carry off the plum—the President for the next year! One was happy to find many 'colts' among those who attended the conference. It was to be welcomed as a very good augury for the future but one did not feel equally convinced that this reduction in the average age of the participants had raised the level of discussions proportionately.

The arrangements made for the conference, its setting in the extension and well laid out University Campus, the hospitality and courtesy of the organisers left nothing to be desired. The rapporteurs who conducted the group discussions did their job admirably. But one is compelled to observe rather sadly that the practitioners of this tricky social discipline did not get down to the brass tacks. This was particularly disappointing since the President had been associated so intimately with the problems of planning right from the very inception, and it was natural to expect that he would give a proper lead and raise the level of discussions above the platitudinous. This, unfortunately, Professor Anjaria did not do. There was nothing much new or exciting in his Presidential address, except for an occasional wise observation, with which the address was punctuated.

Professor Anjaria did emphasise the need of sectoral balances, and also mentioned that the details and techniques for setting those relationships are now available to the planners. But nowhere in his speech did he mention how the planners had been utilising these techniques in the formulation and implementation of the Five-Year Plans. Again, he did mention that "idle manpower is undoubtedly the resource and it must be utilised". But in the same breath, he also expressed his doubt about "the magnitude of contribution from idle manpower". Surely, after our bungling through 10 years of planning, the Chief of

the Economic Division of the Planning Commission could have said something more specific and suggested the concrete changes that were needed to accelerate the growth of the economy. Equally uninspiring and unhelpful were his observations on exports.

The one positive statement which Professor Anjaria made in the course of his address was somewhat startling. Mild, reasonable, tolerant of criticism and appreciative of other points of view, it was rather surprising to find him supporting so vehemently "the basic objectives and priorities laid down in the Second Plan", that these were sound and that they would have to be continued in the Third Plan. It smacked of a pontifical statement, which one hardly associated with an economist of his calibre and perception. But this is perhaps inevitable in Government economists who have necessarily to have a dual personality, and one never knows for sure which of these is speaking. True enough, a smaller plan is no solution for our unemployment problem, but Professor Anjaria did not waste much breath to establish the point that a bigger one of the type we are going to have will solve that problem.

The current topic for discussion was "Is India at a 'take-off' stage?" Professor A K Dasgupta initiated the discussion in a grand manner, and his speech was both pithy and relevant. After raising doubts about the concept, he argued that it was not possible to divide the development process into a 'take-off' stage and a stage of self-sustained growth. If one went by this concept, he argued, one would imagine that India had passed this stage because, according to recent estimates, India had already attained a rate of investment of 11 per cent or so, which was the norm laid down by Rostow who had introduced this term in economic literature.

In the end Professor Dasgupta raised a very important issue about unemployment and said that an economy could be considered to have passed the so-called 'take-off' stage if it could absorb its back log of unemployed in productive use in addition to the annual additions to its labour force and judged by this

criterion, India had yet a long way to go towards self-sustained growth.

Professor Lakdawalla pointed out the dangerous implications of this emphasis on employment. Another speaker redefined the concept of 'take-off' not in terms of investment-income ratio but in terms of domestic saving-income ratio, to make it more meaningful and then he proceeded to explain that if the economy could attain the rate of saving which sustained the rate of investment at a full employment level, then alone would take-off be meaningful but the concept would not then, be so sensationally novel! The general discussion on this very interesting topic which followed, however, did not keep up to the high level set by Professor Dasgupta.

The topics for group discussion were (1) Inflation and Economic Growth, (2) Approach to the Third Five Year Plan and (3) Land Reforms and Policy in India. The reports prepared by the rapporteurs Shri S L N Simha, Professor Dasgupta and Professor Dantwala were lucid and covered all the relevant points. The discussions were conducted very ably, though they were somewhat marred by oratory of the popular type. One of the speakers, for example, went to the extent of wanting a campaign to be started against the luxury restaurants like 'La Bella' in Bombay. And all this was in support of the argument that there should be a restraint on consumption. Equally embarrassing was the unorthodox suggestion of a learned professor that the demand

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liabilities (sic) of the commercial banks should be frozen! This was suggested in all seriousness as a measure for making deficit financing a success. Similarly, a lot of time was wasted on a paper which argued for a seven year plan on the plea that there is an agricultural cycle of seven years and that the technical changes are also conducive to such

a time horizon. But for the adroit handling of the discussions by the rapporteurs, speakers of this type would have really had a field day. The general conclusion that emerged from the discussion on inflation and economic growth was that deficit financing within a safe limit is quite helpful for economic growth. There was, however, a general con-

fusion between credit creation to finance economic development and the mechanics of inflation in a developing economy, as the rapporteur of the group pointed out. The discussion did not help to clear up this or any other sources of confusion. In fact it vastly added to it and no conclusion worth mentioning emerged from the pooling of ignorance.

Labour Economists' Conference

S D Punekar

THE Third All-India Labour Economics Conference was held in Madras from 2nd to 4th January under the auspices of the Madras University. A number of delegates, Indian and foreign, attended and participated in the conference.

Shri V V Giri, the Founder-President of the Conference, while inaugurating the meeting, explained the purpose of the Labour Economics Society, which organises these conferences. Labour and industrial problems cannot be objectively viewed either by labour leaders or by employers, who have an agitational outlook. These problems can be thoroughly and impartially studied and discussed under the auspices of the great temples of learning, namely the Universities. Causes leading to unrest, mismanagement and discontent among the parties can be fruitfully investigated in an academic atmosphere and measures suggested for constructive industrial peace.

Good industrial relations are indispensable for the successful industrialisation of any country. Shri Giri pleaded for a definite and co-ordinated labour policy, for conceding to workers' representatives a voice in the control of the industrial system, for establishment of a joint standing machinery at all levels and in each unit of the industry, for reasonable treatment to private sector and for higher productivity in Indian industries.

IMITATION OF WESTERN ECONOMICS

Professor P C Mahalanobis, speaking as the Chairman of the conference, raised some provocative questions, to stimulate thinking and research in the field of labour economics. He enquired whether imitation of highly developed capitalist economics was the most effective means to achieve social security and full employment, or whether new methods were required to be developed to suit Indian conditions. He cited various figures to show that real earnings of Indian workers had risen only by 4 or 5 per cent during the 18 years since 1939; on the other hand, there has been an appreciable increase in national economy during this period. Our labour policy, administration and legislation have been imitative of the highly developed capitalist coun-

tries, without proper appreciation of Indian conditions. They have not led to any substantial gains in real earnings, which have been lagging behind the general increase in per capita income or consumption.

Labour productivity is stagnant and may be even decreasing. There is general opposition to piece rate wages or remuneration by results. There is a good deal of general slackness and disinclination for hard work. Trade unions in India are generally imitative of the methods of the highly developed countries without proper appreciation of the real interests of labour. The attempt to introduce institutional forms well suited to advanced capitalist countries may sometimes defeat its own purposes. It is also often difficult or impossible to introduce methods in operation in socialist countries for lack of necessary political sanctions. Familiarity with economic theories suited to advanced western countries had acted as a thought barrier to economic progress in India.

LABOUR RESERVE SERVICE

To mitigate the problems of chronic unemployment and underemployment, Professor Mahalanobis made a novel suggestion of a Labour Reserve service (LR). Government may set up such a service to absorb such industrial workers as may be considered surplus and be "laid off" by existing industrial enterprises at their discretion and also to serve as a pool for other enterprises to draw upon, again, at their own discretion. The LR would thus act as a buffer against unemployment and would serve as a (perhaps socially more useful and psychologically more preferable) form of or substitute for unemployment insurance limited, however, in the first instance, to persons who are already factory workers.

The workers admitted into the LR would receive, not the full, but a suitable part (say, between a half and three-quarters) of the emoluments they were receiving in their original posts; they would also be bound to take up whatever work they were offered by the LR authorities and if they refused they would have to leave the LR. It should be possible to recover an increasing part of the expenses out of productive work taken up by the LR. The

balance of the cost may be met partly by a comparatively small (LR or unemployment insurance) levy on enterprises, partly by a direct contribution for each worker sent to LR by an enterprise and partly by Government out of its general income. The LR would provide training of various kinds and would continually try to use the men for productive purposes. Workers in the LR would have an incentive to find better jobs at the earliest opportunity.

PROBLEM OF UNEMPLOYMENT

A similar proposal to set up a Labour Migration Bureau, to make arrangements to move certain number of people from one region to another, was made by Dr P S Lokanathan, who presided over a sectional meeting on "Full Employment in a Developing Economy". According to him, a population of 400 million, growing at a rate of nearly 2 per cent per annum, is not merely a statistical phenomenon; it is a stupendous social problem, which must be viewed not only in terms of so many job opportunities, but in the light of a series of policies, designed to make life more productive and more worthwhile for the common man. Unemployment in India is a structural problem, which is bound up with the entire range of problems, associated with economic and social changes.

Unemployment is really a part of the malady of a population fast growing and the lack of skills, which would make the increased population employable for socially purposive ends. Dr Lokanathan particularly emphasized mobilisation of rural manpower supply for employment in the creation of productive assets and capital formation. Substantial increases in agricultural incomes through sizable increases in productivity in the whole of the rural sector, would create a large volume of employment in the rural areas, as also put life into them, which was more essential than the mere creation of job opportunities.

The Conference also discussed the probable labour policy in the Third Five Year Plan. Shri B N Datar of the Central Labour Ministry threw some light on how the Government's mind was working in this field.

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No Cause for Lament For Economics or Economists

M A Raz

THE recent series of articles on *Lament for Economics* makes interesting reading. It has served to emphasize the fact that Indian economists are conscious of the problem, if not of its solution. In fact, it has revealed in unmistakable terms their intense desire and search for the solution of the problem that is "Indian economics." I would, therefore, hesitate to term this discussion, after Shri Narindar Singh, as "unproductive employment of many of the best brains." Perhaps it would not be premature to sum up what has been discussed so far and append a few comments of mine to it.

Professor Mukerji feels sorry that Indian economists, by and large, are Keynesians and not Marxians. He even goes so far as to attribute a comparative neglect of Schumpeter *vis a vis* Keynes by Indian economists to a dislike of Marx on their part. 'D P' also seems to dislike the present generation of model-builders. There is much that can be said both for and against this new "species" in our subject. His plea, however, for an integrated social science can and should be summarily dismissed as being out of tune with the times. Professor Dasgupta refutes D P's charge against his younger colleagues and goes on to say that Indian economists, if anything, are eclectic. He also does not agree with him in his advocacy of one all-powerful social science. Professor Mohd Shabbir Khan has taken the whole discussion to the limited field of the problem of Indian economic development. He has pleaded for invoking Schumpeter for solving this problem for us. Shri Narindar Singh has rightly objected to this. Nowhere has private capital, historically speaking, played a leading role in initiating the process of economic development. (Cf Paul A Baran: *Political Economy of Growth*, pp 92-3) It is the State which has done it in one form or another. And having initiated such a process, one should not expect the State to let the private entrepreneur, if one existed at all, to fatten on it. No, in India the State has to initiate and carry forward the process

of economic growth, and the faster it is the better it is for all of us. One wonders, however, whether Shri Singh's suggested "economic reorganization", by itself, would generate enough surplus for development. A simultaneous and more severe curb on luxury consumption and a toning up of general administration might give better results.

Professor Mukerji's dislike for the present trends in economics is presumably born of a feeling of having been left behind. This is not exclusive to him or to men in economics here or abroad. Let me hasten to add that I mean no disrespect to Professor Mukerji or to men of his opinion. They have had their day and must now give way to the younger generation as must we in our turn. Marx may or may not be back-datish, but they certainly are. Model-building has come to stay as an important methodological tool in economics and is sure to break fresh ground.

I believe with Professor Dasgupta that we as Indian economists have to be eclectic. In more explicit terms, we have to be "dynamically neutral" as between various schools of economic thought. We have to be Keynesians at one time, Marxians at another and even Schumpeterians at a third. It could not be otherwise, for will not the political ideology that Nehru has so laboriously built over the past twelve years reflect itself in other fields? It will have its moments of failure as has been shown more than once by its political counterpart, but in the absence of any cut and dried formula for Indian economic problems this is the best we can do. This is not "foreignism" much in the same way as building a socialist pattern of society is not "foreignism". Are not the Keynesian or any other tools adaptable? Must we wait till we develop our own? It is time we outgrew such narrow nationalism.

I cannot help mentioning that throughout this discussion I have felt a strong undercurrent which seems to suggest that we should adopt a wholly pragmatic approach to economics. I am afraid that we

would be the only losers if we succumbed to the temptation of studying only that which was applicable to our conditions and discarding everything that was not.

It is my firm conviction that Indian economics has emerged from its childhood. Presently it is passing through its adolescence and in another 10 years or so, will come of age. What with our young model-builders and old-timers, Indian economics has a bright future. Why, then, lament for it?

Bicycle Exports

INDIAN cycles have been successfully introduced, on a commercial scale, in six foreign countries. During the eleven months ended November 1959, as many as 2,804 complete bicycles valued at about Rs 4.2 lakhs were exported. During the corresponding period in 1958 exports had amounted to just five bicycles. The importing countries were Burma, Ceylon, Malaya, Afghanistan, Mozambique and Nigeria.

Bicycle accessories worth about Rs 1.8 lakh were also exported in 1959 (upto November end).

Apart from bicycles, an overseas market on a small scale for Indian tricycles has also been built up.

A number of measures has been taken to build export markets for Indian cycles. An "Export Pool Scheme" has been introduced to facilitate sales abroad at a price lower than the domestic price. The scheme is being operated by the Cycle Manufacturers Association of India.

The railway freight for movement of cycles from factories to ports of export has been reduced by 50 per cent. Priority is also accorded for movement by rail of cycles intended for export.

Steps have been taken for the supply of iron and steel on priority basis and at concessional prices to manufacturer-exporters. The import of raw materials and stores required by the manufacturers is also being permitted against definite export orders.

Around the Markets

The Tide Turns

Thursday, Morning

EQUITIES last week suffered a further sharp decline. Gains accumulated over months have been wiped out in a matter of days. Shares were thrown on an unwilling market without much consideration for the price. The professional bulls who had been dominating the market for a long while were the chief sellers. The fall was not confined to the speculative counters only. Cash shares fared even worse. The colourful Colour Chem — colourful because these shares took only a few months to rise from Rs 100 to Rs 350 — dropped from Rs 350 to Rs 285 in a little over a week's time. Gwalior Rayon fell from Rs 29 to Rs 24.24 and Poly Chem from Rs 200 to Rs 174. The table below shows the steep decline in some of the leading counters from the December high levels which were generally recorded in the last trading week of the year.

	Dec 1959	Recent
Shares :	high	lows
Bombay Dyeing	71.60	67.60
Century	468 x.r.	432
Kohinoor	340	314
Standard	896	775
Svadeshi	278	260
Indian Iron	23.80	22
Tata Steel	159.50	148
Bombay Burmah	599	525.50
Hindustan Motors	17.64	14.32
National Rayon	385	354.50
Premier		
Construction	373	325
Tata Locomotive	214	200
Volta	197	183

The week's lows were recorded on January 11. The following two days witnessed a small rally which showed little promise of being continued much farther. Both, the amplitude and the manner of the decline, since the turn of the year, have convinced most technical analysts that the major bull phase in shares has been halted and that a corrective phase (secondary reaction) has set in. The decline in prices has been sudden and sharp. It has occurred without any apparently bearish news and the fall has been accompanied by an appreciable increase in turnover.

Quite a few counters have pierced through their well-tested bottoms.

BREAK LONG OVERDUE

The break in equities has come not a little too soon. Indeed it had been long overdue. Attention had been drawn in these columns to the serious risks involved in following the upward trend which contained a large element of error of optimism. The deteriorating Sino-Indian relations has pushed defence expenditure to a level which is likely to accentuate the problem of resources. The technical position of the market too had been getting increasingly vulnerable for quite some time. Carry forward charges had continued to be on the high side and deliveries effected over the past few settlements had been heavy. Bulls could not ignore these factors indefinitely. And, when they at last chose to liquidate their holdings they found the market too hollow to absorb their sales. Prices, therefore, came down with a bang.

The tide has at last turned. A secondary reaction is now well underway. How the corrective phase will progress week by week, it is difficult to say. But, it is doubtful whether the market will be able to record any marked and sustained recovery until the Budget uncertainty is cleared. It is possible that the Budget might necessitate a fresh assessment of the near-distant outlook for equities. It might be risky to mistake occasional rallies for a resumption of the primary upward trend. The economic prospect is not unencouraging but the highest levels recorded by most shares in 1959 would seem to discount almost all that is good in the economic situation. To say this is not to cast any doubts about the primary trend. But, investors will need to be very choosy in future.

Oilseeds

GROUNDNUT AT NEW HIGH

OILSEEDS showed marked strength last week. Gains in groundnut and castor were really impressive. Groundnut February rose from Rs 196.87 to Rs 204.25 and castor May from Rs 168.37 to Rs 174.50. Some of the top gains were erased near

the close due to corrective profit-taking. It was near the fag-end of the previous season that groundnut futures made a high mark of Rs 208 per candy. This time the May contract has already touched Rs 207. The crop might not turn out to be any smaller but then one has to reckon with the excellent export performance in 1959, particularly in respect of oilcakes which are expected to make a staggering total of about 4 lakh tons—an all-time record.

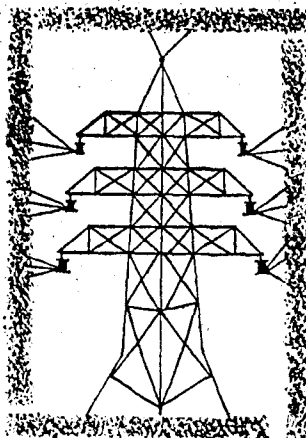
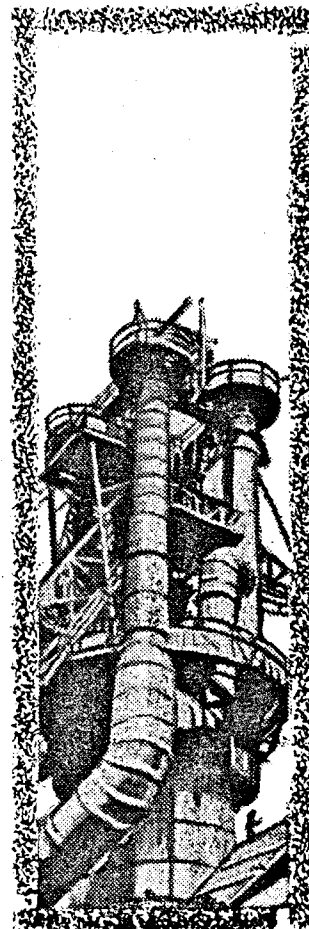
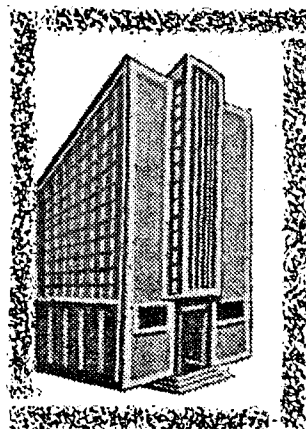
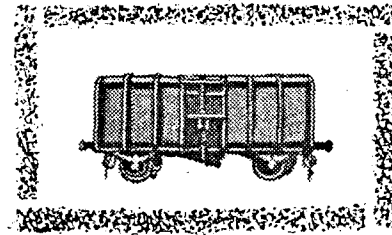
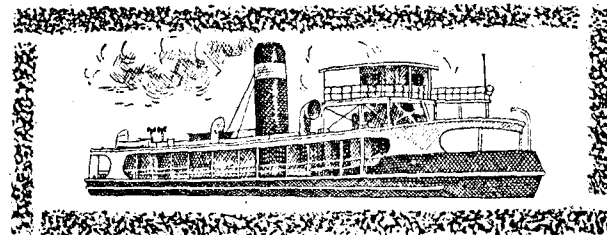
The flow of arrivals was said to be fairly satisfactory throughout last week. But spot goods were readily taken up by vanaspati manufacturers. The absence of export house buying in oils did not have any effect on the market. This was perhaps due to the sustained shipper demand for oilcakes which showed remarkable strength. The Communist countries were said to have purchased about 6,000 tons of groundnut extractions and a like quantity of linseed cake at fairly attractive prices. Not infrequent rumours about an early release of a fresh export quota for groundnut oil also contributed to the strength in groundnut futures. With the market grown very thin because of the heavy margin of Rs 60 per candy prices responded quickly to small influential buying.

EXPORTS AT STANDSTILL

Export business in groundnut oil has been at a standstill since the end of November. Notwithstanding the pressing need to keep our export effort at the maximum New Delhi has not been able to take a decision on the export policy for groundnut oil. This seems to reflect the Government's anxiety over the current high domestic prices. The heavy margin of Rs 60 per candy and the Forward Markets Commission's warnings have failed to check the rising trend in groundnut prices. But there is hardly any reason to believe that the rise in prices is speculative. The statistical position of groundnut holds out the prospect of a further good rise in prices with the progress of the season.

Castor futures were irregular and subdued earlier in the week but later they shot into the limelight on

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brisk export house buying in the spot market. The discount on the spot material declined from Rs 8 to Rs 6 per candy. The rise in futures was due both to short covering and renewed bull support. Speculators who had sold on the idea that the recent change in the export status of castor oil in Brazil would seriously affect the outlook for Indian oil had to cover their sales when export houses lent sizable support to the spot material. Buying in castor was by no means induced merely by the strength in groundnut. It seemed to reflect mainly exporters' optimism about the outlook for castor oil. Of course sentiment was helped by fears of crop damage due to chilly weather and hailstorm in certain producing areas.

Exporters' optimism is not misplaced. With Brazil's crop only around 1.55 lakh tons the total world supply of castorseed in 1959 is said to be about 5 per cent down from the previous year. The latest reports indicate that offerings in castor oil by Brazil have continued to be limited after the change in the exchange rate between cruzeiro and the U S dollar from January. The free market rate is said to have declined from 220 cruzeiros to 185 cruzeiros to a dollar, reflecting the strength in the Brazilian currency.

CASTOR AND LINSEED

Despite reports of a fairly good crop here, the supply position of castor can by no means be described as comfortable enough to cause any anxiety about the outlook for castor oil. The 1958-59 crop is officially estimated at 1.11 lakh tons. Export of castor oil in 1959 are placed around 34,000 tons—which means 85,000 tons of seeds. Add to this domestic consumption of nearly 30,000 tons. There is thus no material change in the carry-over position. It is significant to note that the U S consumption is running on the very high side. Total imports into the U S in 1959 are reported at 96.7 million pounds of castor oil and 25.9 million pounds of castorseed against 71.68 million pounds and 18.1 million pounds respectively in 1958. But considering that India has been able to dispose of its castor oil without any important buying by the U S in the past two years is an indication that India is no longer very dependent on American buying.

Linseed continued to be a dull market throughout the week. Prices hardened mainly in sympathy with groundnut and castor. Bulls were cautious but sellers, too, were generally reserved. Export business in linseed oil continued to be at a standstill, overseas prices keeping below the Indian parity. Linseed cake, however, held firm on export sales to the Communist bloc. Cottonseeds continued to show a firm tendency but business was limited.

Cotton

CLOSURE IN SIGHT

THE cotton futures market faces the prospect of an early closure. It is not that by pushing Jarilla March from Rs 763.25 to Rs 777.75—a new high for the season—speculators have very much annoyed the Forward Markets Commission. (Of course, it is amusing to recall that the Commission described futures prices prevailing about a fortnight ago quite unjustified by the demand-supply position). It is because futures trading has little sense in the context of tightening of

control measures in the spot market.

The latest reports are that since the introduction of quota system and quality control have not succeeded in enabling mills to get their supplies at controlled prices, New Delhi is likely to take further effective measures which include, freezing of stocks with dealers in Bombay and upcountry, appointment of distribution committees and marketing of crop through Government nominees. Similar measures are said to have been taken a few years ago when cotton was in extremely short supply. If the above measures are implemented the closure of futures trading will inevitably follow. What is there to hedge when all the stocks have been frozen by the Government?

That the trade should feel uneasy over the prospect of unemployment is understandable. But few will deny that hedge trading ceases to perform any useful function in conditions of acute shortage. But for the defective nature of the hedge contract and fear of intervention by the F M C the hedge contract would have long ago risen to the ceiling,



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thereby bringing forward trading to an automatic close. By closing above Rs 770 cotton futures attracted a margin of Rs 75 per bale on January 11. But that could not prevent prices from rising still higher. With the textile situation what it is and the 1959-60 crop placed barely at around 42 lakh bales, both requisitioning of stocks and rationing of available supplies are unavoidable if mills have to be provided with the raw material at controlled prices.

In view of the serious shortfall in domestic supplies, the industry has succeeded in persuading the Government about making good the deficit through larger imports. It is not unlikely that the import figure for 1959-60 season will reach the one million mark. The trade is critical that the Government has failed to deal with the situation effectively. The announcement of quotas has not been very timely and the trade has not been given an adequate share in the import business. And with foreign cotton prices keeping high, imports have remained restricted.

It is said that the actual procedure relating to the import quota of 180,000 bales of U S cotton stapling 1" and below announced in the previous week will be made known only when the purchase authorisation has been issued in Washington. This will perhaps take about a week or so. According to informed sources the above quota would be distributed only to mills on the basis of their consumption without any premium. This implies that the trade would be excluded from participating in this quota. Since the announcement of three lakh bales import quota of U S cotton, a fairly large business has been reported in American cottons in the local market. Egyptian and Sudanese cottons have continued to be out of favour because of their high prices and meagre offerings.

Bullion

STILL RISING

BULLION prices continue to edge their way up. Gold last week was bid up to a new high of Rs 129.9—Wednesday's kerb rate was still higher at Rs 130. Maha delivery. Silver Maha rose from Rs 214.1 to Rs 215.1. Bears covered. Sellers were reserved and upcountry lent considerable support to the market in view of the expected increase in

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seasonal off-take in the near future.

Early in the week the President of the Bullion Association warned traders against excessive speculation. He underlined the need for the orderly working of the market. The by-laws relating to margins and emergency powers have been amended to keep bulls under check. These amendments await the Bombay Government's sanction. But all this has failed to cause any uneasiness among the bulls because they have a firm hold on the market. With demand likely to pick up in coming weeks because of the marriage season and supplies limited, bulls have hardly anything to fear.

Since the recent changes in the by-laws (of course they have yet to become effective) have produced virtually no effect a new move is afoot to discourage bull manipulation. Dealers are said to be getting together to make a fresh plea to the Board that the margin by-laws should be modified further to make margin one-sided, that is, only the bulls should be asked to pay the margin. As it is, margin is now payable by bears because of the high carry forward charges. Both the trade and the market authorities need the strong reminder that margins cannot deflect the course of prices for long if the demand and supply equation warrants a rising trend.

HEAVY STRUCTURALS FABRICATING AND PLATE AND VESSEL WORKS

GOVERNMENT has decided to establish a Heavy Structural Fabricating Works and a Heavy Plate and Vessel Works in the public sector. The implementation of the two projects will begin in the Second Plan period.

The Project Reports for the two undertakings have been prepared by a British firm of Consulting Engineers on the lines recommended by the U K Heavy Engineering Mission headed by Sir Eric Coates, which visited India in 1956 to advise the Government on the expansion of Heavy Engineering capacity in the country. The Reports are now under examination by the Government.

The capacity proposed for the Heavy Structural Fabricating Works will be 10,000 tons per annum while that of the Heavy Plate and

Vessel Works will be from 10,000 to 12,000 tons per annum.

CUSTOMS DUTY RELIEF INCOMPLETE SETS OF IMPORTED MACHINERY

SUITABLE relief in customs duty on incomplete sets of imported machinery, which are not otherwise available in the country will be considered by Government. Under the Indian Customs Tariff, plant and machinery in general are assessable at a low statutory rate of 10 per cent *ad valorem*. Imported machinery parts are, however, generally assessed individually on merits, and not at the machinery rate. Duty on them is therefore charged at higher rates.

In order to encourage manufacture of machinery and other capital goods in the country, Government has, of late, been permitting import not of complete machinery/plant but only of such portions and parts thereof as cannot be manufactured in India. It is not, however, the intention of the Government, explains a press note issued by the Ministry of Finance, that such incomplete sets of machinery should be deprived of the benefit of the machinery rate merely because the

entire machinery is not being imported from abroad in the interest of the indigenous industries. Government has now decided, therefore, to consider 'hard cases' of this kind in order to grant suitable relief in customs duty, says the press note.

Importers with a *bonafide* case for concessional assessment, the press note advises, should apply well in advance of the importation of the goods, to the Central Board of Revenue through the Development Wing of the Ministry of Commerce & Industry, New Delhi, for necessary relief. They should furnish full data to prove that the imported portion of the goods forms, with the locally manufactured portion, a complete plant or machinery which if imported wholly from abroad would have been assessed at the machinery rate. On receipt of the application, adds the note, it will be open to Government at its discretion to grant suitable exemption from duty so that the rate applicable to the imported articles is not in excess of that leviable on the complete machinery, subject to such conditions and procedural safeguards as may be considered necessary to check abuse of the concession.

4 PER CENT. MADHYA PRADESH STATE DEVELOPMENT LOAN 1971 (SECOND ISSUE)

THE Government of Madhya Pradesh announce a second issue of the above loan for Rs. 200 lakhs bearing interest at 4 per cent. at the issue price of Rs. 99.75 per cent. The Government reserve the right to retain subscriptions upto ten per cent. in excess of the notified amount.

The loan will be repaid at par on 19th August 1971.

The Loan Will Open for Subscription on 21st January 1960 and Close on 22nd January 1960 or Earlier without Notice. The Loan Will Bear Interest from 19th February 1960. Interest Will be Subject to Tax under the Indian Income-tax Act, 1922. Applicants will receive along with the securities for the amount allotted to them warrants coverings interest at the rate of 4 per cent. on the allotment from 21st January 1960 upto and including the 18th February 1960.

Subscriptions may be in the form of cash or cheque.

Applications will be received at the Public Debt Offices of the Reserve Bank of India at Bombay, Calcutta, New Delhi, Madras and Bangalore and at the branches of the State Bank of India and treasuries and sub-treasuries in Madhya Pradesh State.

Copies of the Notification and Application Forms may be obtained at any Receiving Office.

CURRENT STATISTICS

BANKING RETURNS

Rs Crores				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note Circulation	1775.08	1742.63	1731.37	1627.36
2. Rupee Coin	129.81	132.44	132.27	134.10
3. Deposits				
(a) Central Govt.	64.37	55.56	60.06	66.15
(b) Other Govts.	12.54	20.76	9.34	10.88
(c) Banks	68.25	106.58	68.54	69.39
(d) Others	122.43	115.76	118.12	116.12
4. Foreign Securities	163.01	163.01	163.01	164.68
5. Balances abroad	48.35	49.62	42.18	27.04
6. Rupee Securities	1377.43	1337.43	1326.69	1219.79
7. Investments	183.46	225.77	227.15	239.57
8. Loans and advances to Govts.	24.55	19.94	27.86	31.94
9. Other Loans and Advances	102.89	112.55	90.95	90.00
Scheduled Banks				
1. Demand Liabilities (net)	738.88	717.25	707.82	708.39
2. Time Liabilities (net)	1106.69	1110.83	1121.07	874.38
3. Cash	153.30	114.11	118.12	116.52
4. Borrowings from Reserve Bank of which Usance Bills	32.21	11.83	6.74	22.82
5. Advances of which State Bank's	822.91	812.18	786.25	757.07
6. Bills Discounted Inland Foreign Total	152.10	147.28	144.98	159.48
of which State Bank's	107.83	106.16	105.19	88.43
of which State Bank's	45.92	46.17	43.95	39.81
of which State Bank's	153.75	152.33	149.14	128.24
7. Invest in Govt Sec of which State Bank's	14.66	14.87	14.21	14.75
of which State Bank's	763.79	787.82	811.55	633.09
of which State Bank's	367.53	389.63	393.73	271.69
Cheque Clearance	160.98	168.28	203.08	149.76

† For Reserve Bank Week ended 8-1-1960. Scheduled Banks and Cheque Clearance week ended 1-1-1960.

Bombay Money Rates

(Selected Scheduled Banks other than State Bank)				
	(per cent per annum)			
	13-1-60	Week	Month	Year
		Ago	Ago	Ago
Call Money				
From Banks	3½	2½-3½	2½-3½	3½-3½
Deposits				
Seven Days	3-3½	3-3½	3-3½	2½-3½
Three Months	3-3½	3-3½	3½-3½	3½-4
Six Months	2½-3½	2½-3½	2½-3½	3½-4

Bombay Bullion

(In Rupees and nP)				
	13-1-60	Week	Month	Year
		Ago	Ago	Ago
Gold (per fine tola)				
Spot	129.09	128.25	124.37	115.12
Forward	129.53	128.94	125.19	115.50
Silver (per 100 tolas)				
Spot	213.31	213.00	208.31	193.62
Forward	214.56	214.50	211.12	104.31

JUTE

(1959-60)

Production: ('000 tons)	Nov	Oct	Sept	July-Nov
Hessian	36.6	36.4	37.5	188.6
Sacking	45.7	46.0	48.8	222.3
Others	5.7	5.5	6.3	34.1
Total	88.0	87.9	92.6	445.0
" in corresponding months :				
1958-59	87.0	81.8	87.3	432.1
1957-58	91.9	83.5	86.0	—
Stocks ('000 tons)				
Hessian	26.6	29.1	25.5	—
Sacking	28.7	32.5	42.7	—
Others	9.9	10.4	10.5	—
Total	65.2	72.0	78.7	—
" at the end of the corresponding months :				
1958-59	105.4	107.4	109.0	—
1957-58	71.0	76.0	77.0	—
Despatches† ('000 tons)				
Hessian	39.3	33.1	36.8	186.4
Sacking	49.8	56.6	52.0	252.2
Others	5.5	4.9	5.7	34.7
Total	94.6	94.6	94.5	473.3
" in corresponding months :				
1958-59	89.2	82.9	95.2	458.7
1957-58	97.0	83.4	100.8	472.0

IJMA Mills' Purchase

Of Raw Jute ('000 bales)				
Pakistani	58	10	27	126
In corresponding months:				
1958-59	Nil	Nil	26	125
1957-58	56	96	87	364
Indian	688	682	512	2818
In corresponding months:				
1958-59	861	739	613	3,068
1957-58	712	593	542	2,526

† Includes despatches for exports and sales for internal consumption.

Source: Indian Jute Mills Association.

FOREIGN TRADE

(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 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	65.60	47.03	-18.57
April	80.40	45.14	-35.26
May	66.12	45.49	-20.63
June	77.18	43.54	-33.64
July	63.11	51.46	-11.65
Aug	58.37	58.52	+ 15
Sept	69.42	60.22	- 9.20
Oct	65.03	59.74	- 5.29
Nov	69.99	61.76	- 8.23

*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*
1956	3,286	2,913	2,766
1957	3,625	3,140	3,279
1958	3,778	3,362	2,764
1957: 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	3,523
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	2,922
Sept	3,848	3,475	2,885
Oct	3,747	3,474	2,682
Nov	3,688	3,374	2,572
Dec	4,149	3,506	2,764
1959: Jan	4,086	3,436	2,905
Feb	3,939	3,112	3,238
Mar	3,955	3,487	3,195
April	3,984	3,529	3,153
May	4,015	3,396	3,281
June	3,815	3,356	3,279
July	3,860	3,594	3,083
Aug	3,750	3,609	2,805
Sept	3,936	3,584	2,694

*At or about the end of each period.

Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Group and Sub-group	Monthly Average					Annual Average		
	Dec 59	Nov 59	Oct 59	Dec 58	Dec 57	1959	1958	1957
Food Articles	118.2	121.4	124.0	113.3	104.0	118.2	112.0	106.8
Cereals	100.8	106.2	109.5	105.0	98.3	104.3	104.7	101.7
Pulses	91.9	94.2	94.3	111.1	80.0	99.8	94.0	84.5
Fruits & Vegetables	118.7	124.1	126.7	115.6	101.3	127.6	111.9	116.8
Milk and Ghee	107.1	111.7	120.8	103.6	99.0	112.2	106.2	103.8
Edible oils	128.4	127.6	129.6	118.1	125.3	127.0	123.2	128.3
Fish, Eggs & Meat	114.3	111.4	111.8	108.1	98.6	110.4	106.9	96.6
Sugar and Gur	150.0	160.5	159.1	120.6	109.1	143.0	122.8	104.6
Others	186.6	178.0	174.3	152.7	133.0	163.4	145.7	132.0
Liquor and Tobacco	103.7	104.6	101.4	96.4	97.7	100.7	93.7	91.8
Tobacco	102.3	103.4	99.9	94.9	96.2	99.3	91.9	90.1
Fuel, Power, Light & Lubricants	116.8	116.6	116.3	114.8	114.9	116.0	114.9	115.6
Industrial Raw Materials	127.2	122.5	122.6	112.5	115.4	119.7	114.7	118.1
Fibres	123.2	111.7	109.2	105.2	115.4	110.2	109.3	119.8
Oilseeds	130.9	130.7	135.4	122.1	119.1	131.2	123.6	122.4
Minerals	95.6	95.2	98.1	107.3	107.1	100.0	106.9	108.5
Others	129.8	129.6	125.6	109.0	109.0	117.3	108.9	107.3
Manufactures	113.1	111.6	111.1	108.3	107.9	109.7	108.2	108.0
Intermediate Products	117.8	116.0	114.4	110.3	105.7	111.0	109.4	108.5
Finished Products	112.4	110.9	110.5	108.0	108.2	109.5	108.0	107.9
Textiles	109.4	106.9	106.1	101.9	106.3	104.6	104.3	107.9
Cotton	117.9	116.1	115.1	110.6	116.2	113.5	113.0	116.3
Jute	94.2	90.2	90.0	85.3	92.8	87.2	87.7	97.7
Woollen	104.2	104.2	104.2	105.9	102.3	104.6	104.9	102.1
Silk & Rayon	99.7	93.1	98.8	90.2	91.8	93.8	92.5	85.0
Metal Products	144.6	144.6	144.5	143.1	143.4	143.7	143.1	138.2
Chemicals	106.7	106.5	107.3	110.5	98.8	108.2	103.9	97.6
Oilcakes	145.0	148.0	149.3	143.0	122.2	143.7	128.6	114.7
Machinery and Transport Equipment	106.0	106.0	105.9	104.4	102.3	105.8	103.2	101.2
Others	113.7	113.6	113.6	114.3	111.6	113.5	113.2	107.7
All Commodities	117.8	118.2	119.3	111.4	107.1	115.5	111.0	108.7

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The President's Address

THE President's address to the new session of Parliament was, as generally expected, pervaded by the two major pre-occupations of India at the moment—the border question and the Third Plan. On both these, there was little new in what Dr. Rajendra Prasad said. But in the very nature of things there could not be anything in the President's speech other than what 'his Government' had already proclaimed or decided. Even so, the sheer gathering together of all the facts and intentions lends dignity and importance to the address, and constitutes what Parliament and the people should ponder over in the next 12 months and more.

Dr. Rajendra Prasad has done well to reiterate clearly and firmly India's stand on the border dispute with China. He has not refrained from calling the Chinese action a 'breach of faith', which indeed it is. And he has left no doubt that friendly relations with that country can become a reality and endure for the good of both only when the common frontier, long established by treaties, custom and usage, is respected. All this and more have been clearly stated by the Prime Minister in his communications to Mr. Chou En-lai. But their re-affirmation by the Head of the State in Parliament at this juncture gains added significance in view of the wide-spread belief that the Sino-Indian dispute will be one of the main talking points between Mr. Khrushchev and Mr. Nehru this week.

Just as important is the President's observation that our strength in defence is part and parcel of our strength in the economic sphere. "Distressing as these Sino-Indian border developments have been," said Dr. Prasad, "we may not and we do not relax our efforts for the planned development of our economy and our country." This needed to be said, not because it is very profound but because of the tendency in some quarters to separate the defence effort needed in the next few years from the development effort needed all the time. The plain fact is that the border dispute is an argument not for cutting down our development programme but for going all out to build up the economic and industrial potential of the country. There is no paradox here, for the simple reason that a modern army is as strong as the equipment it has, and most, if not all of this equipment is 'hardware'.

These considerations have led the President to dwell at length on the objective and likely shape of the Third Plan. The objective is to seek almost a doubling of the national income as compared with the 1950-51 level; and in the process, India has to strive to shed her dependence on the rest of the world for agricultural or industrial advance. It is perhaps somewhat optimistic to expect complete independence from foreign assistance by the end of the Third Five-Year Plan. But there is scarcely any doubt that everything depends on our going far towards that goal in the next five or ten years. Meanwhile, the dependence might well be on a massive scale.

All this should be familiar to members of Parliament, and one hopes that in their effort to lay down the policy for achieving the main objectives they will bear constantly in mind the underlying theme of the address. And the theme is that development, like peace, is indivisible. In any way, an economic structure is only as strong as its weakest sector; and heaven knows, there is no dearth of weak sectors in India. The

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danger in such a situation is to assume that this or that particular sector is in the greatest need of development and to concentrate one's attention on that sector. This is a danger because the weakest sector is not like a separate link in a chain, which can be replaced or strengthened in isolation. Often, the best approach in such cases is indirect rather than direct, and this may not be easy to make out. There is bound to be room for difference of opinion in this matter; and Parliament, if not careful, may spend itself on an endless debate on where to start.

For many reasons, the current session of Parliament is of unusual importance, and also exposed to special dangers. It functions in a year of transition from one election term to another, from one Plan to another. What it does will therefore mark the culmination of one phase of achievement and the starting-point of another. In this situation, it has to pay special attention to the gap that may be left between initial promise and actual fulfilment in the current term, and the action needed to bridge this gap. But some at least of this action will be such as to cause displeasure in some quarters. And members of Parliament, being only human, may consider this too much of a risk on the eve of elections.

As it happens, it is arguable that recent developments favour such an attitude. Save for China, India's relations with other countries are at the moment probably better than at any time in the past. The *detente* with China has not soured our relations with the U S S R. And along with the developing friendliness between the Soviet and Western blocs, it has contributed to a better appreciation of India's position by the Western nations. Apart from Kashmir, the factors of dispute and misunderstanding between India and Pakistan have been, or are being, eliminated. Against this background, we may well develop a sense of security and overlook the need for vigilance and maximum preparedness for unpleasant eventualities in the external sphere. Internally, the big victory of the Alliance in Kerala and the result of the Baramati by-election could divert one's attention from the stresses and strains that continue to weaken political parties and corrupt society. It is in this context that Parliament should give

a lead. The good things that have happened, or are happening, should lead to a re-doubling of the efforts to solve other problems rather than to a shelving of them.

There is a similar need for calculated effort on the economic front too. The President very correctly characterised the period of the Third Five-Year Plan as 'a critical period in our national development'. It is critical, because the stupendous attempt of transforming the structure of the Indian economy will succeed only if, by the end of the Third Plan period, enough sectors of the economy develop into powerful engines of progress. It is also crucial in another sense, and this is in respect of the ability we demonstrate for making the most effective use of those resources that may be made available to us from abroad. These are in reality not two different things, but aspects of the same basic one. That is to say, the criterion whereby the utilisation of imported resources will be judged consists in the degree of transformation of the economic structure achieved in the relevant period. Yet, there is some point in looking at these aspects separately for operative purposes.

The record of achievements in the past few years, listed by the President, is an impressive one. Industrial production in 1959 went up substantially from the previous year's level; a good part of this in-

crease was due to a big spurt in the output of the metallurgical industries. Agricultural production also attained a new high, with the output of food grains reaching a record level of 73.5 million tons. While the foreign exchange problem continued, it did not deteriorate despite the large developmental effort. All these are very reassuring. But they still do not add up to anything more than a good starting-point for accelerated growth. We have not reached a position where Parliament can easily distinguish between the strong and the weak sectors and formulate the guiding principles of economic policy on that basis. It is probably to emphasise this that the President included nearly everything in the main aims of the Third Plan. The Third Plan is 'to pay much greater attention' to agricultural production, heavy machine-building, development of steel, fuel and power, development of small-scale and rural industries, better provision of educational, health and transport facilities and so forth. In other words, the Third Plan should give us much more of everything. To put it thus is not to deny the need for priorities and for phasing in the Plan, but to emphasise the fundamental unity of things in the economic field. It is an admonition to Parliament that it should take a global rather than a sectional view of things.

Kerala at the Crossroads

IN the mid-term elections in Kerala, the anti-Communist alliance, comprising the Congress, Praja Socialist Party and Muslim League, has won a convincing victory over the Communists. It has secured 53.7 per cent of the total votes polled, and captured 94 (Congress 63, P S P 20 and Muslim League 11) out of the 126 seats in the Legislature. From the angle of the Alliance, it would be difficult to expect a better result. The question that is agitating the minds of people now is: will the Alliance be able to hold on to the gains and consolidate its position?

The results of the election reveal that the Communists have been able to strengthen their mass base and poll a little over a million votes more than in 1957. And except in half a dozen constituencies, the votes polled by the Communists this time are more than those of 1957. This

makes it clear that but for the Alliance, the Communists would have returned to power this time too. It is fully realised by the constituents of the Alliance that to keep the Communists out, they have to stand united and that any attempt to weaken the Alliance would be resisted by the rank and file of the Congress and the P S P. The Muslim League stands on a different footing. It is not as anti-Communist as the P S P. Its primary aim is to get recognition from the Congress as a political force to be reckoned with, and extend its influence to other States too. In other words, the League stands for the revival of communal politics. The hold which religion has on Muslims is quite different from the type of influence the Church exerts on Christians.

Kerala is a land of acute conflicts. Politically, the emotional integra-

tion of the people of the three regions, namely, Travancore, Cochin and Malabar, is not yet complete. Religion-wise, a powerful Catholic Church, the Muslim League and the Hindus, divided into Brahmmins, Nairs, Ezavas and Harijans, pull against each other. And economically, the interests of landlords, planters, industrialists and big merchants clash with those of peasants and workers. Further, to aggravate the above conflicts, there is an inordinately large and growing number of the educated unemployed. It is surprising that though the Alliance has been voted to power after about three years of planned agitation or struggle, it has not produced a leader of outstanding character and ability who can command respect and allegiance even within his own party so as to give purposeful direction to the new Government.

The intensity of the conflicts could be reduced considerably through rapid economic development. It is, however, doubtful whether any effort for economic development will have the desired effect unless the growth of population is kept under control. In area, Kerala is the smallest State in the Union with a population of about 16 million. The density per square mile exceeds 1000, and in the coastal tracts, it is as high as 5000 to 6000 per square mile. And the annual rate of growth at 1.8 per cent does not show any abatement. There is very little waste land which could be brought under the plough, and it is estimated that 55 per cent of the land holdings in the State are of less than one acre. Nor are the possibilities of large-scale industrialisation evident. However, none of the political parties made any mention of the menacing population growth in their election manifestos, lest Catholic sentiments should be offended. By conviction one may be against communalism, but necessity forced the Congress to woo the Church and the Muslim League to pave the way for democracy. Similarly, to make democracy safe in Kerala, the Church will have to do a little re-thinking about its stand on birth-control.

It is against this background that the results of the poll have to be assessed and future policies formulated. It is the claim of the Communists that they were only implementing Nehru's economic policies which the Congress had failed to do. Basically, they are right. But,

they made two mistakes in implementing them. First, they were in a hurry; and secondly, they failed to realise the incompatibility of the text-book theory of class war with the type of parliamentary democracy this country has. Actually, the class alignments did not turn out as the Communists had anticipated. That does not prove that Nehru's policies are basically unsound. Nor is it safe to conclude that Nehru's policies, if taken to their logical conclusion, will lead to class war.

The voting in Kerala definitely shows a trend in favour of the progressive policies of the Communists; otherwise, they would not have been able to poll over a million votes more. And this fact cannot be ignored in formulating future policies. The question that looms large is: will the Alliance try to reduce the Communist influence by impro-

ving on the policies to which the Communists gave a fillip or will they take the triumph as a vote against Communist policies?

One thing is certain. This time, the Congress High Command will not tolerate any attempt to sabotage the Ministry from within the party. And it will see that the Congress is in the saddle for the next five years. And it can expect a full measure of assistance from the Central Government. But if it begins to bungle, it is not necessarily the Communists who would come to power. The interval might be made use of by the reactionaries too to strengthen fascist forces. In other words, the Congress will have to steer clear of Fascism and Communism. And for that, it has to establish a mass base and find a new leader. At present, it lacks both.

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Weekly Notes

Victory and a Challenge

THE striking victory won by the 'Clean' faction of the Anti-Fascist People's Freedom League in the Burmese General Elections is as much a tribute to the popularity of its leader, U Nu, as a challenge. Despite the impression in certain quarters that the rival party, the 'Stable' faction of the AFPFL, was drawing inspiration, if not also support, from the military regime of General Ne Win, it has had to suffer a severe defeat at the hands of the 'Clean' faction, led by U Nu. But the victory will severely test the capacity of the 'Clean' faction to ensure good and effective government, which will inevitably be compared with the military regime that is now ending. Whatever might have been the shortcomings of the latter in terms of democracy, it not only served to bring stability and security into the country, but also to create conditions propitious for the holding of free and fair elections and the speedy return of parliamentary rule.

U Nu has not slurred over the mistakes committed by his party in the past. Frankly admitting them, he has gone so far as to declare that Ministers and leaders were apt to act as a law unto themselves, seldom consulting one another and never, the rank and file of the party. As a remedy, he has indicated that in future decisions would be taken from below and not imposed from above. However difficult this may turn out to be in practice among politicians accustomed to a different approach, it is likely at least to encourage the masses to assert themselves in course of time and exert their influence too little by little. But U Nu's election promise to make Buddhism the State religion, which has been cited as one of the factors contributing to the success of his party, is likely to cause difficulties. It might have been a tactical move designed to achieve a particular objective; but tactical moves have a way of creating more problems than they actually solve. Otherwise, U Nu has a better set of circumstances to function in and vindicate his party and its policies than ever before. Thanks to the military interlude, the law and order situation has vastly improved, the

insurgents have been all but quelled, the economy of the country has been fairly stabilised and political parties and their leaders, waiting in the wilderness, have had enough time for self-examination. The absence of an opposition, strong enough both in bulk and the quality of leadership, may be a disadvantage, not only in the sense of there being no effective agency to act as a check on the activities of the ruling party, but also in the sense of there being no serious outside threat to make the ruling party desist from bickerings and remain firmly united. To overcome the first shortcoming, there is indication of a move to form steering committees of non-parliamentarians to watch over the policies and programmes of both the Party and Government, which, if acted upon, may lead to salutary results. As for the second defect, a little thought should convince the 'Clean' faction that if it splits up and fails again, the danger is not so much of a rival group rising to power as of the Army being induced to take over again, this time possibly for keeps.

Baramati By-Election

BUT for the special interest taken by the opposing parties, the Baramati by-election to Parliament might not have drawn so much public attention. The seat had been rendered vacant by the death of Shri K M Jedhe, the veteran Congress leader of Maharashtra, who was held in such high esteem that the Samyukta Maharashtra Samiti would not oppose him in the last general elections. His son, Shri G K Jedhe, was the Congress candidate this time, and normally the Samiti might well have let the son take the place of the departed Congress leader. But by a strange combination of circumstances, the by-election grew to be a test for the differences of view between the Congress and the Samiti on the process of bifurcating Bombay State and certain other connected issues. Whoever was responsible for such a development, both Congress and Samiti leaders began attaching crucial significance to the outcome of the by-election.

The Samiti made an issue of it, and declared that the victory of the Congress would be construed as a ges-

ture of approval by the people to the manner in which bifurcation was sought to be achieved by Shri Y B Chavan and also acceptance of the commitments made by him in that context. With the question of bifurcation settled, the manner of its achievement has no doubt lost much of its point. But the future of the Dangs district and the question of financial assistance to the proposed new State of Gujarat continue to be live issues. Shri Chavan has held that the merger of the Dangs district in Gujarat and the offer of Rs 50 crores to the new State for meeting its deficit are part of the overall agreement on the question of bifurcation, reached in a spirit of give and take.

Whether the people were equally excited is more than can be said. If one is to go by the recent Kerala record, the polling of only 146,954 votes out of a total of 359,747 in the Baramati by-election cannot be said to reveal a high degree of excitement on the part of the mass of people. While they might have been rightly agitated over the issue of bifurcation as such, they were perhaps not inclined so much to quarrel over the question of how exactly it was being brought about or certain other connected problems. Anyway, of the 146,954 voters who exercised their franchise, as many as 82,839 cast their ballots for the Congress candidate and 53,983 for the Samiti nominee, giving the former a majority of 29,000 votes. If the Congress interprets this electoral showing in its favour as a vote of approval for its approach to the issue of bifurcation and the accompanying commitments, the Samiti cannot possibly argue itself out of the special significance it had sought to attach to the likely outcome of the by-election. The electorate or at least such of them as went to the polls have given their verdict in response to the claimant appeals of the two rival parties, subscribing to two different lines of approach. If no issue were sought to be made of the possible verdict in advance, no particular notice need have been taken of it. But having made an issue of it, the political parties concerned may well draw their own conclusions from it, be they of comfort or correction.

IDA and India

THE Articles of Agreement of the International Development Association have now been finalised and transmitted for ratification to the 68 members of the Bank. The IDA will come into being as soon as Governments, whose subscriptions aggregate at least 65 per cent of total initial subscriptions, have accepted membership. This is expected to be completed between September and December this year. Its initial resources will amount to \$ 1 billion which is, incidentally, substantially higher than the funds available with the International Finance Corporation. IDA subscriptions will be roughly proportionate to subscriptions to the Bank's capital. The US for example will subscribe \$ 320 million and the U K, 131 million.

Where the IDA differs from the Bank, the Fund and the I F C is in the distinction made between the more developed and less developed among its member-countries. Member-countries are to be divided into two groups. The first, consisting of 17 more industrialised countries, will subscribe, over a five-year period, \$ 763 million; the second group of 51 less developed countries will subscribe \$ 237 million. India is placed in the second group and has to subscribe \$40 million, which is the highest in the group and the fifth largest among all the 68 countries. While, in all cases, 10 per cent of the subscription has to be in gold or freely convertible currencies, the first group will be required to pay the balance of 90 per cent also in gold or freely convertible currencies over the five-year period. But countries in the second group can contribute the 90 per cent in national inconvertible currencies. The more developed of the latter (which would presumably include India) may be persuaded partially to relax restrictions on the convertibility of the 90 per cent of their subscriptions.

Several months ago, Mr Eugene Black, President of the World Bank, had made it clear that the IDA would give soft loans but would not be a soft lender. This basic proposition is accepted explicitly in its Articles. It can give loans in any form and on any terms which it 'may deem appropriate'. It can, for instance, give loans repayable wholly or partly in local currencies. It can even lend free of interest or at a low rate of interest, and need not insist

on a guarantee from the member Government in case of loans to non-Government borrowers. It has been directed to co-operate with other public bodies which are concerned with financial and technical assistance to less-developed areas. The U S might offer the IDA some of its holdings of foreign currencies which have accumulated under P L 480.

Projects which qualify for IDA assistance will, however, have to satisfy the usual World Bank standards except that they need not be directly productive of foreign exchange or internal revenue. IDA finance will be available only for those purposes which 'are of high development priority in the light of the needs of the area or areas concerned and, except in special circumstances... for specific projects'. Such projects as water supply etc will be eligible for financial assistance, but most IDA loans will be on the Bank pattern. IDA will not compete in relation to private loans if they are available on reasonable terms, and with loans of the type given by the Bank itself. Its funds will be disbursed to recipients only to meet expenses in connection with a specific project as they are actually incurred. This tie-up of loans with specific projects, 'except in special circumstances', is a useful safety device from the lender's viewpoint, but it is likely to impose a handicap on borrowers. Some of them, particularly India, are not short of specific credits. They need untied assistance, especially to finance the import of essential raw materials, which, unlike capital equipment, cannot be secured on terms of deferred payment. India would, of course, welcome any additional assistance which the IDA can provide, but it can get full benefit from this new body only if the escape clause of 'special circumstances' is invoked in its favour.

More Steel, Same Price ?

SPEAKING to the Engineering Association of India last week, Sardar Swaran Singh, Union Minister for Steel, Mines and Fuel, made two observations of considerable importance. First of these related to the target for steel in the Third Plan and the second to the question of steel prices. In respect of both these, what he said is bound to displease some. But others will perhaps find the position taken by the Minister a wise and realistic one.

Sardar Swaran Singh said that Government was thinking in terms of expansion of steel capacity by about 4 million ingot tons during the Third Plan period. Increase in capacity under the next Plan will, in other words, be about the same as that achieved under the Second Five-Year Plan. Superficially, this might be interpreted as a conservative target for an economy which is deemed to be at the 'take-off' stage. But if one takes a co-ordinated view of things, the emphasis in the Third Plan should rightly be on India's steel-using capacity. It is, of course, true that with a capacity of 10 m tons of ingot steel by the end of the Third Plan, we might, if steel fabricating industries develop rapidly, have just enough of this raw material to go round. What this would imply is not that we should put our steel target at a higher level straightway but that in the later years of the Plan, we should complete the preliminary work for further expansion in the succeeding Plan period.

The onus of proving the Minister wrong lies, in other words, with the steel-using industries. They have to build up their capacity rapidly and not only necessitate a further addition to steel capacity but also provide the machinery for building it up. It is in this context that Sardar Swaran Singh's observation on steel prices becomes relevant. He has, in effect, rejected the thesis that a cut in steel prices is warranted at this stage as an inducement to the steel-using industries. Here he is on fairly strong ground. India will need to import steel for some more years; and several varieties of imported steel will very likely continue to be more expensive than the domestic product. The basic fact, which underlies the present policy towards steel prices, will thus continue to exist for at least some time to come. Further, the Minister is justified in taking the view that as the machine-making industries grow in size and diversity, the raw material cost will become a smaller component of the value of the product. This is a compensating trend element which has to be allowed for in all calculations. Nonetheless, there is little doubt that if taking all things into account, steel could be made available at lower prices, it would help a host of interests. At the very least, Sardar Swaran Singh has to ensure that the main-

Letter to the Editor

Long Delayed Publication Rejoinder

SHRI ABHIJIT DATTA in his reply published in *The Economic Weekly* of 16th January, (pp 74-75), has not correctly appreciated the import and significance of my comments published earlier in the issue of 10th October, 1959. I shall clarify in brief the issues raised by him in his reply.

(1) The reference periods for the two Sample Surveys of Manufacturing Industries conducted in 1951 were calendar years 1949 and 1950 respectively. Let me explain the exact implication of this. It simply means that with the exception of particulars relating to capital structure, all particulars relating to labour employed, wages paid, raw materials and fuels consumed and products and by-products manufactured for sale and value of work done are collected for the calendar year irrespective of the accounting year of the establishment. These particulars are compiled and computed independently of the data contained in the various final accounts relating to the accounting year. The particulars relating to capital structure are collected as on the date on which the books of accounts are closed on any date during the calendar year.

As a matter of fact the instructions issued for canvassing the SSMI schedules had clearly stated that the particulars relating to capital structure should be collected as far as possible as on the 31st December, but if it was found inconvenient to work out the figures as on 31st December, the particulars relating to capital structure were to be collected as on the date on which the books of accounts were closed according to the accounting year during the calendar year. It will thus be seen that the particulars relating to labour employed, raw materials and fuels consumed, products and by-products manufactured for sale and value of work done relate to a period of time (calendar years 1949 or 1950), while the particulars relating to the capital structure relate to a point of time. The difference between the two sets of figures is the same as between a profit and loss or trading account

and a balance sheet. The former gives a summary of all transactions carried on during the last 12 months, while the latter states the position of assets and liabilities of the business as on the last date of closing.

In these circumstances the question of 'capital structure figures—not coincidental in cases where the accounting years were different from calendar years' is not clear. As stated earlier, the accounting year of an establishment has no relevance as far as the reference period of the survey is concerned. Moreover, when the particulars relating to capital structure were collected with reference to a point of time (as on the date of closing), and other particulars for a period of time, how 'capital and revenue structure figures' can 'refer to the same period' is not clear. Similarly how the question of 'coincidental in cases where the accounting years were different from calendar years' arises is not understood, when the various particulars excepting capital structure are computed, compiled and collected independently of the accounting years.

Shri Datta has not shown how data collected with reference to a point of time can be compared and brought in relation to data relating to a period of time. It appears that Shri Datta is not clear in his mind about the significance of expressions like 'reference period' and 'accounting period'. Once it is admitted that the reference period is a calendar year, any discussion of accounting year is irrelevant and immaterial. The subsequent discussion in para 1 of his reply is due to the lack of appreciation of the implications of certain expressions such as 'reference period', 'accounting period', 'during the year', and 'as on the date'. I admit that in my comments I did not expatiate these points in sufficient detail, as I presumed that Shri Datta as a reviewer must be conversant with these basic concepts and definitions.

(2) The CMI as well as ISIC classifications are both based on 'establishment' approach and this was never disputed. When I stated

that these two classifications are 'different and cannot be completely reconciled', what I had in mind were the differences arising out of 'nature of activities' grouped under each Major and Minor Groups of ISIC not being identical with the nature of activities grouped under CMI. Let me quote completely what has been stated in the Report on the first Census of Manufactures, 1946. The relevant portion reads as under:

"But it should be noted that the two classifications are by no means identical and therefore not free from overlapping. Effort has, however, been made to make them comparable as far as practicable."

Shri Datta by quoting a part out of its context, has sought to create the impression that there is practically no difference between these two classifications. As stated by the Directorate of Industrial Statistics, both the classifications are not identical and no logical correspondence between two can be established.

(3) It is admitted that 'the financial approach as distinguished from the physical approach is utterly inadequate to estimate capital consumption for national income purposes'. There is no dispute about it. But the problem is how to resolve these difficulties which are inherent in the very process of measurement. How to obtain correct and unbiased estimates of capital consumption allowances in monetary terms which would take into account the fluctuations in prices of producers' goods, is a problem which still remains unresolved. In the absence of any other criterion to measure the real capital consumption, the depreciation allowances are taken as an 'approximate' measure of capital consumption on the assumption that this empirical equivalent roughly measures the conceptual capital consumption. A comparison of the depreciation rates adopted under SSMI and CMI was given because Shri Datta had objected to 'adopting a flat 7 per cent rate' for all industries and for not calculating depreciation allowances for individual industries.

tenance of steel prices at the current level does not encourage laxity in regard to the cost of steel production.

Over-Protective

IS our Government, like doting parents, over-indulgent to small-scale industries in the country? Is the emphasis of the various official measures of help on 'fostering and protection' rather than on 'guidance and encouragement'? The Japanese delegation, which visited this country last year, thinks that the attitude is one of over-protection. Underlying the entire gamut of discussion, analysis and recommendation in its report, released last week, is the warning that Government's measures should be selective and restrained and invested with a spirit of guidance rather than protection; that is, they should be promotional rather than restrictive. The delegation emphasises that it is "only when this is done can the positive significance of Government's industrial assistance policy be recognised and can the attitude of small-scale industrialists be placed on a sound basis". The multiplicity of measures — some regulatory, others prohibitory and a few protective — coupled with the plethora of official and non-official agencies operating to-day in the field of small-scale industries are "too thorough going", so much so that the delegation fears that "if pushed ahead further... they may blunt the 'enterprising' that is essential for them".

It cannot be gainsaid that the State in a developing economy, at least in the initial stages of the developmental endeavours, should not only serve as a guiding force for the growth and development of industries but also adopt 'protective' and regulatory measures. This is considered essential not only from the angle of the development of a particular sector of the industrial economy, but also in the interest of balanced and sustained growth of the over-all industrial super-structure. This is, however, not to deny the wisdom of investing Governmental measures with more and more of 'promotional' powers than 'restrictive' ones. What is perhaps required is a well-balanced set of measures which, while being 'regulatory and protective' in the immediate future, will also prove to be 'promotional' in the long run. Unless such a balance is dovetailed into official measures, the harmo-

nious and balanced growth of different segments of the industrial structure will not be attained.

Protective measures, such as the provision of subsidies, differential rates of taxation or waiving of taxes entirely, or levy of cess and restriction of capacity, may be necessary in the initial stages of development. Their application, however, needs to be inspired with a sense of selectivity — choosing, by and large, such industries for protection as show signs of stability and durability over a long term. What needs to be borne in mind is the ability, present or potential, of the industries to stand the test of the 'market'. Once this is ascertained, the State should endeavour to provide facilities which are essential and conducive to the growth and development of small-scale industries.

These 'promotional' factors consist of the provision of cheap and easy credit, raw materials of standard quality, facilities for market and product research, quality control, management and organisation, industrial premises, facilities for training in trades, common facilities such as for electroplating, heat treatment, dyeing and bleaching and so on. Regarding each of these, the delegation makes detailed suggestions. Their sum and substance, however, is that the emphasis should be more on making these facilities available on a larger scale and not on providing them at subsidized rates. For example electricity is now supplied at subsidized rates, as also credit which is provided at considerably reduced rates of interest. But is enough being done to ensure an adequate quantum of power and finance? It is, therefore, rightly emphasised that Government should make efforts and devote its resources more to increasing these resources and their distribution on a rational and equitable basis than on subsidizing their unit cost.

The delegation is at pains to point out that the country's small-scale industries can hope for a smooth career and a rightful place in the economy only when technological improvements are effected in them. There is no short-cut to efficiency except through progressive mechanization, technological improvement and organizational consolidation. And a forceful plea has been made by the Delegation to reinforce the present efforts of Government in

these respects. It is hoped that Government and other agencies concerned with the promotion of small-scale industries will, while implementing the recommendations of the Japanese Delegation, bear in mind its warnings against over-protection of these industries.

Compulsory Service for Students

CONSIDERING the deficiencies of our present system of education, growing indiscipline among students, want of a purposeful approach to life and contempt for manual work, there is much to be said for a scheme of compulsory service such as has been recommended by the Deshmukh Committee. Even if such service, performed for a brief spell, cannot be of much direct value to the nation, it will at least have the indirect effect of fostering a generation that has been put through a course of special training for the future. Though the broad outlines of the scheme appear acceptable, much of its value will depend on how the details are worked out and enforced in practice.

The aim of the Committee in formulating the scheme has been educational, and its ends too are to remain educational. But if it comes to be treated as just another item in the list of expanding curricular or extra-curricular activities, to be gone through somehow for the purpose of qualification, it will cease to have much use. Apart from that, there are serious difficulties of organisation and financial implications involved in a scheme of such proportions, which must be carefully considered before any effort is made to launch it. And that is not to talk of the most forbidding aspect of it all to the generality of students from the poorer classes who cannot easily reconcile themselves to the addition of one more year to their scholastic careers—one more year of agonising wait before they can start earning for the relief of their parents. And it is these rather than the children of the rich that would need to seek exemption from compulsory service, albeit not so much on the ground of physical disinclination as of financial incapacity. As boys of meagre means constitute the bulk of the present-day student population, any scheme, which does not take into account their special handicaps and difficulties, cannot be expected to go far, however beneficial it may otherwise be.

(4) Without going into the relative merits of techniques and procedures of Census and Sample Surveys in their application to organised large scale industries, I may state that my comments were restricted to one particular remark that, 'the sample method appears to be suitable in the unorganised small industries sector which is still unexplored'. My contention is: if sampling methods and techniques are suitable for the unorganised

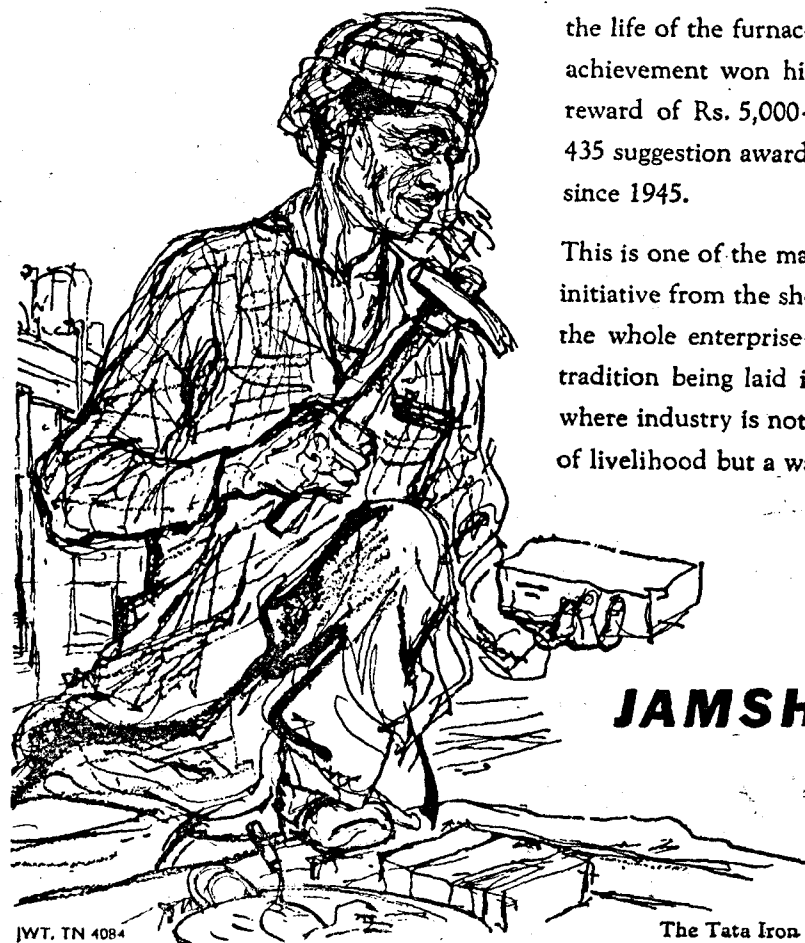
sector, what makes them unsuitable when applied to organised large scale industries? In this country at the moment a great debate is going on between the two schools of thought as to the comparative merits of Censuses of Manufactures and Sample Surveys of Manufacturing Industries; and as stated by Shri Datta in his review article, 'It is difficult, however, to pronounce a judgement on the comparative merits of the SSMI and the CMI' at

this stage. My objection was based mainly on theoretical and technical considerations. From the reply given by Shri Datta it is now clear that he desires this division between Census and Sample Surveys purely on practical and administrative considerations.

STATISTICIAN.

Bhopal,
January 20.

a mason shows the way



In the steel-making furnaces at Jamshedpur, the temperature is around 3200°F. The brick-lined doors of the furnace required frequent repairs because the tremendous heat burnt out the lower part of the door lining and the frames.

It was left to Zahir Hussain, a 43-year old mason in the Brick Department, to devise a new method of lining which has increased the life of the furnace doors. Zahir Hussain's achievement won him acclaim and a cash reward of Rs. 5,000—one of the 435 suggestion awards made since 1945.

This is one of the many examples of initiative from the shop floor benefiting the whole enterprise—another industrial tradition being laid in Jamshedpur, where industry is not merely a source of livelihood but a way of life.

JAMSHEDPUR

THE STEEL CITY

The Tata Iron and Steel Company Limited

From the London End

Economic Forecasting and the Trade Prospect

ECONOMIC forecasting is at best a hazardous occupation. Yet the compulsion to venture an opinion on the future course of things is overwhelming. Indeed the need to say something about the future has come to be regarded as a logical extension of economic analysis. In Britain a growing field of industrial employment is what goes by the name of "economic research"; the advertising columns of the *Times* call for economists "capable of analysing briefly current trends and future prospects."

Britain, like the United States, has become research-conscious to the point of making economic forecasting an almost compulsory activity. Sometimes the consequences of this takes on an almost ludicrous turn. The *Economist* reported the other day on some aspects of the controversy engendered in the United States by a report issued by the Congress's Joint Economic Committee. This report alluded to the widely fluctuating rate of economic growth experienced in the U S in the present century and put the long-term average at around 2.9 per cent per year. The *Economist* goes on to state:

"The President's advisers are betting, unofficially, on a rise of 4 per cent in the annual average. The Joint Committee using a remarkable new statistical device looks for 4.5 per cent. Mr. Leon Keyserling, a favourite economist of the left-wing Democrats, insists he is being a conservative in shooting for 5 per cent and a panel of liberal experts... holds out the hope of 6 per cent."

FORECAST FOR BRITAIN

Here then is an exercise in 'picking a number', recalculating it in magical ways to make forecasts with inspiring confidence. One is well reminded of the extent to which this game was played in 1956, when the theory of stagnation was buried with great noise by forecasts of a continuous rise in industrial investment. By the end of 1957, the true face of the U S economy showed itself to be ever subject to industrial fluctuations.

Economic forecasting however need not reach the level of a sport

as the above example suggests. The National Institute of Economic and Social Research in London has just issued its forecasts for 1960. While it predicts with courage, the argumentation and analysis on which the forecasts are based are well-reasoned and understandable. It is certain that had the NIESR sufficient time to ponder over the Bank rate rise and the general tendency for interest rates to harden in West Europe, the forecasts would have been tempered by an element of caution.

OVER-OPTIMISTIC?

For Britain in 1960, the NIESR anticipates a 4 per cent rise in demand assuming no further changes in the Bank rate and a no-change Budget in April next. Although this forecast is a tall one (the recovery year of 1959, with an easier Budget and lower interest rates, saw demand rising by 3½ per cent), the view is advanced that capacity is adequate for a rise of this order and that the balance of payments prospects are good. The principal assumption on which this forecast of a 4 per cent rise in demand is made is that "investment in manufacturing industry is expected to rise substantially this year."

It is true that the recent survey of the Board of Trade suggested a substantial rise in investment activity and this no doubt must have influenced the NIESR. What is disturbing however, is the fact that in spite of the 1959 recovery in industrial production significant segments of the engineering and ship-building industries possessed large idle capacities. With the restraining influence of the 5 per cent Bank rate can it be reasonably expected that a investment boom is once again possible? There is already renewed talk in the steel industry that the demand for steel is not holding out. Be this as it may, what raises greater doubts about the forecasts of the NIESR concerns that of world trade and in particular the trade of the primary producing countries.

RAW MATERIAL REQUIREMENTS

For the industrial countries as a whole, 1959 was a year of expansion. In Britain, Canada, West

Germany, France and the Netherlands the rise in industrial production was as much as 9 per cent. In most other countries it was only slightly less while in Japan it was as high as 26 per cent. This expansion in the industrial countries did not however bring any significant recovery in the export incomes of the primary producing areas. The imports of the Western industrial countries and Japan from the primary producing areas averaged \$5.53 billion a quarter in 1957. The 1958 quarterly average fell to \$5.00 billion and in 1959 stood at about \$5.20 billion.

In other words the imports of the industrial countries in 1959 was running at about 5 per cent less than the 1957 pre-recession level. With commodity prices still very low, the volume of the trade in primary products rose. However the export incomes of the primary producers remained depressed. What this in effect means is that while the volume of trade in primary products in 1959 may have risen to satisfy the expansion in production in the industrial countries the value of the trade was by no means satisfactory. Further some of the 6 per cent rise in U K imports and the 7 per cent rise in U S imports may have gone into replenishing the arsenal of raw material stocks which were drawn on in 1959. For the United Kingdom, the NIESR states that the import content of industrial production has been falling since 1954 and that there must have been some significant stock-building last year.

'PARTIAL' RECOVERY

Against this experience of 1959 the NIESR now anticipates that "for the primary producing countries as a whole the prospect is that the volume of exports and their export incomes will continue to rise with the expansion in activity in the industrial countries". This must make particularly strange reading. The grounds for questioning this prospect lies not only in the NIESR's assumption of expanding activity in the industrial West. With regard to this assumption, the latest comments, official and otherwise, in the U S are not particularly opti-

mistic. The December 1959 issue of the *Survey of Current Business* speaks of "economic cross-currents" and that the recovery is proving to be "partial". The automobile industry is being forced to restrict production and capital expenditures are being "deferred".

This is ominous talk and is by no means all. The policy of restrictive credit is now catching on in all the industrial countries and this may not only influence production trends but also the pace of stock accumulation, particularly of imported raw materials.

U S PAYMENTS DIFFICULTIES

A more formidable reason for anxiety on the course of trade is that relating to U S policy. A

major gain of the primary producing countries in 1959, benefitting chiefly the Sterling Area, came from a rise in the imports of the U S. This rise occurred at a time when the U S balance of payments reached a crisis level. The 1959 outflow of gold and short-term assets from the U S was over \$4,000 million compared to \$3,400 million in 1958. Will the U S tolerate an imbalance of this order in 1960? Is the U S Government likely to restrict imports? If not, will there be a reduction in U S overseas investment? These questions are central to the prospective liquidity of the primary producing countries.

Even if the volume of trade in primary products is maintained this year there is little likelihood that

commodity prices will rise and virtually no prospect for a turn of the terms of trade in favour of the primary producers. The NIESR's own index of prices of exports of primary producers suggests a continuous stagnation at a level well below that of 1957. For the U K however the NIESR does declare that the prospect is for imports to rise less than in 1959 and for U K export prices to increase. This is equally a possibility for the other countries of the industrial West. At best the 1960 prospect for the exporters of primary products appears rather to be a repetition of the 1959 experience. The outlook is by no means as optimistic as the NIESR forecast would suggest.

Reserve Bank of India

APPLICATIONS are invited for the posts of Probationary Assistants in the Department of Banking Operations of the Reserve Bank of India.

(A) **SCALE OF PAY:** Rs. 250-25-450 E.B.25-650.

In addition to pay, the selected candidates will be eligible to draw local pay, house allowance and dearness allowance at the rates prescribed by the Bank from time to time. A higher starting pay upto Rs. 350.00 may be given to well-qualified and well-experienced candidates.

(B) **AGE LIMITS:** Candidates should be between 21 and 25 years of age as on the 1st February 1960. The maximum age limit is relaxable but not beyond 30 years, in the case of (i) candidates with approved war service, (ii) ex-employees of banking institutions whose services had to be terminated for reasons of economy or as a result of the banks going into liquidation, (iii) personnel retrenched from Government offices after at least one year's service, applying through Employment Exchanges, (iv) candidates possessing special qualifications and experience of value to the Bank and (v) candidates belonging to the Scheduled Castes or Scheduled Tribes.

(C) **QUALIFICATIONS:** Applicants should have a brilliant academic record with a first or high second class Master's degree of a recognised Indian or Foreign University in Economics, Commerce, Banking, Ac-

countancy or Law as a special subject. Educational qualifications may be slightly relaxed in the case of candidates who have passed the Institute of Bankers Examination and possess practical experience of commercial banking and/or of foreign exchange business in a supervisory capacity in a good commercial bank.

The Selection Board Will Insist on a Very High Standard of Suitability in Making Selections for the Posts and Only Those Candidates Who Possess Good Academic Qualifications and Adequate Experience of the Type Specified Are Advised to Apply.

2. Applications should be in the candidate's own handwriting and in the prescribed form obtainable from the Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Madras, Bangalore, Nagpur, Lucknow and Trivandrum. All applications should be accompanied by copies of certificates regarding age and educational qualifications, marks lists in respect of graduate and post-graduate degree examinations and two testimonials (originals should not be sent; the Bank does NOT accept responsibility for returning the originals if sent through oversight) and should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay-1, so as to reach him on or before the 29th February 1960. Candidates already in service must submit their applications

through their employers. Candidates belonging to the Scheduled Castes/Scheduled Tribes should mention this fact prominently in their applications and also enclose a copy of a certificate to that effect from a competent authority.

3. Applicants must remit along with their applications an application fee of Rs. 7.50 (Rs. 1.75 in the case of Scheduled Castes/Scheduled Tribes candidates) by Postal Order, Cheque or Bank Draft on a Scheduled Bank payable at Bombay. The application fee is in no case refundable. Bona-fide unemployed refugee candidates applying through any Employment Exchange are exempted from payment of the application fee.

4. Selected candidates must be prepared to serve in any office of the Bank in India and to undertake tours when required.

5. Appointments will be subject to the candidates being found medically fit for service in the Bank by the Bank's Medical Officer.

6. If any candidate desires to have his application acknowledged he should send it by "Registered Post—Acknowledgement Due". Apart from those who may be specially called, interviews will not be granted to candidates nor will the Bank enter into any correspondence with them.

7. Canvassing will be regarded as a disqualification.

Middle East Letter

Nasser's New Philosophy: Socialism by Decree

THE advances in rocketry, the exigencies of Summitry and the recent peace-feelers have reduced the importance of West Asia as an arena of Cold War. This has lifted the stresses of external pressure on the area. It adds to the relief from dissipation of colonial influences. The Suez base in Egypt is being sold for scrap; the once-mighty British Embassy in Baghdad lies humble; and the militant protagonist of the Eisenhower Doctrine, ex-President Chamoun of the Lebanon, is ineffective in his mountain burrow.

West Asia, of course, is not yet free from turmoil but the existing tensions spring more from within the area than outside. No Government in the Arab East fully trusts President Nasser of the United Arab Republic. But even here 1959 has been a year of solid progress. Cairo's conscious fence-mending has restored surface cordiality between U A R and every other Arab country except Tunisia and Iraq. But referring to Iraq-U A R relations, President Nasser told the visiting West German correspondents last week: "At the moment there is disagreement about some questions but I am sure one day you will suddenly hear that we have agreed as brothers agree together".

SOCIALIST LEAVENING OF POLICIES

The fact is that, freed from their predominantly foreign preoccupations, the nations of the Arab East are reaching out for domestic peace and progress. The religious minorities in Lebanon, the parties and the army in Iraq, the Palestinians and the Bedouins in Jordan, the Egyptians and the Syrians in the United Arab Republic, have tried, with more or less success, to attain a new balance of social forces. The climate is ripe for introspection. And the trend of effort, almost imperceptibly, is towards building a socialist pattern of society.

Curiously enough, the need for socialist leavening of Governmental policies in West Asia arises from a denial of democracy. Feudal Saudi Arabia is, of course, a case apart. Elsewhere, Governments offer social services because they cannot give the vote. And conversely, in Lebanon civil liberties in the widest pos-

sible sense exist but private enterprise shows few signs of retreat.

OFFICIAL DISTRUST OF PARTIES

The argument for suppressing or curbing parliamentary democracy in West Asia is that political parties, if allowed to function, would become the stooges of Moscow or Peking, London or Washington. In Iraq this line of reasoning has been turned against Cairo to outlaw the Baath Socialist Resurrection Party and the Istiqlal. So it is not quite surprising that in leading the socialist renaissance of the area the two non-communist Left organisations are now playing but a minor role.

Ostensibly, however, the National Democrats in Iraq are on a good wicket. They control the key portfolios of Finance, Foreign Affairs, Agriculture and Education in the Cabinet. They trounced the Communists in the recent elections for the peasants' union. Even if the claim that outlawed Baathists working as National Democrats were really responsible for the victory is true, the alliance of these two anti-communist socialist parties is nothing to be frowned upon.

NATIONAL DEMOCRATS: HOUSE DIVIDED

Nevertheless, the influence of the National Democrats, traditionally limited because it is mainly a party of drawing room socialists, has been further curtailed by a three-way internal split. Mr Kamil Chadirji, the undisputed leader of the National Democrats and a force in his own right, has chosen to remain in the background, largely to keep his personal political record unsullied by the Party's "tactical manoeuvres". The rest broke up last May into pro-communist and anti-communist factions, the majority going against the Reds.

This anti-communist bulk of the Party's rank and file is now trying to consolidate itself. Mr Hussain Jamil, Iraq's former Ambassador in India, has resigned his new post as Ambassador in Teheran and returned to Baghdad to take a hand in organising the Party. The National Democrats in the past have compromised themselves by catering to the vagaries of Premier Kassem; it is to

be wondered whether the suave Mr Mohammed Hadid, the Party's new titular chief, will ever be strong and decisive enough to be dangerous to those really in authority. As it is the Party enjoys some influence because its leaders are in the Cabinet, not vice-versa.

DISILLUSIONED BAATH SOCIALISTS

The Baath Socialist Resurrection Party, with following in Jordan, Lebanon, Iraq and Syria, is worse off. Sincere, sacrificing and doctrinaire, its leaders have just about realised their dream of socialism through pan-Arab unity. But it has been a disillusioning experience. For one thing, it has not been a steady march towards the millenium. For another, President Nasser insisted on setting the slow and the wayward pace himself, and nibbled at the prestige and authority of the Party all the while.

The blow came last July when President Nasser encouraged the Rightists to band together and defeat the Baathists in the elections for Syria's National Union. He further mulcted them by sending Field Marshal Abdel Hakim Amer as supreme 'governor' of Syria. And last November, he called Mr Michel Aflak, the Party's theoretician, to Cairo and bluntly told him that the Syrian Baath must not only stay dissolved but also snap its intellectual connections with the Baath parties elsewhere in the Arab world. The Baath, whose *raison d'être* is pan-Arab unity, could not but refuse this invitation to commit spiritual harakiri. The demand was particularly cruel when the Party was gaining ground in Iraq owing to Premier Kassem's mistakes. But the pass had been sold as long ago as January 1958 when it was agreed to liquidate the Baathist party machine in Syria—on President Nasser's terms—for the greater goal of Syrian-Egyptian merger. This decision had been reaffirmed in the full-fledged Beirut conference of the Party last July. It was too late for the Party then to go underground in active opposition to President Nasser. So the Baathists made a 'friendly protest' by going out of the U A R Government.

LIE LOW AND HOPE

The wise decision has gone a long way towards restoring the self respect and the inner harmony of the Baathist leaders. The rank-and-file is more reconciled to leaders who are denied civic liberties as ordinary citizens rather than as cabinet ministers. The Party is reported to have regained the sympathy of two groups which have been traditionally important in Syria—the army and the students. Whether this would matter any more is open to doubt. For the moment, all that the Baathists can do is to lie low and hope that President Nasser will have to call them back to power either to correct mistakes or by framing a 'responsible' constitution that makes their exclusion from the Government impossible.

It is quite likely, however, that the President may not oblige the Baath either way. Pessimists believe that the President's alliance with the Right-wing forces in Syria would prove to be as 'temporary' as the interminable transition period for Egypt's evolution into a parliamentary democracy. They contend that he might sooner or later insist on further purification of U A R polity by hounding out the Baath the way he chased out the communists. If he chooses to do so, he will not certainly lack support amid his inner ring of Egyptian counsellors. The Baath leaders, however, are convinced that the President is more progressive than his advisers.

These advisers are important at present because they fanatically believe in the so-called 'Party-less democracy', and the recent trends in Indonesia, Pakistan, Sudan, Ghana and Ceylon seem to vindicate their view. (Apparently, even Shri Jai Prakash Narain is falling in line.)

The National Union as a monolithic political organisation imposed from above has yet to prove itself. If it works it would be used to galvanise popular effort for building the nation. If it degenerates into a broad-based Department of Government with thousands of honorary functionaries with no power and less idealism, President Nasser would have lost no time—at least in Egypt. He has already declared that 'socialist cooperation' is the goal of State policy. A number of measures have been taken to reduce class disparities. Major utilities and key industries have been nationalised. The Mizr group of private financiers has

flourished under the Revolution but the Government's Economic Development Organisation has grown as well. Publicly owned industries are important enough to curb the abuses of private enterprise. This plus the break up of big landed estates and the enactment of liberal labour laws holds out the promise that if 'no-party democracy' fails, President Nasser will try to usher socialism by decree.

Beirut,
January 26.

Small and Medium Industries
NO LICENCE NEEDED

INDUSTRIAL undertakings which employ less than 100 persons and whose fixed assets are less than Rs. 10 lakhs in value, need not apply for a licence under the Industries (Development and Regulation) Act. This will apply to new units

as well as schemes of expansion of existing units. This was announced in a press note issued by the Ministry of Commerce and Industry last week. It has also been decided to place a number of industries on the list for free licensing, the most important of which are industrial machinery and machine tools.

Production of industrial machinery and components and parts can now be undertaken from existing installed plant and equipment as well as indigenous machinery without any sanction at all. If plant has to be imported, an application will have to be made and all the particulars which are required for an Industries Act licence should be sent with the application. In either event, when production is established, the fact should be reported so that the capacity which has come into being is taken due note of.

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Letter from Japan

American-Japanese Mutual Security Treaty

A RECENT poll of readers held by the *Asahi Shinbun*, the leading newspaper in Tokyo with the largest circulation, recently claimed that 44 per cent of its readers considered that the present Kishi cabinet should be changed whereas only 28 per cent supported the present cabinet. In a similar poll conducted in July 1957, 42 per cent of the readers supported the Kishi cabinet and only 17 per cent considered the cabinet should be reconstituted under a leader other than Nobusuke Kishi. The conclusion of the newspaper was that the Kishi government is much less popular today than at a similar date last year.

Since Japan has not been as well off economically at any time since the War as at the present, it seems likely that much of the opposition to the present leadership of the government arises from the signing of a new security treaty with the United States. The formalities have all been completed, the texts published and on the 20th January, Prime Minister Kishi, Foreign Minister Fujiyama and other representatives from the ruling Liberal Democratic Party signed the treaty. The only stage yet remaining is the formal ratification by the Diet on the Prime Minister's return.

TO STRENGTHEN UNITED NATIONS!

Relations between the United States and Japan have been governed since the war by the San Francisco Treaty and the annex to the Treaty signed independently between the United States and Japan. India refused to be a party to the San Francisco Treaty on the ground that Japan could not be considered a really sovereign state as long as this treaty remained in force. Without dealing with the items of the agreement in detail, two of the clauses stated that the United States had the right to station armed forces on Japanese soil without the agreement of the Japanese government and that Japan was bound to contribute towards the costs of the American troops. In the initial year of the old agreement Japan paid a total of 55,800 million yen towards those costs. In 1959 Japan paid a total of 11,100 million yen. Should the new Mutual Security Pact not be

ratified, the old agreement would remain in force. One of the principal arguments in support of the Pact is that the new treaty replaces the old inequality with one of equality between two independent sovereign republics.

The preamble of the new treaty is an exceptionally long one. Some of the phrases in the treaty are 'bonds of peace', 'individual liberty', 'rule of law', 'economic stability', 'charter of the United Nations', 'security in the Far East'. Some of the principal articles are especially phrased to avoid obvious criticisms. For example, the first article specially states that the purpose of the regional treaty is to strengthen the United Nations, although the normal interpretation of all forms of regional defence pacts is to remove responsibility from the United Nations.

INFRINGES JAPAN'S TERRITORIAL
INDEPENDENCE

The pact is to remain in operation for ten years before it can be abrogated at one year's notice by either party. Although the second article specifically refers to economic co-operation between Japan and the United States, most of the remaining articles deal with military co-operation between Japan and the United States. Should any third party attack either the Japanese or American armed forces within the territory of Japan, then each Party of its own volition and without necessarily the agreement of the other party, although the other party may be consulted, may "meet the common danger".

One significant difference between the old and new agreement is that there is no provision in the new treaty that the United States forces be used to assist the Japanese forces in the event of civil disturbances within Japan. America may introduce atomic weapons into its own armed forces in Japan without the approval of the Japanese government. Thus in some respects the new Treaty is an improvement on the old but nevertheless the United States gravely infringes the territorial independence of the Japanese government.

NO DEFENCE FORCES NEEDED

The opponents of the present government, the Socialist Parties, the Communists and the extreme right wing of the Liberal Democratic Party advocate not only the non-ratification of the present treaty but also the complete renunciation of the previous treaty. The arguments are however not to any major extent based upon the desire for Japan to align herself with the "neutral countries" such as India or Indonesia but are on two other grounds.

The first is that Japan suffered considerably from the atomic bomb; that in modern world conditions there would be no point in a small country like Japan owning any weapons as they would be useless and that therefore if Japan had no armed forces at all, other countries would have no interest in attacking Japan as they would not fear her. The introduction of American armed forces on to Japanese soil would bring about the very situation that all Japanese fear.

RELUCTANCE TO ANTAGONISE CHINA

The second is that it is essential that Japan retain good relationship both with the United States and with the People's Republic of China and that by signing a treaty such as the present Mutual Security Treaty, Communist China would be unnecessarily antagonised to the weakening of Japan's ultimate economic and political interests.

It cannot be denied that both these arguments are strong ones, and feelings have been aroused in Japan by the lack of confidence the Prime Minister has shown in the Diet by not dealing openly and clearly with these two objections. The most violent objectors to the Treaty are the Zengakuren (the Union of Student Self-Governing Organisations) who attempted to delay the Prime Minister's departure to the States by a far from non-violent occupation of the airport restaurant, but many responsible sections of the community have also expressed their dissatisfaction with the Pact.

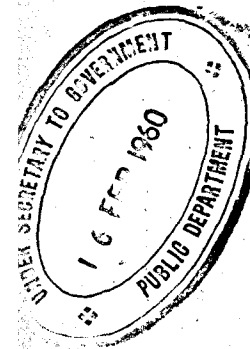
It remains to be seen whether on Mr Kishi's return, he will succeed in more clearly explaining the commitments in to which Japan has entered for the next ten years. But I feel

sure that, even if the opposition parties in the Diet do not succeed in blocking the Treaty's ratification, the continual occupation of the soil of Japan by foreign troops will be of much less worth to American-Japanese friendship than sincere understanding and agreement between two sovereign powers who have no

one-sided military relationship between them.
Tokyo,
January 25.

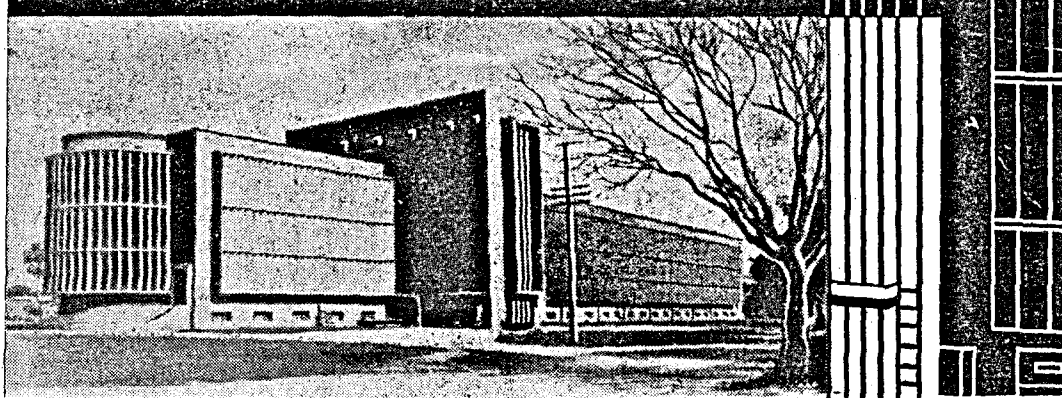
China did not seek an extension of the Sino-Indian trade agreement of October 14, 1954, which expired on December 31st last. Since the

lapse of the trade agreement did not affect normal trade between India and China and the customary trade between India and the Tibet region was governed by the Sino-Indian Agreement of April, 1954, the Government of India also did not consider it necessary to seek an extension of the trade agreement.



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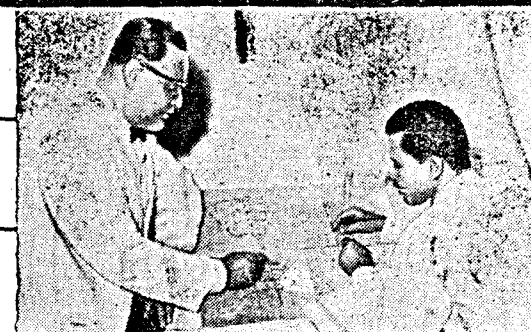


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Letter from Geneva

Breaking New Paths on the Air

SITTING in Geneva, if you happen to tune into AIR and find that as you are trying to listen to, say, a talk on the Five Year Plans, it is punctuated by Rock'n Roll, the phenomenon is not a defect in the radio, but is the result of two radio stations using the same frequencies. The radio spectrum is limited, so that with the large demand, congestion is unavoidable and parking in unauthorized frequencies is far from unusual. Indeed, the whole problem is not dissimilar from that of a city with too many cars on the road—only it is easier to build more roads than to establish new frequencies. To make matters worse, the deliberate interference in the broadcasts of another state as a counter-propaganda measure, known as jamming, frequently spills over and makes it equally difficult to listen to the quite non-political music from neighbouring stations.

ORDERLY APPORTIONMENT

It was mainly to undertake 'an orderly international apportionment of radio frequencies' and to prepare a High Frequency Broadcasting Plan (the very High Frequency Band has only come into large-scale use for broadcasting in the last ten years; all frequency modulation stations and most television stations operate within this band) that the Administrative Radio Conference (ARC) met in Geneva from August 14 to December 21, 1959. This Conference was called by the International Telecommunication Union (ITU) which is one of the oldest international organisations, dating back to 1865.

There is an interesting story of how the international regulation of radio came about. One of the early commercial companies in the field was given the right, not only to install radio apparatus on ships, but also to refuse to communicate with any other radio station not equipped by that company. In 1902, Prince Henry of Prussia attempted to send President Theodore Roosevelt a courtesy message while crossing the Atlantic after a visit to the U.S.A. The ship's operator tried to pass the message via English Channel but his request was refused since the radio equipment on the ship had been installed by a rival company. Subsequently the heads of State of

Prussia and U.S.A. enlisted each other's support to bring about a Conference which took place in Berlin in 1903. The official definition of telecommunication is "any transmission, emission, or reception of signs, signals, writing, images, and sounds or intelligence of any nature by wire, radio, visual or other electro-magnetic systems." In addition to broadcasting, the radio spectrum is used by many services: ships, aircraft, telegraph, telephone; and by amateurs as well.

MASTER REGISTER

After over four months of deliberations two important decisions were taken by the A.R.C. Recognizing the most recent developments in radio spectrum usage, the Conference decided to extend its space under review from 10,500 to 40,000 megacycles. This means that the threefold increase in the utilizable radio spectrum space is to be covered by international agreement. Secondly, for the first time in the history of radio treaties, frequencies have been specifically set aside for space research and radio astronomy. The frequency allocations made by the Conference are included in the new 'Radio Regulations' which give a diagrammatical explanation of how the radio spectrum should be used in May 1961, when the convention will come into force.

These final acts are the result of efforts made over more than 30 years to reach a world-wide agreement on the subject of frequencies. The new document on regulations is double the size of its predecessor—and is approximately four times the size of the Indian Constitution. The most important articles of the Convention (9 and 10) with more than 160 sections give a detailed description of the procedure for notification and registration of frequencies. A 'Master International Frequency Register' is to be set up which will keep account of the frequencies used by all the administrations (governments and other organisations) who are members of the Union.

EQUITABLE REPRESENTATION

When the radio technicians, specialists, engineers and experts were busy discussing the technical aspects of megacycles, gigacycles, tricacycles, the supreme administrative or-

gan of the I.T.U., the plenipotentiary conference, began its session on October, 14. It took decisions which generally affect the organisation and direction of the I.T.U. At these meetings, the emphasis appears to have been on ensuring 'a more equitable representation of the various parts of the world in line with recent political changes and the requirements of the new developing countries'.

The impressive ceremony of signing the convention was held at the site of the conference, 'Electoral Batiment', just opposite the University gardens. Mr Gerald C. Gross (USA) and Dr M. B. Sarwate were sworn in as Secretary-General and Deputy Secretary-General respectively. As this was the last day, the delegates were in various stages of preparation for departure. As they jammed the Batiment to witness the ceremony, a rumour spread that when Khrushchev visited the U.S.A., he arrived at a gentleman's agreement with Eisenhower to discontinue mutual jamming as a demonstration of mutual respect for each other's culture and the philosophy of co-existence. On its part, the conference had also decided that Russian would henceforth be used as a spoken language together with English, French and Spanish—perhaps this was a side effect of Lunik's arrival on the moon.

TO FIND NEW LIVING SPACE

Coming back to the earthly needs of the new countries, one finds that one of the first steps a state takes after securing its independence is to develop its radio services. Broadcasting is one of the main means of mass communication, and telecommunication in its full sense is essential for the promotion of trade and commerce as well as to maintain quick contact for other purposes. It is also natural that a new State should desire to convey and secure support for its aspirations and problems through regular cultural and political broadcasts. It is interesting to note the following statistics in this connection: Out of the world total of about 350 million radio sets, about one half are located in the North American Continent. In Asia and Africa, which have about 60 per cent of the world's popula-

tion, nearly 400 million low-cost receivers are required to enable each family to have one set.

As elsewhere, the inequalities between the rich and poor are also reflected in the sphere of telecommunication. Certain powers today own the major share of the broadcasting frequencies and at present some new comers or late comers have none. It was for this reason that the International Frequency Registration Board (I F R B) a permanent organ of the I T U, was assigned the duty to find new living space. (Meanwhile the Telecommunication Plan, which previously encompassed Europe, Mediterranean Basin, Southern Asia and the Far East, has also included Latin America within its range.)

The I F R B is composed of eleven independent members who are nationals of different countries and are expected to act as impartial advisers and custodians of an International Public Trust. Last year, the Chairman of this Board was Shri P S N Sundaram.

INTERNATIONAL ASSISTANCE

During a conversation in which the table was the spectrum and glasses, ashtrays and cigarettes represented various bands and frequencies, Shri Sundaram explained to me that the compilation of a 'Master International Frequency Register' is not as simple as preparing a telephone directory. Like so many other aspects of international relations, the implementation according to an established frequency list depends upon co-operation and good-will. It is for the mutual benefit of nations to give elbow room to others and not cause harmful interference in their endeavours. But apparently the problem does not end with the allocation of radio frequencies; the question also has its economic and political aspects.

The efficient utilisation of resources is in all cases a complex job, thus requiring equipment which is adequate for the task. No country can secure and renovate such equipment without sufficient capital which naturally involves planning. Recognising these problems of the under-developed countries, the I T U decided to seek greater co-operation and support from the United Nations Expanded Programme of Technical Assistance and from such other agencies as Special United

Nations Fund for Economic Development (SUNFED). Once again the main difficulty is not how to mobilize international assistance, but how to utilize it to real advantage.

LARGER BUDGET

For over four months 800 delegates worked in groups and sub-committees of complex questions of every aspect of telecommunications, including how one spaceship could communicate with another. Inevitably the question of the budget of the I F R B also came up. The following is a glimpse of the discussion on the subject. It was suggested that the budget should be increased by 30 per cent. The reaction of the delegate from the Belgian Congo was that it was too ambitious. But the delegates from Yugoslavia, Afghanistan and Soviet Russia supported the idea.

A Moroccan delegate went on to suggest that I F R B should be indulgent to 'new developing' countries. A little later some-one remarked that it was not 'the feet that had to be adapted to the shoes, but the shoes to the feet'. The delegate from Italy felt that there was an element of tragedy in the way demagoguery was making its entrance in the form of constant references to 'developing' countries. Later, in the cafeteria, a tired delegate sipping coffee was heard complaining that when everyone is exhausted 'the Russians are bound to come out with a brand new proposal'. A statement issued after the conference by the U S delegation said that the meetings have been able to concentrate on the technical aspects of radio, successfully avoiding political digressions.

INCREASING NOISE OF THE WORLD

On another occasion there was a few minutes of unusual silence interrupting very abstruse, but I am sure interesting dialogue on the mathematics of tele-communications between a delegate from Canada and India. The translator's equipment had gone out of order. After a long pause, it occurred to someone that most of the participants were themselves technicians and that they did not have to wait for the return of the temporarily absent conference-technician to do the trick. This kind of silence, but on a wider scale, is what the radio astronomers apparently desired. It seems

that noiselessness is as essential for further development of radio astronomy as darkness was for classical astronomy.

It is said that if the world is silent for a minute or so now and then, radio astronomers should be able to get emissions from the galaxies. From these feeble squeaks they could trace the movement of stars. But with new states, more population, the noise of the world will continually increase. The conference, perhaps out of fascination for the exploration of the new language of the stars, reserved a few frequencies for radio astronomers. They could listen to the music of the spheres while the world went on its own way.

In 1963, there is going to be an extra-ordinary conference on the peaceful uses of outer-space.

January 20.

Sugar Release

The Government of India has decided to release 1.75 lakh tons of sugar. There will be no release for free sale from the factories in Uttar Pradesh, North Bihar and Punjab. Allotments of sugar in all States from factories in the controlled region, will be made only to the nominees of the State Governments except in Punjab and Jammu and Kashmir, where allotments will be made direct to the State Governments or to their nominees.

Allotment will be made at prices fixed under Notification dated October 25, 1959. The controlled ex-factory price for U P and North Bihar factories is Rs 37.85 per maund and for factories in Punjab Rs 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed F O R destination prices in respect of allotments made to Kanpur and Calcutta will be Rs 38.60 and Rs 39.85 per maund respectively for sugar ISS D-29 grade.

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Law and the Predicament of the Hindu Joint Family

J Duncan M Derrett

I
HAMMER-BLOWS have fallen upon the Hindu joint family, particularly the types which feel them most, the Mitakshara family, which is known throughout India, but rare in the Punjab (where custom prevails) and in Bengal and Assam (where the Dayabhaga law prevails), and the Aliyasantana and Marumakkattayam joint families peculiar to Kerala State. Income Tax bore on it heavily, then Estate Duty stripped it of a slice every time an adult member died, and now Wealth Tax is, we are told in Bombay, lawfully exigible from its overburdened funds. To be a member of a joint family can be a nuisance if one is a candidate for a legislature, and can prevent the easy acquisition of an office of profit under a limited company if a coparcener of the same family is already a director. The Hindu Succession Act, 1956, had no time for the Aliyasantana and Marumakkattayam joint families and provided that as each member dies, his fictional *per capita* 'share' shall pass, as if it were his separate and self-acquired property, to the new heirs set out by the Act. And practically the same fate overtook the Mitakshara family, since in almost every family the deceased coparcener now has the right to dispose of his undivided interest by Will, and if he does not it will pass by intestate succession in defined shares to the motley crew of heirs and heiresses which the Act has invented. Fundamental Mitakshara theory has been cast to the winds, and what are we to make of what is left?

What am I complaining about, someone may ask? Even before 1953 when the Estate Duty Act was bound to prevent decedents from merging all their property in the joint family estate immediately before they died, and recourse had to be had to that useful fiction of severance immediately prior to death, which served as a precedent for the arrangements of 1956, the Mitakshara coparcenary interest had so changed its character as to be hardly recognisable, and the Kerala joint families had been so badly knocked about by local statutes that

they were hardly matrilineal to any useful purpose. What was on its way out had best be got rid of entirely, and why, we are asked, did not Parliament make short work of it when it was about the task of reform in the Hindu "Code"? At any rate it is a waste of time to cry over spilt milk, or to regret the death agonies of an antique, oriental, backward institution, which has parallels from darkest Africa, and the remotest and most backward portions of South-Eastern Europe, and from no part of the really 'advanced' countries of the world. In the big cities one hears nothing of the joint family, or only of its inconveniences. Freedom is in the air, and anything which hampers free disposition of property is looked upon as antediluvian.

And, after all, what was left of Mitakshara doctrine? The theory was that the descendants in the male line of a common ancestor were presumed to be "joint", with a common possession and common right of enjoyment of ancestral property and all its accretions from various sources. One was either in the family or not. If one was a male then one was an 'owner', a coparcener, subject to the very varied and fluctuating rights of the non-coparcener members of the family. One was proud to be almost their trustee, or even their Manager, in whom implicit trust was placed by all. No one coparcener, while he remained "joint", could predicate of himself that he owned a particular share, much less particular objects, and his presumptive share, his 'interest', as it is usually called, fluctuated with births and deaths. Self-acquisitions, as acquisitions without detriment to the patrimony were called, were of no relevance except at a partition, and when a man died his widow was maintained as before out of the family property and his sons, and sons' sons, etc, continued to represent his line for the purposes of a partition which might not happen for generations.

Now what is the position? Families joint for two generations together are becoming rare, especially in the cities. Self-acquisitions pass at death as if the acquirer were se-

parate; during his lifetime his earnings are never joint family property unless he either made them directly by the employment of joint family funds or he afterwards merged them in the common stock; anything given to him by the Manager for the use of his wife and children and himself, and subsequently invested and increased, will still be his self-acquired property whatever the other coparceners think of the Manager's wisdom in so providing. Insurance-policies paid for by the joint family almost invariably mature to the benefit of the individual coparcener. And to make matters worse, however little the joint family property may be it may be attached and sold on behalf of a judgement creditor of the coparcener (a position impossible in Kerala families because of the normal lack of partition there except by virtue of statutes), and the coparcener in South India may secretly go and sell or mortgage his undivided interest to a stranger, who can then create a thorough nuisance of himself finding out what it is he has purchased, and realising it in a costly and often embarrassing partition suit. Fiction after fiction has fallen upon the head of the Mitakshara family, and what is left has a very sorry look about it. Why mourn its apparently impending passing?

An observer can, however, obtain a different impression of these facts, and it is possible that the present scene, awkward as it undoubtedly is, can be differently interpreted. Our present Manager—whether grappling with suits filed on behalf of recalcitrant nephews' alienees, and with the demands of the Estate Duty Controller and the claims of his brother's widow or his father's dependents, or cursing the last coparcener to die for his failure to leave a suitable Will conveying his property subject to Hindu law, and thereby leaving him, the Manager, with at least two legal capacities at once, each conflicting with the other—may be a pitiable figure; but this is not to say that his day is done, or that he is not going to fulfil a most important, if not essential function for many a long year.



Why have all these developments taken place? Not, surely, because people were tired of the joint family, but because they did not intend that it should stand in the way of reforms or public requirements. The joint family is not so much an archaic survival as a privilege, and for privileges one must be prepared, on occasion, to pay.

Let us look at each bite that has been taken out of the original Mitakshara doctrine and see whether it has really diminished the fundamental basis, the basis upon which the vast majority of Hindus still rely. To take the last anomaly first, the alienation by an undivided coparcener was facilitated in South India because of a usage that had grown up there, whereby a coparcener, member of a wealthy family, might borrow money on the security of the joint estate (whether the Manager approved or not, and usually when he did not approve), without having to separate and undergo the inconvenience, and possibly the loss and sentimental disturbance which separation often involves, and without being entitled to hide behind his joint tenure and claim that he 'owned' nothing as an individual. Thus it was a device to keep the joint family together. Because a partition was available to the Mitakshara coparcener at his option his alienee was allowed an equity over the entire estate to step into his alienor's shoes; and thus indirectly the joint 'owner', who could never say exactly how much or what he owned, was enabled to utilise his interest. In Kerala the position has always been otherwise, and because, apart from statutory provisions, partitions were always very difficult to bring about no question of alienation of an undivided 'interest' could arise, and, for the same reason private creditors could not attach the debtor's interest, and on his insolvency nothing of the *tarwad* property passed to the Official Receiver.

In the same spirit we may take the Estate Duty provisions and the interesting decision regarding Wealth Tax. The public believe in the joint family, but they do not accept that the juristic theories which are so extremely useful in other contexts should serve as a shield behind which individuals may refuse to perform their obligations. Similarly the intrusion of the widow upon the coparcenary as

a quasi-coparcener by the operation of the Hindu Women's Rights to Property Act, 1937 (now superseded) was a device to enable a widow to live separately and as her own mistress if she so wished, while at the same time preserving, so far as was possible consistently with such an aim, the essential features of the male issue's 'birth-right', and the other coparceners' right of survivorship.

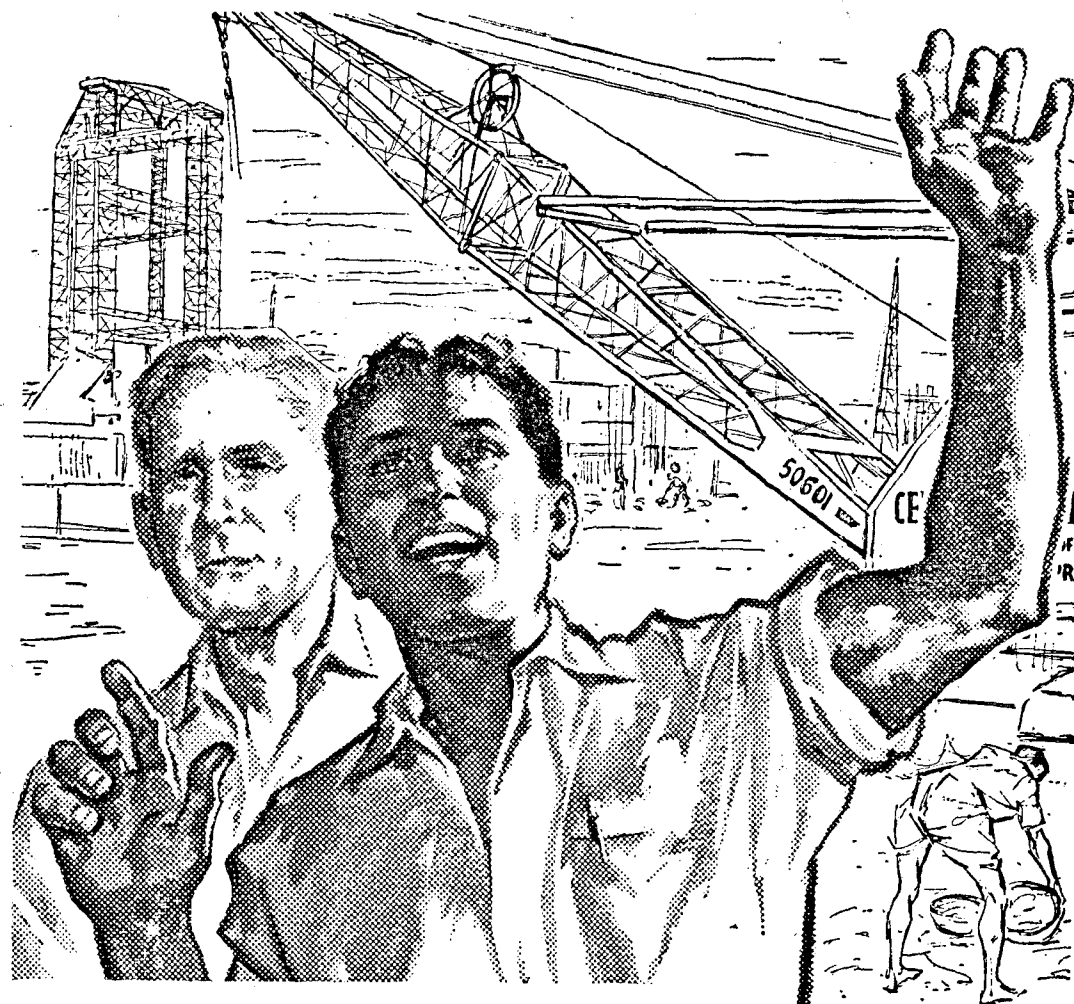
It may well be asked whether the same attitude can be taken towards the provisions of the Hindu "Code". There the coparcenary interest is rudely wrested from the joint family and distributed amongst many heirs. If they do not authorise the Manager in the proper form, and give him the proper indemnities, untold inconvenience will follow when he carries on as before, especially in the case of those who live in the joint family anyhow. After two deaths of coparceners, say, the bulk of the property will be held upon perhaps three distinct tenures; and until a partition no one will know which portion or object belongs to whom and under what tenure. Survivorship has been abrogated for good except in cases where the deceased left no widow, mother, son, daughter, predeceased son's daughter, daughter's son, and the rest. Yet we must note that the son who was joint with his deceased father at his death is still so much preferred that he can exclude a separated son, and when a son has *inherited*, his own son's 'birth-right' in such property has *not* been taken away. These appear at first sight to be a mistake and an oversight respectively; but perhaps we do Parliament an injustice. Something of the joint family system which is very near its heart has been preserved, and this can hardly be a coincidence.

An objector may say that the recognition of the joint family, and the evident desire to keep it, within the new bounds, which is found throughout the "Code" and in other statutes, is meaningless when so little joint family property remains, and so little of the original theory is left applicable. But could Parliament have done otherwise than it has done? Just as in Estate Duty the coparcenary interest had to be assessed, otherwise everybody would die a pauper, having merged his property with the joint estate at the last moment, so in the Succession

Act the reforms for the benefit of the formerly neglected relations would have been useless if the *propositus* could have evaded their provisions so simply. And in an age when large incomes are in fact separate and self-acquired property it would make little sense to introduce reforms applicable to only one type of estate and one part of a decedent's property, while many favoured relations should be left to their old remedies against a dwindling and insecure fund. We know very well that there was propaganda at one time to abolish the Mitakshara family entirely, and it is obvious that if this has not been done it is for some good reason.

Our objector may continue that even assuming that Mitakshara law is in tact in respect of any particular family for a limited time, there is an enemy of the coparcenary hidden in its very heart, which so vitiates it that the abolition would have caused very little loss. Let us assume that no coparcener has died, that none has been adjudicated insolvent, that none has made alienations of his undivided interest, that the interest of none has been attached for a debt, and that in respect of separate acquisitions the members behave, as members usually do, with a mutual affection and consideration and an absence of jealousy which makes the Hindu Gains of Learning Act of 1930 sound irreverent and unnecessary. Still the father can, by contracting a debt for any purpose other than a strictly family purpose cause his sons' and grandsons' interests to be attached and sold; and there is nothing they can do to prevent it, for they are under a 'pious obligation' and the only way out is to prove that the father incurred the debt in the course of immorality or illegality.

The spectacle of sons leading evidence even during his lifetime, to show that their father led a life of vice, is to some more disgusting than amusing; though this special development of Anglo-Hindu law ought to be viewed with an appropriate sense of humour. It is true, one must answer, that when the debt is contracted the protection which Mitakshara offers to the sons' interests is virtually gone. But this is only because the joint family is *not* an insurance-organ; it is *not* a privilege enabling Hindu sons to sit back and laugh at their father's cre-



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ditors, and is consistent with the highest degree of responsibility on the father's part. Certainly the institution of the 'pious obligation' and connected rules have been abused, but that has been due to the intricacies introduced during the British period.

In short, while the Mitakshara joint family exists, and in the respects in which it exists, it is as vigorous as it was originally intended to be, and is still capable of performing its traditional service. Much has been bitten from the cake, but what is left has the old flavour.

II

At this point another objector may interpose. We city-dwellers living up to the edge of our means on a government salary have no time for the aunts and cousins and idiot nephews who clutter up the ancestral joint family home. The riff-raff and remote relations, and questionable dependants of remote relations, who eat their heads off at our expense and will not, or cannot, take a hint to depart! Westerners are not fixed with these burdens, and why should we have to put up with them? It is all very well for the old-fashioned heads of *mofussil* families who are proud that two dozen people sit down to eat in their house every day, and at least a half of these are people who are not entitled to be fed there. Such heads of families are very often petty tyrants who make their sons hand in accounts in triplicate before they will give them money to buy petrol, 'birth-right' or no 'birth-right.' The old order is passing, and flat-dwellers who have forgotten the names of their grandfathers' brothers' sons' children are more characteristic of the New India than the archaic patriarchs mentioned above.

To all this there is a short answer. You have a misconception of what is meant by a joint family. Economy and sentiment may draw a very mixed group of individuals together under one roof, or under one theoretical roof. But the Mitakshara joint family, and even the Kerala *tarwad*, is something a great deal narrower, and more limited in its purpose and function. It is useless railing at the Mitakshara joint family when you try to make it perform functions for which it was not designed and at the same time complain that it is not in fact performing them. To see what has

really happened we must take a short peep into legal history. It has already been noticed that Hindu law has taken a curious turn in the Hindu "Code"; that it has reverted to customary ideas which the *dharmaśāstra* (the classical system of jurisprudence) tried for centuries almost in vain to reform. For all the technical faults of the "Code" (and we should not minimise their number or effect) it has expressed something of the muddled obstinacy of the Hindu peoples who have been faced with several different systems of law at once for long periods. In the joint family too, it would seem, realism is evident, and what has not been pared away remains the hard core—and it is hardly a waste of time to draw attention to its character.

III

There were originally two main types of joint family, with certain sub-types, of which only the matrilineal joint family of Kerala is worth mention here. Those two types had only one feature in common, but it formed the cement by which the two types could be brought, and kept, together. The first type was that of the non-Aryans, Dravidians and others. It must be remembered that although these peoples are largely represented in South India they were once very well represented in the North as well, and indeed they are far from extinct there to this day. Their joint family was the elemental or natural family of the father and mother and their children. Normally the children left the home on marriage, although in the case of an only daughter she normally brought her husband to be a 'son-in-law in the house' and so gave her parents a sort of adopted son. The joint property of the home was made up of the ancestral property of the father, and the *stridhanam*, or paraphernalia, of the mother. The mother took the lead in portioning off her daughters, and the father shared out the ancestral property amongst the sons on their marriages. They could stay at home if they wanted to, but wherever there was land or opportunity they generally left. While the spouses lived and did not divorce, their property was treated as a joint estate under the husband's management. Both spouses increased the joint stock by their efforts. Kinship was not entirely patrilineal, for connexions

through the mother, and relations by marriage were very highly thought of: a settled agricultural type of society, giving the fullest scope to the natural desires of a young couple to have a home of their own.

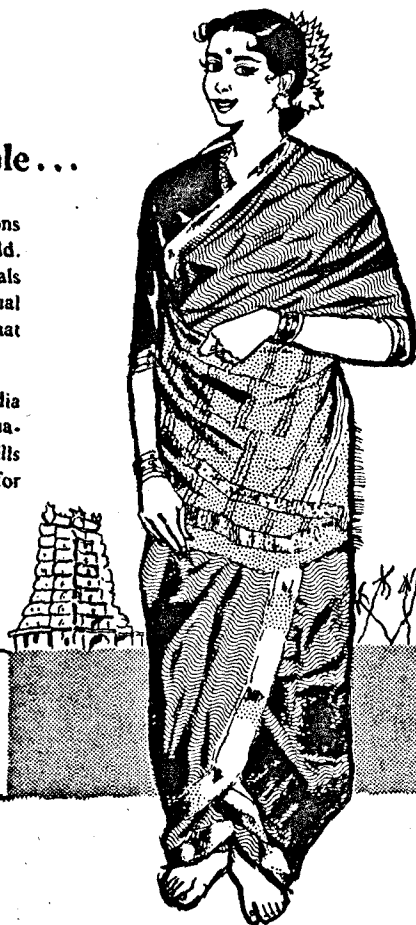
The second, and newer type, the direct ancestor of the Dayabhaga joint family of Bengal and Assam, was that of the Aryan family. Here patriliney and patriarchy were the rule. Family life was built upon a history of migration, insecurity, and mistrust of neighbours. Women were a burden, and had to be carried along. Men were the members of the family who counted, and to increase the male population in the 'compound' was the great ambition of the head of the family. Daughters were given away or sold, and disobedient sons would be got rid of in similar ways, and were lucky to be so considerately treated. Separation, unless at the patriarch's will was treason, and very unprofitable, since he alone could distribute the assets, and advance sons whom he was willing to part with. Women had no property except trinkets, and whatever they had was at the disposal of the head of the family. A family rapidly developed into a clan with the adoption of polygamy, and a multitude of retainers filled out the natural members of the family into a useful little army. Joint brothers and cousins and nephews were far better partners in any military, commercial, or sacerdotal enterprise than any stranger profit-sharers. And those who were temporarily unemployed were naturally looked after until they could be useful again. The male members were encouraged to look after the female members because if they did not the latter's dissatisfaction could wreck even the best organised household, a fact upon which Manu comments shrewdly (as ever).

These two types of family mixed and interpenetrated each other, as castes following either form, or modifications of either, came to live cheek by jowl. The gradual formation of a mixed Aryan and non-Aryan culture under the aegis of Sanskrit sources of ethics and law required compromises, some open and some tacit, and also very clever juristic adjustments of the ancient *smṛiti*-texts, which were all Aryan, and only occasionally tinged with non-Aryan features absorbed by

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early Aryan immigrants into North-ern India. The famous *Mitakshara* of Vijnaneshvara was so successful a book just because it made these compromises and brought a very mixed crowd under the shadow of one umbrella. The author seized upon the one feature which the two types of family have in common, and this, it is submitted, is the essence of the joint family, and all other elements are accidental and non-essential.

The Dravidian families have always been intensely proud of hereditary wealth. Ancestral land has far more than a sentimental value. Prestige stems from the land, or sources of wealth, that descended from father and mother, from father's father or father's mother, and so on. To lose ancestral land by having to sell it is a disgrace which families can hardly bear. However poor the soil, however neglected or unproductive the source of wealth, the descendants of the acquirers will never part with it if it can possibly be avoided. Hence the various forms of mortgages which provide the owner with a bare title and hardly any profits: sentiment and prestige is accommodated with poverty. Marriage contracts turn around the question of what land the couple will have, and the dowry plays an essential part. If Southerners could lose their sense of prestige in respect of ancestral property they could dispense with the dowry and the like, which they profess to hate. This attitude of mind coincides with an attitude on the part of sons towards the lands, etc, taken by their father from his own ancestors, and any other lands he may have acquired himself (here a rule of the *Mitakshara* has been abolished in Anglo-Hindu law, but survives in actual usage). The father's property is not his alone, but serves to keep aloft the prestige of all his descendants: hence he is subject to family approval in disposing of it. This the *Mitakshara* expressed in its tortuous but very interesting definition of *daya*, the property of 'another' which becomes one's own by mere relationship.

The Aryan families consisted of male coparceners who were very much concerned in the quality of management of the joint estate, and who owned it when the head died or retired. Their rights in respect of it could often be anticipated, and

no actual head of such a family could totally ignore the debt which he owned to his sons, etc, as co-managers and co-developers of the estate. His moral obligations to them were intense, and his desires naturally moved in the same direction. Vijnaneshvara saw an opportunity to equate the two ideas, and defined the property of the father and the interests of the sons in terms equally applicable to both types of family.

IV

Thus the essence of the joint family has always been the mutual duties of father and son, the latter inheriting the obligations which the former acquired by virtue of his own sonship. And because sons owe so much to their fathers they may, or they may find they can equally loyally not, share indefinitely the task of discharging the obligations he has left them. He, for his part, has no joy like that of seeing his son's face, and, as the son is the father himself born again, the father's property is naturally in a very special sense the son's property too. Whether the son will ever hinder the father's exercise of his responsibilities depends upon circumstances, and he has many opportunities to seek disinterested advice.

Certain it is that whereas in Bengal the son is never allowed to question the father's act, that part of India is as alive to a father's duties, and to the rightful demands of those formerly dependant upon a deceased father as any other part of India, and to suggest that Bengalis are more individualistic and selfish than other Hindus would be absurd. The spirit is there, though the juridical formula is different and apparently makes little provision for its faithful execution in practice. Whatever the peculiarities of the *Dayabhaga* school may be, the fundamental principle exists throughout India, except in the matrilineal families, that son and father own property as trustees for many others besides themselves, and that the kernel of their efficiency in serving others lies in their relationship with each other.

As long as the father's property is treated as being his, only subject to his duties towards his descendants, and particularly his sons, who will shoulder his responsibilities after his death, the essence of the joint family is alive. And

observers find very little difference here between town-dwellers and others, government servants and agriculturists: the methods of earning differ and the demands made upon one by the mode of life differ; but the natural family, with the relationship between father and son as its pivot, continues—and all else, being peripheral, may stay or go, is immaterial. Though the law leaves them less and less in common, and though their duties must be performed under sharper conditions and perhaps more rigorously and more inconveniently (unless sensible compromises and settlements are widely employed), the basis is still there, and Hindus will still be recognisably Hindus while it remains.

University of London.

January 1960.

Punjab National Bank

THE working of the Punjab National Bank Ltd for the year ended 31st December, 1959 has been satisfactory. Deposits rose to over Rs 140 crores from Rs 129 crores a year ago. Subject to audit, the profit of the Bank for the year 1959—after making payment of Rs 11.99 lakhs to Employees Gratuity Fund Trust and providing for contingencies—amounts to Rs 88.63 lakhs. This includes Rs 4.48 lakhs brought forward.

Rs 12.50 lakhs has already been utilized towards payment of ad-interim Dividend at Re 1 per share subject to tax, thus leaving a balance of Rs 76.13 lakhs for further appropriation.

The Directors have decided to make the following appropriations: provision for Income-tax—Rs 17.50 lakhs; transfer to Reserve Fund—Rs 17.00 lakhs; transfer to Bonus to Staff a/c—Rs 25.00 lakhs; and transfer to Charity Account—Rs 1.00 lakhs.

The Directors have further recommended to the shareholders that out of the balance of Rs 15.63 lakhs, Rs 12.50 lakhs be paid as Final Dividend at Re 1 per share subject to tax making a total distribution of 20 per cent per annum subject to tax. The balance of Rs 3.13 lakhs is to be carried forward.

After appropriations for Gratuity, Bonus, Taxation and Charity, net profit for the year 1959 stands at Rs 40.65 lakhs against Rs 41.96 lakhs in the previous year.

Free Trade and Economic Growth

K G V

THOUGH, as a vehicle of progress, free trade was discredited long ago by List, the failure of even modern economists to deal a *coup de grace* to the comparative cost theory often raises the question whether free trade is still not the best policy for a developing economy. Historically, it certainly served Great Britain very well, indeed, during the early stages of her development. In recent years this question of the relation between free trade and economic growth has engaged the attention of several economists, notably of Nurkse, Myrdal, Haberler, Meade and H G Johnson*. Precisely because some of them have reached diametrically opposite conclusions, an attempt seems necessary to examine some of the issues involved and to obtain a clearer perspective of where we stand now.

I

Effects of Free Trade on Economic Growth

According to classical theory all would be well as long as there is free trade. That was the only way to maximise the gains from foreign trade and therefore by implication if trade can contribute to economic growth by maximising its gains,

* Nurkse, Ragnar, *Patterns of Trade and Development*, Wicksell Lectures, 1959, Stockholm, 1959. Also see his *Problems of Capital Formation in Underdeveloped Countries*, Oxford, Basil Blackwell, 1953 and 'The Problem of International Investment To-day in the Light of Nineteenth Century Experience' *The Economic Journal*, December, 1956.

Myrdal, Gunnar, *Economic Theory and Underdeveloped Regions*, 1958. Also see his *An International Economy*, Routledge & Kegan Paul, London, 1956.

Haberler, Gottfried, *International Trade & Economic Development*, Cairo, 1959.

Meade, J E, *The Theory of International Economic Policy—II, Trade and Welfare* Oxford University Press, 1955.

Johnson, Harry G, 'Economic Expansion and International Trade' in *International Trade and Economic Growth*, George Allen & Unwin, Ltd, London, 1958.

free trade was best for economic development too. Of course, classical theory was never really so explicit about it mainly because the concept of growth could not be fully explored within the framework of the static assumptions of a fixed stock of factors of production internally and the absence of international mobility on their part. But even when we come to the neo-classicists like Viner, Ohlin, etc, the prescription of free trade remains the same, though it is now couched in more sophisticated terms. The argument now runs something like this: because of its gains from free trade, the income of country A goes up, and hence its demand for imports. The exports of B go up and so do its gains from free trade and its income and so on and so forth.

This wonderful march to prosperity together, however, was not always seen in practice. Nurkse in his article (*op cit*) in the *Economic Journal* 1956, first drew pointed attention to the fact that trade did not act uniformly as an engine of growth in all the countries in the 19th century. He developed this thesis further in his Wicksell Lecture, 1959, and went on to say that while it did succeed in transmitting the impulse from the vigorously growing centre to selected points in the periphery (which he calls the Regions of Recent Settlement, e.g., U S A, Canada, Australia, New Zealand, etc), it failed to produce similar results at other points in the periphery, such as the old countries like India, Burma, etc. He also argued, that, in general, trade has failed to act as a catalytic agent in the 20th century as contrasted with its behaviour in the 19th century.

Myrdal goes even further and argues that free trade not only does not promote growth of underdeveloped countries, but it actually redistributes world income internationally in favour of the richer countries. Thus he says "...we are facing a cumulative process away from equilibrium in factor proportions and factor prices engendered by international trade." (However Myrdal makes one reservation here: The "spread effects", i.e., the expansionary effects, according to him

vary directly and the backwash effects inversely with the degree of development and thus there is a perpetual tendency for the underdeveloped countries to stagnate.)

ADVERSE TERMS OF TRADE

What is the mechanism through which this widening of disparities between national incomes takes place? Both Myrdal and Nurkse are agreed that the chief instrument of this sort of redistribution of income is the adverse movement of the terms of trade of the underdeveloped countries. Since a sharp spurt in import demand is an integral part of the developmental process, the underdeveloped countries, which are normally the exporters of primary products, find themselves under a compulsion to export more and more of their primary products, which usually suffer from an inelastic foreign demand. In the result, their prices fall and the commodity terms of trade deteriorate.

While this is the essence of the process, Myrdal goes on to list a few other developments which reinforce the tendency toward a regressive redistribution of incomes. One of them is the excessive fluctuations in the prices of primary products. Another is the growing unattractiveness to foreign capital of investment in underdeveloped countries both because of the relatively lower rate of return and the difficulties of the transfer problem. A third is the consequent tendency of technically qualified and efficient young people to emigrate to the advanced countries in search of more attractive rewards.

All these factors whose operation, according to Myrdal, flies in the face of classical theory, lead to a widening of the gulf between rates of growth in the advanced and the underdeveloped countries. And unless the present structure of the exports of the underdeveloped countries undergoes a radical transformation, this paradoxical result may be brought about all the more if the underdeveloped countries try to step up their rate of growth. (Haberler also recognises this (though grudgingly) with reference to the demand for foodstuffs which he admits is subject to Engel's law. This

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however, does not seem to have been always borne out by facts. Cf: the *Economic Survey of Europe*, 1958, Ch V, p 9, "...over the last few decades the elasticity of food expenditure at constant prices was near unity in the economically developed Western European countries and that a given percentage increment in total consumption was associated with a roughly equivalent rise in food expenditure".)

According to Myrdal, classical theory fails to explain these phenomena because of its basic assumption of a 'stable equilibrium' which argues that any disturbance to the economic system automatically generates forces which tend to correct the disturbance and restore the original equilibrium. This precludes classical theory from envisaging a cumulative process by which an initial disturbance tends to be accentuated through its 'multiplier' effects.

RELATIONS BETWEEN CENTRE AND PERIPHERY QUESTIONABLE

Nurkse does not go as far as this, though even he thinks that unlike in the 19th century, the vigorous growth at the centre no longer percolates to the periphery. In the older countries, instead of 'the cumulative process' a 'dual economy' was developed with a flourishing export sector existing side by side with a stagnating non-export segment. And even the export sector has ceased to flourish in the 20th century as the exports of these countries are lagging behind both (a) the exports and (b) the national incomes of the advanced countries.

He goes on to say that "In a world in which (outside the Soviet Area) over nine-tenths of the manufacturing and over four-fifths of the total productive activity are concentrated in the advanced industrial countries, the ideas of symmetry, reciprocity and mutual dependence which we associate with the traditional theory of international trade are of rather questionable relevance to trade relations between the centre and the periphery."

According to Nurkse too, the present exports of the underdeveloped countries meet with foreign demand which is fairly inelastic. His reasons for this trend are: (i) a shift from light to heavy industry in the advanced countries; (ii) increased share of services in their national incomes; (iii) the familiar lower in-

come-elasticity of demand for agricultural products; (iv) agricultural protectionism in the advanced countries; (v) technological economies in the use of raw materials; and (vi) increased development of synthetics in the advanced countries. Nurkse views this as "a lag in the rate of growth of external demand in relation to the rate of growth of domestic factor supplies".

HABERLER'S DEFENCE

Haberler has tried to defend the neo-classical advocacy of free trade in his Cairo Lecture 1959; although he tries to disarm critics by admitting some of the deficiencies of the argument for free trade, his conclusion is 'fairly uncompromising': "...substantially free trade with marginal, insubstantial corrections and deviations, is the best policy from the point of view of economic development". (p 5) He argues that apart from the direct static gains from trade (expounded by classical and neo-classical theory), there are other valuable indirect gains too: Thus, he says (a) trade provides the capital goods required by underdeveloped countries for economic development; (b) it disseminates technical know-how; (c) it facilitates international movement of capital; and finally, (d) it is the best guarantee against the emergence of monopolistic conditions.

It is interesting to see how smoothly Haberler changes his defence of free trade into one of international trade! No one denies the four advantages of international trade listed above, not even Myrdal. But do not these advantages also follow — in fact, some of them are increased — when there is a regulation of trade in the interests of the country? Can a country not import capital goods when it controls imports of luxury and inessential consumer goods? In fact, it can import more of capital goods in this case than before. The same arguments apply to the second and third advantages listed above. As for the fourth advantage of anti-monopolistic guarantee, regulation of trade would, perhaps, help ensure competitive conditions in the advanced countries since the underdeveloped countries would now produce some competing products!

Trade restriction may, though it does not always, as we shall see later, result in a loss to the international economy, if the volume of trade is reduced. In fact, the under-

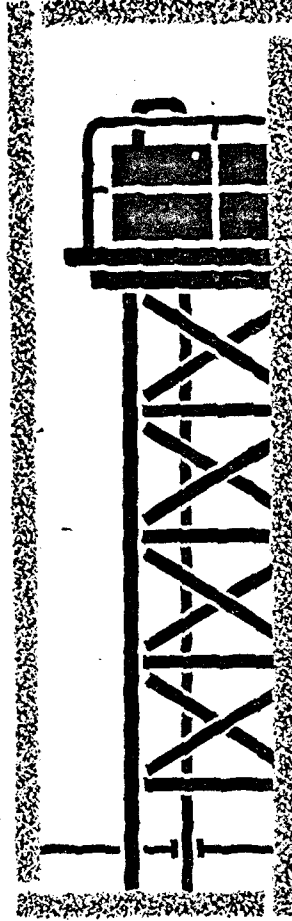
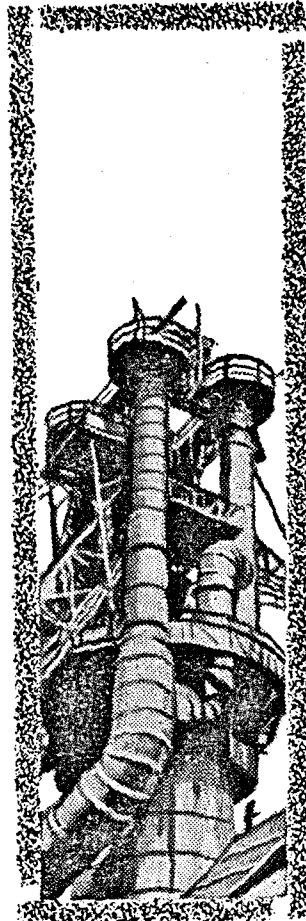
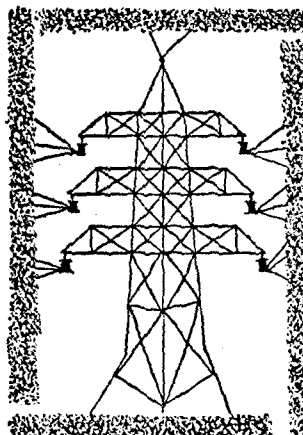
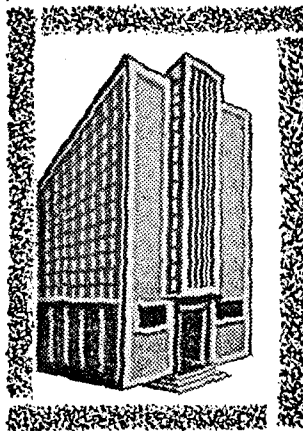
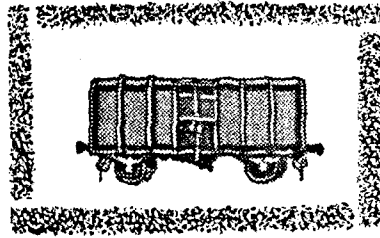
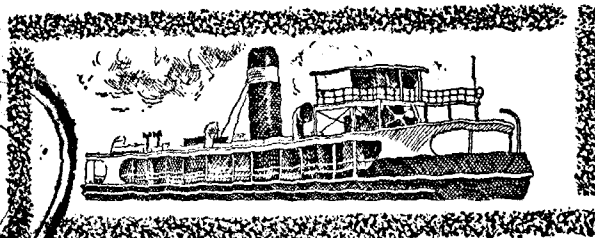
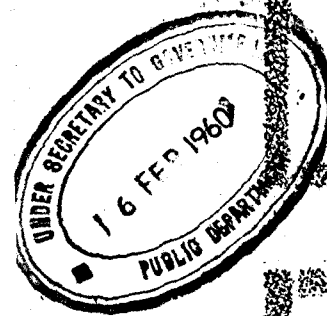
developed countries are certainly not seeking to reduce the volume of imports but to transform their structure. (Haberler criticises this as impossible, when he discusses the 'disguised unemployment' argument. This criticism is dealt with later in this article.)

GOVERNMENT POLICIES

Having said that free trade is the best thing, he proceeds to yield considerable ground to Singer-Prebisch-Myrdal. For instance, he admits that (1) the comparative cost theory is static and it needs to be supplemented by what he calls, after Myrdal, a productivity theory of international trade; (2) he also admits that the production possibility curve warranted by the comparative cost theory may, in practice, be modified by autonomous factors, e.g. improved skills, technology, enterprise, and *Government Policies*. Obviously, he is not visualising here the possibility that the last named factor, namely, government policies, may not only not follow the path of development indicated by comparative cost theory, but may actually move in the opposite direction. Thus, for reasons indicated earlier, the government of a country may choose to develop not export industries in which the country has had a substantial comparative cost advantage, but import competing industries on, (a) grounds of demand conditions and not cost conditions, or (b) because the government expects to alter the entire structure of costs by changing factor proportions (e.g. increasing the capital stock) or (c) because, as Nurkse says, while the country's "established comparative advantage" is high, its "incremental comparative advantage" in these lines may be low, zero, or even negative. One wonders if Haberler realises the extent of the concession he makes when he includes government policies among the autonomous factors which modify the production functions indicated by the comparative cost theory.

(3) Haberler also admits that free trade does not equalise factor incomes. In fact, he says, international inequalities may increase, notwithstanding free trade, if (a) population pressures increase as a result of the improved health standards, etc., on account of gains from international trade; and (b) if, because of their headstart in development, the advanced countries

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continue to grow faster than the backward countries. The second argument simply amounts to saying that free trade is not capable of stepping up the rate of growth in underdeveloped countries sufficiently to off-set the head-start of the advanced countries in economic development.

HABERLER'S ATTACK

Haberler launches a three-pronged assault on the Singer-Prebisch-Myrdal thesis: he criticises what he calls

- (a) the terms of trade argument,
- (b) the disguised unemployment argument, and
- (c) the back setting effects argument.

(a) TERMS OF TRADE

The argument is that depreciation of terms of trade is bad for the underdeveloped countries. Haberler points out — and rightly so — that it is the depreciation of the single factorial terms of trade that matters and not the commodity terms of trade. In other words it is bad if the fall in the export prices is due to inelasticity or fall in foreign demand, but not if it is due to a reduction in the cost of production due to technological progress or increased efficiency. What is more pertinent here, however, is that, more often than not, the deterioration in the terms of trade of the underdeveloped countries has been of the single factorial type and rarely due to an efficiency reduction in costs. Haberler's contention is that the terms of trade-deterioration argument is based on two assumptions: (1) that the industrialised countries keep up their prices at artificial levels through monopolistic practices; and (2) that because of the operation of Engel's Law, as the incomes of the advanced countries rise, a diminishing proportion of these incomes is spent on foodstuffs which form an important part of the exports of underdeveloped countries.

U.S. AND CANADA SUPPLY
FOODSTUFFS

Haberler's objection to (1) is more realistic and acceptable than his objection to (2) — especially in view of the recent emergence of highly competitive conditions in Europe and elsewhere. His objection to (2) is rather less tenable. Of course, he admits that the demand for foodstuffs may not keep pace with income growth in the ad-

vanced countries, but he is not really quite sure as to what may happen. He mentions the fears of some others that the terms of trade of advanced countries may turn adverse.

Actually, as stated earlier, research by the Secretariat of the Economic Commission for Europe showed (*op cit*, Ch 5, pp 7-9), that in the past few decades the income elasticity of demand for food seems to have been fairly high and stable. A deterioration in the terms of trade of the foodstuff-exporting underdeveloped countries, despite this factual refutation of Engel's Law can be explained mainly in terms of two developments; (a) a change in the structure of food consumption from cereals and other grains to more processed foods, meat, eggs, cheese, and other dairy products which the underdeveloped countries do not export on any significant scale; and (b) the fact that the United States and Canada have come in as suppliers in a big way in the international foodstuffs market.

RAW MATERIAL PRICES

Haberler does not emphasise sufficiently the trends in the prices of industrial raw materials which form the staple exports of several underdeveloped countries. Even apart from the landslide in commodity prices which began just before the American recession of 1957-58, these prices have been sagging for some time. They are certainly lagging behind the prices of manufactures. The reasons given by Nurkse were briefly mentioned earlier. Statistical confirmation of Nurkse's conclusions is provided by an excellent study, 'The Demand for Raw Materials', published in the September issue of the National Institute Economic Review.

The study concludes that "... from 1948 to 1955-57, real income in the industrial countries rose by about 45 per cent; primary producing countries' exports rose 40 per cent if oil is included, and 25 per cent if it is excluded Comparing 1928 with 1948, and using figures of output of goods of all kinds (since national income figures are not available) industrial countries' output rose 45 per cent; but primary producing countries' exports, including oil, rose only 10 per cent, and if oil is excluded there was no rise at all" (p 22). The chief reason for this, according to the authors of this article, was the increasing substitution of processed or

synthetic material for raw materials in the advanced countries.

(b) DISGUISED UNEMPLOYMENT

Haberler's next target is the argument that free trade prevents the mobilisation of disguised unemployment. He begins by denying the existence of disguised unemployment in the underdeveloped countries, quoting in his support a formidable list of economists. If disregarding the counsel of the comparative cost theory, an underdeveloped country embarks upon the development of industries other than the export industries in which it has a comparative advantage, Haberler warns that it will get into difficulties as its foreign exchange earnings will go down because of the contraction of the export industries from which labour will have to be drawn for the new industries, since the existence of disguised unemployment is not recognised.

Obviously, here he fails to take into account the possibility of *undisguised unemployment* which is a hard reality in several underdeveloped countries. Nor does he envisage the situation where a reduction in exports improves not only the terms of trade but even aggregate earnings (Cf H G Johnson, *op cit* and J E Meade, *op cit*, pp 272-6.) Thus his implicit assumption of full employment (at least of all employable labour) inexorably leads him to the conclusion that development of non-export industries cannot be attempted through a mere transformation of the import structure but will involve a reduction in the volume of imports!

(c) THE BACKSETTING EFFECTS
ARGUMENT

This argument is simply brushed aside by Haberler who believes in the tendency of capital to move from the advanced to underdeveloped countries and in its capacity to alleviate the so-called backsetting effects.

II

Effects of Economic Growth upon
Trade

It will be obvious from the above that classical theory was grossly inadequate to deal with these problems. The contributions of Nurkse, Myrdal and others have proved that the comparative costs theory cannot be more than a very rough and inadequate guide for determining the pattern of investment in an econo-

my. The comparative cost theory operated within the cramping framework of the assumptions of (a) international immobility of factors and (b) a given stock of resources in each country. Also, it completely disregards the demand side. Therefore, if investment is guided by this theory it may well lead to a depreciation of the terms of trade sufficient to reduce aggregate real income. Whether this will happen or not in practice has been beautifully demonstrated in the rigorous analysis of Johnson's article (*op cit*). The effects of growth upon trade will therefore, depend upon the nature and direction of growth. This seems almost self-evident.

Both Myrdal and Nurkse argue that if growth involves the expansion of the traditional exports, there will almost certainly be a deterioration of the terms trade and the increase in exchange earnings will be less than the real increase in exports. On the other hand, they consider it worthwhile to increase the exports of new "dynamic" commodities with a highly elastic demand abroad with a rising trend. These may be light manufactures of low prices and, perhaps, of medium quality, a process which is characterised by Myrdal as "second grade international specialization." Even Haberler eventually agrees that something like this ought to be done and it is only in relation to such industries that Haberler accepts the case for protection in these countries. As for the existing—the so-called traditional—exports, both Nurkse and Myrdal argue that their volume should neither be increased nor contracted, so as to stabilise exchange earnings especially as they view the process of growth to begin as one of import substitution* and eventually to develop into one of export-promotion. However, both Johnson and Meade visualize possibilities of increasing the exchange earnings through a real reduction in exports, though, no doubt, this sort of situation is not likely to be very common in reality.

IMPORTS RISE SHARPLY

As far as the effect on imports is concerned both theory and recent

* It is obvious that this policy requires at least a stability of foreign exchange earnings as a minimum condition for its success.

experience of underdeveloped countries shows that with development, imports do not shrink in volume as Haberler appears to think. On the contrary, more often than not the volume goes up sharply as India's experience shows. Much the more significant change on the side of imports is in their structure. The emphasis shifts noticeably from consumer goods, except, perhaps food-stuffs, to capital goods and raw materials.

Under free trade conditions in a subsistence level economy with rising incomes, imports of consumer goods will naturally go on increasing unless they are strictly regulated. Trade controls are necessary to ensure that foreign exchange which is usually a scarce resource in a developing economy — leaving aside the exceptional case of the oil-rich countries — is not wasted in con-

sumption, but used, to the maximum possible extent, for investment purposes.

WHAT REMAINS OF COMPARATIVE COSTS?

In view of the above discussion, it would be seen that Haberler's defence of the classical argument for international specialisation according to comparative costs has not been enough to rehabilitate the doctrine which has been under renewed fire. Of course, Nurkse does not go so far as to disown the comparative costs doctrine altogether after having gone to considerable pains to prove that owing to adverse demand conditions, further growth of their traditional exports by the underdeveloped countries would not be desirable. Indeed, one feels that he is making a half-hearted attempt to reinstate the doctrine by making a distinction between "established

comparative advantage" and "incremental comparative advantage".

Haberler, as we have seen earlier, actually gives more away than he gains for the doctrine by including government policy among the autonomous factors which may influence the production possibilities indicated by comparative costs. This, in fact, seems to do more damage to the doctrine than List himself. For List was simply asking for a 'period of leave' from the doctrine, during the infancy of the industry, after which it would prevail again. But government policies may well reverse the doctrine. It is often argued that unless, sooner or later — shades of List! — an industry is able to hold its own against foreign competition, it is difficult to justify its existence in economic terms. If a good can be imported at less cost than produced at home, why should it be produced at home? Again, if it costs more to produce a good at home than the price it fetches abroad, why should it be produced and exported?

THE BIGGEST DENT

The answers to these questions can run along different lines and may lead us into controversial issues, especially if arguments such as maximisation of the growth rate or potential, employment objectives etc are put forward.

Myrdal gives creation of an industrial base, enlargement of employment opportunities and correction of the imbalance between costs and prices in industry and agriculture as possible reasons (*An International Economy, op cit*, pp 276-9). Quite apart from this, the process of import substitution advocated by these writers is at least initially against the theory of comparative costs. The biggest dent in the defences of this theory would appear to be made by the fact that while one of the basic assumptions of the theory was of a constancy of total national resources in terms of given proportions of the different factors, in actual fact, there is no such constancy. If a government so chooses, it can alter the factor proportions in any desired manner and change the relative costs of production. Given the right policies, therefore, it is quite possible for any government to specialise in the production of any commodity in which initially it has no comparative advantage and to

alter the structure of costs so as to make the industry internationally competitive.

There are, of course, limits to the extent of the change in factor proportions and relative costs which government policies can bring about. To take an instance, if extensive use of land is necessary for the production of a commodity, a small country may not be able to specialise in its production, except to the extent of the substitution possible between the intensive and extensive uses of land. Similarly, there are, indeed, limits to the amount of capital over which a government can acquire command. But these limits are certainly much wider than those set by a given stock of resources with given factor proportions. If this reasoning is correct, there seems to be no reason why an underdeveloped country should necessarily confine itself to "second grade international specialisation", though often it may well have to, at least, in the primary stages of development. It may just as well go in for heavy industry and, given the right policies, make a success of it.

DEPENDENCE ON FEW EXPORT ITEMS

There is yet another way in which the classical doctrine of international specialisation has been proved by recent experience to be inadequate. The high foreign trade ratios of several underdeveloped countries and their excessive dependence on one or two major items of export have not proved to be conducive to growth and both Myrdal and Nurkse make a powerful plea for a diversification of these economies. Thus, Nurkse observes "If in an underdeveloped country, the stock of productive factors is growing, but development through increased exports to the advanced industrial centres is for one reason or another retarded or blocked, there arises a possible need for promoting increases in output that are diversified in accordance with domestic income elasticities of demand so as to provide market for each other locally, in contrast to output expansion for export, which is specialised in accordance with international comparative advantage".

Nurkse's preoccupation with the fact that international trade no longer acts as an "engine of growth" as it did in the 19th century (in his

earlier article in the *Economic Journal*, December, 1956 *op cit*, he argued, in effect, that it was trade plus migration plus capital which went to the new countries that acted as an engine of growth rather than mere trade which did not induce any growth in the old countries.) however, leads him to an extreme position. He emphasises production for home market to such an extent that he appears to lose sight of the fact that unless the production for the home market is in the nature of import substitution, there would soon be difficulties because of the lack of foreign exchange to pay for imports of capital goods and raw materials, if not consumer goods, such as foodstuffs.

The general line taken by Nurkse and Myrdal, however, seems to suggest that (a) interference with international trade has a greater justification in a developing than a developed economy, especially if it is directed towards a defensive action against a deteriorating tendency in its terms of trade; (b) that such defensive action may take the form of the development of new dynamic commodities for export, import substitutes or products for the home market, the production of none of which may be justified by the static theory of comparative costs. As for the factual evidence of the deterioration in the terms of trade of developing economies, even the famous GATT Report, *Trends in International Trade*, 1958 (prepared by a panel of experts headed by Haberler) came to the conclusion that there appears to be a long term tendency of the terms of trade of underdeveloped countries to deteriorate for reasons which are now well-known.

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POSTS & TELEGRAPHS DEPARTMENT

DA 59/351

DALAL STREET made its 1959 top in the third week of December. It had a sizable reaction during the earlier part of January. Both the manner and the amplitude of the decline indicated that the primary upward trend had been interrupted by an important technical correction of an intermediate nature—a secondary reaction. Mention was made about it in the Annual Number. Over the past few weeks the market has been struggling to regain its equipoise. Equities have staged an all-round recovery from the January lows, quite impressive in certain cases. But the market as a whole is still considerably below its 1959 top. The more recent recovery could be easily described as a minor correction in a secondary reaction. Whether this might mark the end of the corrective phase and the beginning of the major bull phase, it is difficult to say. With the Central Budget approaching so very close it would be unwise to talk too confidently about the trend because the Budget is something which can make and unmake trends.

The proximity of the Budget has affected only the volume of business and the nature of activity. The tone of the market continues to be good. Business has dwindled appreciably over the past few weeks. With outside participation virtually absent, activity is predominantly professional. A few prominent professional operators continue to dominate the scene. Interest in the market has grown very selective but the list of counters which have been in the limelight recently is by no means small. It includes both cash and the less popular speculative counters. Indian Oxygen, Tata Oil, Alcock Ashdown, Standard Mills, Voltas, National Rayon, B B Petrol, Hindustan Motors and A C C are some of the names which have been making news. Some of these have been fancied on ideas of expansion schemes and better corporate news and others on prospects of Right issues.

Tata Steel and A C C which had been out of favour for a long while also attracted considerable attention last week. They were wanted

merely because of improved corporate news—though Tata steel output figures in January had undoubtedly been good. The sudden revival of interest in these shares was due essentially to reports that the Life Insurance Corporation had made some investment in them. L I C's name still works like magic. The rates at which the L I C was reported to have bought these shares came to be regarded as good stoploss by the professional operators.

Investors are busy with the new issues, which continue to receive good attention. The money market is very tight and carry forward charges remain on the high side. The Budget too is drawing near. Notwithstanding all this, the stock market is in a fairly good shape. This probably reflects its confidence in the Finance Minister's ability to produce an incentive Budget in spite of increased defence outlay and the utmost need to mobilise the nation's resources for fulfilling the Second Plan targets. Whether the stock market is risking too much on Shri Morarji Desai's leanings towards the private sector, time alone can tell. But the task before the Finance Minister is by no means easy. This is the last year of the Second Plan. If the targets have to be realised in face of the higher defence outlay and the Pay Commission's report, the tax effort will need to be stepped up considerably. The rising trend in prices would naturally restrict the scope for deficit financing. Of course the outlook for raising loans is promising, but that alone won't do.

Cotton

ERRATIC BUT FIRM
COTTON futures, which had been bid up to Rs 779.50 per candy—the season's best—on January 15, were sold down to Rs 740.25 on January 30. Since then they have moved irregularly up to Rs 767.25 (February 8) and the latest quotation is not much lower at Rs 762 (February 10). The sharp decline from Rs 779.50 to Rs 740.25 was partly technical and partly it reflected a change in market psychology resulting from the sluggishness in the cotton piecegoods market and

improved prospects of cotton supplies because of the release of import quotas for 10.20 lakh bales, including short staple cottons. The recent recovery seems to indicate anxiety on the part of "shorts" to cover their sales because the contract is approaching its maturity and there is yet no facility of transferring interest to another hedge contract.

There is only one hedge contract—Jarilla March—running at present. The Forward Markets Commission has not approved of trading being allowed in the next contract. But not without reasons. With ready cotton prices continuing at around the ceiling and mill buying permitted only on the basis of quotas, there is indeed little sense in having a hedge contract. The latest reports are that the Commission is willing to permit trading in a new contract—it will perhaps be August and not May if margin rules are tightened still further. The margins suggested by the Commission are deemed to be so heavy that they are bound to impair seriously the liquidity of the futures market. But the trade might agree to work on the Commission's terms. It may prefer a very thin and anaemic market to the closure of the market.

The spot cotton market continues to hold firm, although business has dwindled appreciably. The mills have already utilised the bulk of their quotas of indigenous cottons. The crop movement continues to be slow. This has helped the market to hold firm despite the absence of any aggressive mill buying because of the quota system. Fairly good business has been put through in foreign cottons over the past few weeks. Actual arrivals up to January 30 total only about 1.8 lakh bales but imports are expected to increase appreciably from March onwards.

The recent visit of the cotton trade delegation to New Delhi has not been altogether in vain. The delegation had gone there to persuade the Government to remove the control on cotton prices with a view to stimulating production which had lagged far behind the Plan schedule.

REVISED CONCESSIONAL RATES FOR TRUNK TELEPHONE CALLS

EFFECTIVE FROM FEBRUARY 1, 1960

The concessional rates for telephone trunk calls, available during various periods of the day, have been revised with effect from February 1, 1960. The new rates and the periods during which these are applied from that date are as follows:—

All days other than Sundays and Telegraph Holidays

PERIOD	RATE
00.00 hrs. to 05.00 hrs.	Full rate
05.00 hrs. to 06.00 hrs.	40% of full rate
06.00 hrs. to 09.00 hrs.	70% of full rate
09.00 hrs. to 20.00 hrs.	Full rate
20.00 hrs. to 23.00 hrs.	70% of full rate
23.00 hrs. to 24.00 hrs.	40% of full rate

Sundays and Telegraph Holidays

00.00 hrs. to 07.00 hrs.	Full rate
07.00 hrs. to 24.00 hrs.	50% of full rate

All rules regarding the facilities available during the concessional periods remain as before except that there is no advance booking for concessional rate trunk calls.

POSTS AND TELEGRAPHS DEPARTMENT

Controls being an essential feature of planned economy, the Government is in no mood to do away with it in respect of cotton, particularly because it forms the raw material of India's biggest industry. But it is reported to be willing to consider an upward revision of the ceiling prices to provide the necessary incentive for increasing the output of cotton. The East India Cotton Association is likely to submit a detailed scheme suggesting the extent to which the ceilings should be raised in respect of different varieties for the 1960-61 season.

Oilseeds

SCALING NEW PEAKS

OILSEEDS continue to boom. Groundnut, cottonseed and linseed have already established new highs since 1953. Castorseed have risen above the highest levels of the past two years. A further rise of Rs 12 per candy will take them to the 1957 top, the highest since 1952. About the middle of January groundnut February were quoted at Rs 202, cottonseed February at Rs 147 and castorseed May at Rs 171, all per candy. But last week groundnut February were bid up to Rs 219, cottonseed February to Rs 159 and castor May to Rs 188. During the same period linseed May have risen from Rs 34.62 to Rs 35.37 per cwt.

The rising trend in groundnut prices reflects essentially the precarious balance between internal demand and supply. The situation has been made more difficult by the export effort which has to be made even when there are no clear exportable surpluses. Margins and warnings to speculators are no substitutes for physical shortages. It is therefore scarcely surprising that they have failed to check the rising trend in prices. The continued high premium enjoyed by the spot material and the tender of barely 300 candies against the February contract up to now indicate the tight supply position of the commodity. Of course, the premium on the February contract over May is suggestive of an element of speculative hold on the market. The Oilseeds Exchange has secured the Forward Markets Commission's approval to a ceiling of Rs 225 per candy for groundnut hedge and delivery contracts, which would seem to imply that the Commission might not take any further action so long as the rate remains below Rs 225 per

candy. But in view of the heavy margin of Rs 106.25 per candy at above Rs 212.50, only the privileged few can take interest in the futures market.

On the export front, activity over the past few weeks has been confined only to groundnut H P S and castor oil. Export of groundnut oil has not been permitted after November end. Linseed oil has continued to be out of world parity since quite a long while. Groundnut oilcakes which had been having a roaring business for long have been out of favour for some time. Exporters have been unable to put through any important business since the beginning of the year. Overseas prices have come down by about £ 3 per ton. The immediate outlook is considered unpromising. But groundnut H P S have been very active. Very little remains to be sold out of the existing 20,000-ton quota. Apart from India's traditional customers, some of the Communist countries are also reported to have purchased sizable quantities of H P S recently. Canada, of course, has continued to be the single largest buyer. Exporters seem confident about selling further large quantities of H P S to Canada at around £ 100 per ton — the highest price since long. It would be unfortunate if the opportunity were to be missed for want of an export quota merely because of the high internal prices. Foreign exchange has to be earned.

CASTOR EXPORTS

Castor futures have recorded a spectacular rise recently. But it is not merely because the penal margin on groundnut has turned speculators' attention to castor where the margin rate is only Rs 20 per candy. The spurt in castor reflects mainly the improved export outlook for Indian castor oil. Fairly large sales are reported to have been made to the U S since the beginning of the year. Estimates of business range from 5,000 to 10,000 tons. With its consumption running high and fresh supplies from Brazil at a standstill, the U S buyers have been evincing keen interest in India castor oil at progressively rising prices, the latest quotation being mentioned at around 15.60 cents per pound for Commercial variety. The availability of cheaper freight has helped export business. Against the previous scheduled rate of 25 dollars per ton, freight can now be had at around 18 dollars. The bulk

freight for oil from India to the U S has been placed on the free market list. Brazil's 1959 crop had been substantially lower than in the previous season. Estimates about the 1959-60 crop in India — the second largest producer in the world — have also been revised down from 1.45 lakh tons to 1.15 lakh tons. The carry-over from the previous season has been small. India was able to sell nearly 27,000 tons of castor oil outside the U S in 1959. With the marked revival of American buying this year, the outlook for castor oil export and prices is really encouraging. And the rise in castor prices is not something which has to be viewed with anxiety. On the contrary, it is welcome because it means larger foreign exchange earnings.

In the absence of any fresh export business in oil or oilcake, linseed prices have been rising mostly in sympathy with the strength in other seeds. Linseed oil is now about the cheapest, which makes mixing with other edible oils attractive. Cottonseed prices have continued to edge their way up because of the serious shortfall in the cotton crop this season. Following are the figures of shipments from Bombay in January of oils, oilseeds and cakes: Groundnut oil 1,893 tons, linseed oil 1,830, castor oil 4,585, groundnut expellers 11,525, extractions 15,470, linseed cake 5,337, niger cake 150, mowrah cake 49, groundnut H P S 2,832 and sesame seed 327 tons.

Money

STRINGENCY PREVAILS

THE short-term money market is tight, very tight indeed. But this is the time for it. Busy season is in full swing. Subscriptions to new issues have also caused a considerable pull on the market. Even so, money rates have continued to stay put over the past many weeks, with the inter-bank call money rate quoted at 3-½ per cent for exchange and bigger Indian banks. The treasury bill rate, however, has risen from 2.42 per cent in the first week of January to 2.58 per cent.

Between January 1 and 29, scheduled banks' advances have risen from Rs 976.66 crores to Rs 1018.92 crores which is really an impressive rise. But banks have been able to meet the increased demand for funds mainly by drawing their cash and balances with the Reserve Bank

which have declined by about Rs 39 crores during this period. Borrowings from the Reserve Bank are actually down by Rs 5.2 crores at Rs 27.02 crores. Investments, too, are up from Rs 763.79 crores to Rs 784.63 crores but of this increase the State Bank accounts for a rise of nearly Rs 15 crores, presumably due to inflow of P L 480 funds. Deposits have continued to maintain their upward trend though the total increase between January 1 and 29 has been only of the order of Rs 11.83 crores.

The tightness in the short-term money market has had its effect on the Gilt-edged market. Prices have come down by 15 nP to 25 nP from their highest levels, the easiness being particularly marked in the medium-dated issues. The Reserve Bank has been reported as the only important buyer and that too in a switch, offering long-dated issues in return. The Life Insurance Corporation has been taking small interest in the State Loans now and then.

Bullion

FIRM DESPITE MARGINS

BULLION by-laws have recently been amended to discourage bullish activity. Margins have been very stiff. They could hardly be made stiffer without seriously affecting liquidity of the market. But all this has failed to arrest the rising trend in prices. Gold Maha delivery did react sharply from Rs 133-10 on January 22 to Rs 129 on February 4 but it was up again at Rs 133-1 on February 8. The steep decline recorded over a fortnight has thus been nearly made good in a matter of few days. The setback had been essentially technical. Bulls have still a firm grip over the market because of their control over the floating supplies. This is evident from the high backwardation charges of about 11 annas—the spread between the current Maha and Phagan contracts. This is the price which bears in Maha delivery have to pay to transfer their interest to the next Phagan delivery. Silver has been moving up and down between Rs 213 and 214 over the past few weeks.

That bullion prices should continue to hold remarkably firm despite heavy margins will surprise only a few. The imbalance between demand and supply is serious. Fresh supplies are limited. Meanwhile the traditionally busy season is in progress. Prices might develop a soft tendency

during the slack season. The daily turnover in bullion futures has, however, declined appreciably because of the heavy margins. But few need regret if forward trading in bullion comes to an absolute standstill.

Company Notes

Scindia Steam

THE biggest shipping company in the country, Scindia Steam, completed forty years of its eventful career in June 1959. Its cargo tonnage now exceeds 250,000 GRT while passenger-cum-cargo steamers account for another 10,600 GRT. Two shipping subsidiaries together have a tonnage of 16,000 tons. The aggregate tonnage of Scindias is, therefore, 278,000 tons.

The freight market continued to be depressed in 1958-59. Expansion of tonnage enabled Scindia Steam to carry larger cargo. Freight earnings went up from Rs 13.64 crores to Rs 16.59 crores, but the gross profit margin on them declined steeply from 21.4 per cent to 13.6 per cent. Net profit, including development rebate, went down from Rs 1.81 crores to 1.32 crores. Earning on capital invested, therefore, came down from 5.5 per cent to 4 per cent; on net worth, from 11.3 per cent to 8 per cent; and on share capital, from 16 per cent to 11.7 per cent. Dividend is 6.5 per cent gross against 6.25 per cent net in the previous year.

The gross value of the company's fleet is Rs 32 crores against Rs 29 crores. Like other shipping companies, Scindia also depends on Government loans for expansion of fleet. Its debt liability to Government continues to exceed Rs 9 crores. Its cash balance alone is, however, Rs 5.34 crores against Rs 8.90 crores.

Scindia Steam has 6 subsidiaries, one of which is an insurance company and two shipping companies, Bombay Steam is still running at a loss, while Jalanath Insurance and Scindia Workshops are breaking even. Barring the London subsidiary, the others, Eastern Bunkers and Kamal Shipping, are doing very well. The company has 37,700 shareholders.

Indian Oxygen

THE only producer of oxygen in the country, Indian Oxygen, a subsidiary of British Oxygen, is now celebrating its silver jubilee. It was incorporated as a private limit-

ed company in 1935 by taking over the oxygen and acetylene interests of three firms. Today it produces oxygen and dissolved acetylene at ten centres; operates additionally five oxygen compressing stations, one electrode factory, one equipment factory and one cartridge factory; and distributes its products through a further twenty sales depots at places far removed from production centres. Current plans envisage the expansion of existing works and opening of new gas producing and compressing works. The first argon plant in the country, installed at Burnpur, is due to be commissioned this year. Fresh capital expenditure in the year ended September 30, 1959 amounted to Rs 65 lakhs.

Sales during the year fetched Rs 5.54 crores against Rs 4.86 crores, and the gross profit margin on them improved from 17 per cent to 19 per cent. Net profits went up from Rs 38 lakhs to Rs 53 lakhs. Earnings on the capital invested rose consequently from 9.3 per cent to 12.3 per cent; on net worth, from 13.3 per cent to 17.5 per cent; and on share capital, from 19 per cent to 26.5 per cent. Dividend has been raised from 10 per cent net to 15 per cent gross. Indian Oxygen is, thus, one of the few companies to maintain net distribution to shareholders.

The company has successfully concluded arrangements for a sterling loan equivalent to US \$950,000 from ICICI, and another loan of £225,000 from the Commonwealth Development Finance Company. The latter loan has enabled the company to repay a special loan of an equivalent amount from the holding company, which had been drawn in the previous year to finance the import of capital goods needed for expansion. The company is assessing the possibilities of expansion in the Third Plan period.

Standard Batteries

THE net sales of Standard Batteries during the year ended June 30, 1959 went up impressively from Rs 65 lakhs to Rs 90 lakhs; and the gross profit margin on them improved from 11.5 per cent to 14 per cent. Net profit is higher at Rs 4.73 lakhs against Rs 3.56 lakhs. Earnings on the capital invested have, therefore, gone up from 5.7 per cent to 6.4 per cent; on net worth, from 12 per cent to 14 per

cent; and on share capital, from 14 per cent to 16 per cent. Dividend has been raised from 8 per cent net to 14 per cent gross, which more than compensates shareholders for the withdrawal of the grossing-up facility.

The company has made arrangements with technical collaborators, for installing a plant for the manufacture of P_g tubes in its works. The machinery has arrived and will be commissioned shortly. With the completion of this programme, Standard would be manufacturing 100 per cent of the components of its batteries. Several important technical improvements have been made in the company's products. Technical and Development departments have been further expanded. These Departments make a special effort to develop indigenous sources of supply in respect of various critical raw materials and to locate alternative sources, both indigenous and foreign. This effort has yielded fruit.

CENTRAL RAILWAY

THE Central Railway, which till 1957-58 had recorded improvement in the utilisation of line, engine and wagon capacity, paused for breath in the following year. This is not to deny that it carried more than it had done in the past. Tons originating rose from 16.67 million in 1957-58 to 19.20 million in 1958-59. This larger volume was transported through an increase in wagon capacity.

It is true that the frequency of goods trains increased but this was not due to improved operational efficiency which actually declined somewhat. The average speed of goods trains declined from 10.3 on broad gauge and 9.11 on the metre gauge in 1957-58 to 9.97 and 8.74 respectively in the following year. Wagon miles per wagon day on the broad gauge declined to 53.8 in 1958-59 from 58.2 in 1957-58, as did the net ton miles per wagon day, to 762 from 853. Engine utilisation, too, declined in 1958-59. Engine hours per day per goods engine in use on the broad gauge fell to 14.5 from 14.7 in 1957-58. Freight ton miles per goods locomotive day in use declined to 43.9 thousand from 46.0 thousand.

Natural calamities, rather than any tendency to rest on laurels, led to this all-round decline in operational efficiency. There was shortage of electricity in the Bombay Divi-

sion, where electric traction prevails; acute water shortage in many centres in summer; and exceptionally heavy rainfall flooded tracks and there were washaways and breaches during the monsoon. There are other reasons too: a strike in the Bombay docks in 1958 which held up traffic; large-scale absenteeism outside Bombay Division (why?); movement of traffic to Northern Railway, via New Delhi, of food-grains from December 1958, etc.

Notwithstanding the decline in operational efficiency, the Central Railway offered better service during the year than in the past. The number of 'Express Goods' trains rose from 493 in 1957-58 to 541 in 1958-59. And there were improved amenities to passengers too.

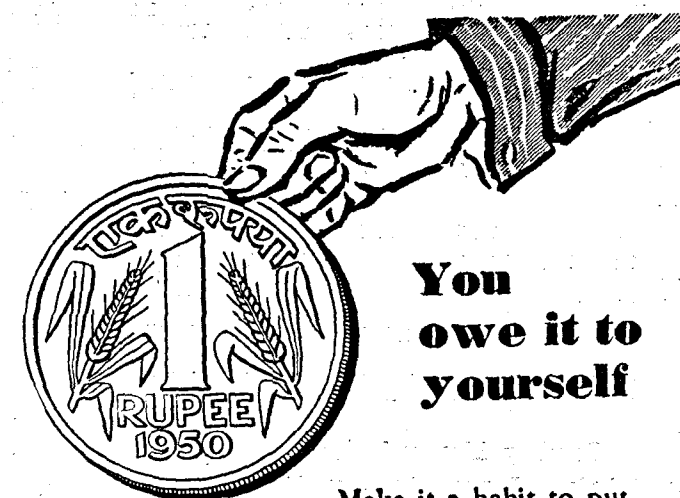
D L F Loans

The programmes and projects considered suitable for financing by the U S Development Loan Fund

were discussed with Mr Vance Brand, Managing Director of the D L F, during his visit to the capital last month, the Deputy Minister of Finance, Shri B R Bhagat said in Lok Sabha.

The Deputy Minister said that the negotiations had not concluded and were being continued in Washington by the Commissioner-General for Economic Affairs. He was asked whether the Government and the Planning Commission had fixed any ceiling on foreign loans. The Deputy Minister replied that it had been repeatedly stated that the capacity of the country to repay would be one of the considerations in taking foreign loans. So long as the country had the capacity to repay, he felt it was desirable to go in for foreign loans.

Answering a supplementary, he said that he expected the next D L F loan to be much more than 100 million dollars.



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(ESTABLISHED 1895)
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CURRENT STATISTICS

BANKING RETURNS

	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
Reserve Bank				
1. Note Circulation	1796.80	1767.44	1775.08	1658.09
2. Rupee Coin	127.20	129.99	129.81	132.17
3. Deposits				
(a) Central Govt	49.25	49.78	64.37	50.44
(b) Other Govts	25.74	21.27	12.54	21.79
(c) Banks	66.29	73.75	68.25	67.95
(d) Others	119.36	119.65	112.43	115.70
4. Foreign Securities	163.01	163.01	163.01	164.68
5. Balances abroad	44.34	43.98	48.35	26.01
6. Rupee Securities	1407.34	1377.36	1377.43	1254.78
7. Investments	202.40	217.33	183.46	253.56
8. Loans and advances to Govts.	21.75	20.27	24.55	27.90
9. Other Loans and Advances	121.04	107.80	102.89	90.30
Scheduled Banks				
1. Demand Liabilities (net)	742.01	739.28	717.25	698.26
2. Time Liabilities (net)	1115.40	1111.02	1110.83	886.66
3. Cash	114.06	119.19	114.11	112.00
4. Borrowings from Reserve Bank	27.02	24.14	11.82	39.56
of which				
Usance Bills	4.31	3.45	0.11	5.11
5. Advances	859.93	846.99	812.18	784.42
of which				
State Bank's	160.46	154.88	152.10	167.76
6. Bills Discounted				
Inland	112.66	111.67	106.16	97.61
Foreign	46.33	48.07	46.17	38.92
Total	159.00	159.74	152.33	136.53
of which				
State Bank's	16.54	16.69	14.66	13.00
7. Invst in Govt Sec	784.62	778.86	787.82	635.28
of which				
State Bank's	393.88	388.22	387.53	276.03
Cheque Clearance	196.40	174.28	240.43	179.57

† For Reserve Bank Week ended 5-2-1960. Scheduled Banks and Cheque Clearance week ended 29-1-1960.

Bombay Money Rates

(Selected Scheduled Banks other than State Bank)
(per cent per annum)

	29-1-1960	Week Ago	Month Ago	Year Ago
Call Money				
From Banks	3½	3½	3½	3½
Deposits				
Seven Days	3-3½	3-3½	3-3½	3-3½
Three Months	3-3½	3½	3-3½	3½-4
Six Months	2½-3½	2½-3½	2½-3½	3-4

Bombay Bullion

(In Rupees and nP)

	11-2-1960	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	132.22	129.06	129.09	117.37
Forward	131.78	129.22	129.53	117.37
Silver (per 100 tolas)				
Spots	213.19	211.69	213.31	194.47
Forward	213.81	212.40	214.56	194.97

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Week Ended	23-1-60	16-1-60	26-12-59	24-1-59
Group and Sub-group				
Food Articles	118.1	118.4	116.7	115.1
Cereals	103.1	102.1	99.2	105.7
Pulses	91.6	91.5	91.8	121.3
Fruits & Vegetables	107.4	108.4	111.1	113.1
Milk & Ghee	108.3	108.8	105.4	102.1
Edible oils	132.2	131.0	128.9	121.0
Fish, Eggs & Meat	114.5	114.5	114.4	109.0
Sugar & Gur	142.9	143.7	147.0	128.8
Others	183.6	189.7	186.8	151.7
Liquor and Tobacco	100.5	101.0	102.5	105.5
Tobacco	99.0	99.5	101.1	104.5
Fuel, Power, Light & Lubricants	117.1	117.0	117.0	115.1
Industrial Raw Materials	131.4	131.0	129.2	115.7
Fibres	125.0	126.9	128.0	107.2
Oilseeds	138.4	135.6	131.8	127.5
Minerals	95.2	95.2	95.2	107.3
Others	132.6	132.4	128.6	110.4
Manufactures	116.0	116.6	114.2	108.5
Intermediate Products	121.3	122.2	118.6	110.6
Finished Products	115.2	115.6	113.5	108.2
Textiles	114.3	115.0	111.4	101.8
Cotton	124.4	124.4	119.5	110.6
Jute	94.2	97.1	97.3	84.3
Woollen	104.2	104.2	104.2	105.9
Silk & Rayon	105.2	105.2	99.1	91.1
Metal Products	145.1	145.1	144.6	143.1
Chemicals	107.0	106.9	107.0	111.4
Oil cakes	147.0	148.2	144.6	147.8
Machinery & Transport Equipment	106.1	106.1	105.9	104.6
Others	112.3	112.3	113.9	114.1
All Commodities	119.2	119.4	117.6	113.1

COAL PRODUCTION AND DISTRIBUTION

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

	Raisings	Despatches	Stock at Pit heads*
1956	3,286	2,913	2,766
1957	3,625	3,140	3,279
1958	3,778	3,362	2,764
1957: 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	3,523
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	2,922
Sept	3,848	3,475	2,885
Oct	3,747	3,474	2,682
Nov	3,688	3,374	2,572
Dec	4,149	3,506	2,764
1959: Jan	4,086	3,436	2,905
Feb	3,939	3,112	3,238
Mar	3,955	3,487	3,195
April	3,984	3,529	3,153
May	4,015	3,396	3,281
June	3,815	3,356	3,279
July	3,860	3,594	3,083
Aug	3,750	3,609	2,805
Sept	3,936	3,584	2,694
Oct	3,608	3,426	—

*At or about the end of each period.

Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

INDUSTRIAL PRODUCTION—1
(Monthly Average or Calendar Months)

	Cement	Asbestos cement sheets	Coal	Inte mfgs	Copper	Sulphuric acid	Soda ash	Caustic soda	Chlorine	Power alcohol	Refined spirit	Denatur- ed spirit
	(000 tons)	(000 tons)	(000 tons)	(000 tons)	(000 tons)	(000 tons)	(000 tons)	(000 tons)	(000 tons)	(000 tons)	(000 tons)	(000 tons)
1958	505.7	15.5	3,778	88.5	140.4	18.9	7.5	4.8	1.7	735.5	512.7	327.7
Nov	456.7	14.9	3,688	87.0	134.2	19.7	6.6	5.0	1.9	518.9	530.9	356.4
Dec	522.2	16.3	4,149	96.5	156.0	20.9	9.1	5.3	2.0	781.3	607.8	422.5
1959: Jan	499.7	14.6	4,086	92.1	150.5	22.1	9.4	5.2	1.8	808.4	651.8	333.5
Feb	500.8	13.8	3,939	83.6	136.7	20.4	8.0	4.8	1.7	915.9	496.0	373.9
Mar	585.3	15.6	3,955	83.3	141.5	22.1	8.4	5.2	1.9	881.2	724.9	425.2
April	602.1	11.8	3,984	84.4	139.9	20.0	7.8	4.7	1.7	780.0	641.3	348.9
May	592.9	8.8	4,015	86.8	136.5	21.5	7.1	4.7	1.7	631.2	520.6	409.0
June	581.8	13.9	3,815	82.7	135.7	21.5	8.4	5.1	1.7	571.9	721.4	427.8
July	562.0	17.9	3,860	89.6	146.3	21.0	7.4	5.5	2.0	509.8	569.0	400.1
Aug	535.2	17.6	3,750	86.9	144.0	22.0	7.5	5.5	2.3	549.7	556.2	243.5
Sept	559.5	17.2	3,936	92.6	148.1	21.5	7.5	5.7	2.4	496.4	434.6	374.4
Oct	583.0	17.6	3,608	87.9	147.6	—	—	—	—	—	—	—
Nov	611.7	15.9	—	—	—	—	—	—	—	—	—	—
1958	542	287	14.0	32.0	174	245.6	29.20	25.3	34.7	49.3	11.3	317
Nov	642	218	12.5	34.1	148	249.6	17.86	25.9	36.3	46.3	13.5	295
Dec	580	304	13.3	36.6	193	279.9	29.83	45.4	47.4	46.3	13.4	349
1959: Jan	539	326	16.5	35.6	195	231.4	36.04	17.9	43.3	41.8	12.6	319
Feb	423	300	16.3	35.2	326	243.9	33.45	17.8	40.1	42.0	11.3	287
Mar	583	292	14.4	34.8	330.6	243.9	33.45	17.8	40.1	42.0	11.3	321
April	500	315	15.0	24.5	330.6	243.9	33.45	17.8	40.1	42.0	11.3	311
May	492	319	15.5	28.3	317	288.9	30.27	11.4	47.6	44.7	15.7	320
June	398	347	19.3	32.6	335	277.5	39.97	5.8	54.1	30.0	6.3	312
July	363	393	18.6	30.8	778	277.5	28.61	12.5	29.4	18.9	5.9	321
Aug	411	399	27.9	33.0	733	312.5	22.90	12.0	24.1	19.3	6.8	286
Sept	390	402	25.0	33.5	669	403.6	25.36	14.9	31.9	21.1	6.5	217
Oct	310	—	26.0	—	410	396.6	—	—	30.4	15.6	7.6	217
Nov	377	—	—	—	540	359.9	—	—	44.1	22.9	5.8	483

— = not available

Source: Directorate of Industrial Statistics

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A Reversal over China?

THE Prime Minister's rather sudden invitation to Mr Chou En-lai to come to Delhi for talks on the border dispute has once again brought the whole of his China policy under fire from the Opposition. Mr Nehru has been accused of having reversed his previous policy of "firmness", and of having brought "national humiliation" to the country as a result of this reversal. It is necessary to examine these charges and see how far they are justified.

The first point to be noted is that this tremendous indignation against the "reversal" of policy in regard to the China question comes from the very people who were tremendously indignant about the original policy from which the reversal is now supposed to have taken place. This is hardly reasonable. If the original policy adopted by the Prime Minister was as bad as the Opposition made it out to be, there ought to be, if anything, jubilation at the fact that that policy is being reversed. But the Opposition is nothing if not versatile: it can be indignant with anything. Mr Nehru was originally charged with a lack of firmness; now we learn that he had in fact been admirably firm at the start, and it is only now that he is showing signs of weakening.

A relevant question to ask is: What was Mr Nehru's original policy, and in what way can it be said to have undergone a change now? When the Chinese first crossed into our territory and occupied large chunks of it, there were three courses of action open to the Indian Government. It could (a) mobilise all its physical resources and try to throw out the Chinese by force; (b) ask the Chinese to withdraw voluntarily and then sit round a table with us to discuss and, where necessary, make minor adjustments of the present border; (c) quietly accept the new position. It chose the middle course of demanding that Peking should vacate its aggression of Indian territory and then negotiate minor adjustments of the McMahon Line with New Delhi. Does Mr Nehru's latest letter to Mr Chou En-lai depart from that policy?

Even the most virulent of the Opposition critics in Parliament this week has had to admit that the letter does "not concede anything" to the Chinese; the objection is that, having in the past clearly declared that he would not meet the Chinese Prime Minister unless certain basic conditions had been met, Mr Nehru has now offered to meet him unconditionally. This criticism is, indeed, valid. If the Prime Minister had to meet Mr Chou En-lai, why did he not accept the latter's own invitation some time ago? At that time Mr Nehru had declined the invitation by saying that the area of disagreement between the Indian and the Chinese positions was so large that a meeting of Prime Ministers could serve no useful purpose. A very legitimate question to ask now is: In what way has that position changed? Has the area of disagreement shrunk?

To this extent the Prime Minister is, indeed, at fault. But his error is of a very different nature than what is suspected by the Opposition. It is not that the Prime Minister has suddenly become less realistic now; it is rather that he is correcting a strange unrealism of the past. His original refusal to meet the Chinese Premier was not judicious — for the simple reason that if you do not want to fight, and at the same time you do not want to give up what has been taken away from you, you simply have to talk.

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This business of "firmness" is all very well; but it is often grossly misunderstood. For a country like ours, which wants to do everything possible to avoid being involved in a shooting war, "firmness" has a very limited meaning. What do the Prime Minister's critics want him to be firm about? About not conceding China's right to the territory it has forcibly occupied? Well, on that point he is as firm as he possibly can be. But beyond that what? Should he be firm in his refusal to meet the Chinese Premier, or, having met him, to "negotiate" a settlement? The Prime Minister himself is guilty of a certain form of casuistry at this stage. He has allowed it to be explained on his behalf that a meeting is not necessarily a negotiation. Strictly speaking, of course, that is true. But when the Prime Ministers of two

countries involved in a serious dispute get together, surely they will not talk about the weather? Perhaps the Prime Minister will say that they will discuss the dispute but not negotiate any terms for its settlement. This explanation would not be much better; because unless the discussions have an aim — and the only possible aim can be that of finding terms for a settlement — they are utterly valueless and unnecessary.

The fact of the matter simply is that, force having once been ruled out, there is no alternative to discussions and negotiations. There remains the question of when such discussions or negotiations should take place. It is true (and as we have said, this is where Mr Nehru made the initial error) that we were committed until now to have no discussions with China until their

aggression of our territory had first been vacated; but to persist in that mistaken commitment is to risk an endless continuation of the present position — a position, incidentally, which suits the Chinese perfectly; but which, if continued indefinitely, would put our own rights and claims in serious jeopardy.

What the Government's critics have to understand is that it is vitally necessary to move on from the present position; and that the only way to make a move and keep the question alive is to agree to have a meeting with China. It might be a sobering thought for the Opposition to reflect that its own hysterical attacks on Mr Nehru's original statement on the Chinese aggression may have been responsible for the over-emphasis that statement placed on our refusal to talk except under impossible conditions.

Fighting Rural Exodus

RURAL stagnation, migration of population from villages into towns, over-crowding of cities, growth of slums and acute shortage of housing — this is the stereotyped picture of the Indian economy. The excuse for reviving this imagery which has been ridden to death — pardon the mixed metaphors — is that all these have come up in this week's news. The Government of India has been gravely concerned, according to a news item, at the high rate of exodus of population from the villages into towns, and has accordingly decided to set up a study team to examine the various facets of the problem and to formulate a scheme for rural-cum-urban projects on an agro-industrial base. The phrasess, equally standardized, may be noted: 'urban-cum-rural' and 'agro-industry.' The purpose of this team would be to generate additional employment opportunities. The team has to submit its report within three months.

The Planning Commission has submitted a memorandum on the utilisation of man-power in rural areas, which was laid before the Rajya Sabha also during the week in response to a question by a member whether the Planning Commission had decided to have voluntary labour of 100 hours in the service of the nation from every citizen of the country. But it goes much beyond this specific question. The suggestions for the utilisation of

man-power, try to demarcate the areas where voluntary labour would be asked for and where labour would be paid for at the village rate. The latter is largely to be confined to schemes which will enable village communities to build up remunerative assets. Free labour comes in specifically in the minimum programme for amenities for rural areas approved by the National Development Council. These are three-fold: supply of drinking water; roads linking each village to the nearest main road or railway station; and village school building. To enable each village to provide itself with these amenities, contributions will have to be made by the local people mainly in the form of free labour (Shramdan) and "to the extent necessary in the form of money". Labour contribution will be prescribed by the village panchayats subject to a limit laid down by law which of course will be passed by the State Governments.

But apart from these triple amenities, labour contributions are also implied in the obligations which are increasingly being imposed on the rural population by legislation, e.g., for the construction of field channels for irrigation, de-silting and maintenance of canals, bunds and tanks and also on a wider range of developmental work such as contour bunding for prevention of soil erosion and limited affore-

station. All these add up to the capital assets or economic services for the community, though they do not come within the calculus of the individual cultivator, big or small. It is in the search for a solution of this crucial problem that China was forced to move from cooperative farming to the organization of communes. The thinking of the Planning Commission is fundamentally on the right lines. The fallacy lies in thinking that all these can be done and a workable system can be evolved through village panchayats without any basic changes in village society and the pattern of land holding. With subsidiary occupations added in the shape of small-scale and village industries, this makes up the picture of balanced village economy which the Planning Commission has outlined in its memorandum.

If all these could be done, rural population will not be pushed out. The study team earlier referred to is expected to suggest operations at the other end and recommend how to provide facilities for industrial development at the block level in order to reduce the 'pull of urban industry on the village people'. But, if this is to be done—as the press report suggests—by establishing rural-cum-urban townships at block headquarters, would it not be curing over-urbanisation by another kind of urbanisation?

Improvement in the Utilisation of Irrigation

THE non-utilisation of irrigation potential which had been built up at such heavy cost had at one time been a recurring theme in the speeches of the Deputy Chairman of the Planning Commission. The Prime Minister and the then Minister of Irrigation are also on record for indicting non-utilisation of irrigation potential in no uncertain terms. Speaking as late as July 23 last year at the Annual Conference on Community Development, Shri V T Krishnamachari reiterated that "there is a large disproportion between the potential irrigation facilities which had been created and the actual irrigation" and concluded that "in the remaining period of the Second Plan and in the Third Plan, we should attach the highest priority to works needed for the completion of the projects already started, so as to get the maximum utilisation of the facilities and to carefully designed drainage works in such irrigation projects. All States should see that at the same time as the new canal system is ready, excavation of field channels by the beneficiaries is completed...."

Though on this occasion, V T did not mention the actual percentage of non-utilisation, he had done so earlier in 1958. "In the First Five Year Plan", he had said, "irrigation facilities were available for 8 million acres from major projects, that is, the canal system that had been completed by the Government agency for this area. Only 4 million acres were actually irrigated. This is largely because the field channels, which are the obligation of the villagers, were not completed though in some cases the canal systems had been badly designed and carried out."

At the time when the Planning Commission was much concerned about it, it had sent out special officers to probe into the causes of non-utilisation and recommend remedial measures. The results have now been given out by Shri Jaisukhlal Hathi in a statement presented to the Lok Sabha during the week. There is nothing much in the recommendations. These are what could be expected—construction of field channels right up to the village plot, compulsory water rates on which irrigation engineers place major reliance, tempered by concession during the first years of deve-

lopment, and the measures for developing agriculture generally. The significant point about Shri Hathi's statement is that utilisation of irrigation water has not been poor at all. On the contrary, taking India as a whole, the utilisation was 75 per cent of the potential created up to March 31, 1958, which irrigation engineers would not consider to be unsatisfactory 'in normal times'.

A curious feature of this note is that the irrigation potential for All India is shown at 6.7 million acres at the end of March 1958, as against 8 million acres at the end of the

First Plan given out by V T, of which only 4 million had been utilised. Is the improvement merely computational, or has much progress been made as a result of the strong criticisms voiced by New Delhi two years ago? Of course, even when non-utilisation was being indicted, official irrigation experts never accepted the charge. It will be surprising if they were to accept it today. Have we then got the final answer to the question raised in these columns: 'Colossal Waste or Remarkable Achievement?'—in the issue of September 6, 1958?

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Weekly Notes

Collective Bargaining in Shipping?

THERE was nothing exciting at the last meeting of the Export Promotion Advisory Council, despite the optimistic note struck by Shri Lal Bahadur Shastri in his opening address. Exports have performed better than had been expected. There was some scope for further improvement, perhaps substantial improvement, in a few items. Whether the recent improvement can be maintained or not was one of the questions raised, to which there was a rhetorical answer running on well-known lines — “no easy solution, . . . we cannot relax, . . . there is no alternative for us but to step up our exports further”. Any way, the Commerce and Industry Minister set a reasonably modest target of Rs 50 crores more for the year and that is the order of expectation for the next Plan period.

In the process of exploring new avenues of export earnings, apart from the promotion of engineering exports in which progress is not considered satisfactory, and a more extended role of State Trading in organizing exports of the products of smaller industries such as processed fruits, handicrafts and spices, a tentative proposal has been put up for mobilising the shipping services and enlisting their support for export promotion. This covers a wide area — the system of rebates in Conference Lines, getting a reduction in shipping rates, persuading the Shipping Companies to run services in certain trades in which the volume of trade is limited or in which trade is developing slowly and so on. The suggestion, in short, is that of collective bargaining, and for exporters, big or small, to unite. Can Indian exporters combine and enter into collective bargaining in order to get the shipping facilities which are needed for promotion of exports and also to secure reduction in shipping freights?

Of course, eye brows will be raised in high places. Shipping companies being better organised than the shippers or the large body of exporters, it is not difficult to guess to whom the advantages of combination are likely to go. The first condition however, of collective

bargaining in every field is successful combination. Examples are not wanting of big combines which negotiate directly with the shipping companies and get the best rates and adequate services. The Australian Wheat Board and Wool Exporters' Association have been known to be powerful and effective bargainers. Could a heterogeneous body made up of Chambers of Commerce, Export Promotion Councils, etc., function in that capacity? The question has only to be put in so many words to arouse scepticism. The idea, nevertheless, is worth exploring. But, if it is to take a practical shape, the State Trading Corporation has to figure in any such move in a big way, to the extent that all Governmental shipping is centralised in its hands. Economies of scale and advantages of rationalisation are factors of some importance even in the economics of shipping and so the move need not be damned at the outset as one of calling upon the shipping companies and ship-owners to shell out their own money to subsidise our exports.

Idle Capacity in Railways

THE announcement of a five per cent increase in railway freights has not come as a surprise. The Freight Structure Inquiry Committee had suggested an increase of 13 per cent. The proposed increase along with the one effected last year totals only 9 per cent so far. The increase is justified and overdue. The only snag is that its announcement is likely to divert public attention from some of the more important features of the working of railways. The most important question concerning the railways at present is not freight rates but utilisation of their greatly enlarged capacity and the maximum possible economies in their investment programmes which draws heavily on foreign exchange. The Railway Minister's speech has little or nothing to say about either of these subjects, though he has taken care to emphasise the ‘dominant role’ of railways in this expanding economy.

When the Second Plan was being drafted, the Railway Board expected demand for freight to rise from 120 million tons to 181 million tons, and wanted some Rs 1400 crores

to rehabilitate and modernise their equipment to carry the extra load of 61 million tons. The Planning Commission ultimately allotted Rs 1100 crores to carry an extra 42 million tons but added apologetically that the railways might not be able to carry 100 per cent of the traffic expected by the end of the Plan. The entire increase in capacity was to come from investment in rehabilitation and modernisation; nothing much was expected from more intensive utilisation of existing capacity. As things turned out, the actual freight carried at the end of the First Plan was only 114 million tons. The increase in traffic during the Second Plan period has, so far, failed to come up even to the reduced target for which finance was provided. The first year recorded an increase of 10 million tons, the second of 8.5 million tons, the third of 2.5 million tons only, while the fourth is expected to close with a further increase of about 10 million tons. This leaves 11 million tons to be achieved next year.

The fulfilment of this target is doubtful. More traffic can certainly be expected from larger steel production, the setting up of two oil refineries in the public sector, and increases in agricultural and industrial production, but these are hardly likely to yield an additional 11 million tons. In the meanwhile, the railways appear fully prepared to push through their investment and attain the physical targets for carrying 162 million tons next year. According to the Railway Minister, the demand for wagons during the last and the current year has not caught up with the supply. The existence of idle capacity on the railways had been suspected for long, but this is the first time that it has been officially acknowledged at their own rating of capacity. The railways, however, are satisfied that their operational performance compares favourably with Canada and the U S A; no reference is made to the substantially higher utilisation of capacity in Russia and China, where hauls are of the same length if not longer than in India. The railways have still to realise that their operational performance has to be judged by maximum results from minimum investment.

The ‘eruption’ of idle capacity is officially attributed to slowing down of the pace of growth of the economy and to the diversion of some high-rated tariff to road transport among other things. No reference is made to the increase in capacity brought about by higher train loads, larger wagons and improved wagon usage, though considerable scope for improvement in these and other physical factors still remains, particularly on metre gauge. How far these improvements have contributed to the increase in railway capacity is, perhaps, not known to the railways themselves; if they do know it, they choose to keep the information to themselves, lest, perhaps, they be asked to content themselves with a smaller investment programme and depend on greater efficiency to achieve higher targets. The large-scale rehabilitation and modernisation programme that will be completed by the end of next year should make it all the more necessary for railways to depend more on higher operational efficiency than on fresh investment for carrying larger freight in the Third Plan period. The securing of higher returns from existing rather than installation of fresh equipment was glossed over in the Second Plan. We cannot afford to repeat this mistake in the Third Plan.

Evening Out Coal Traffic

THE Railway Minister has laid considerable stress on the difficulty caused by the wide seasonal fluctuations in demand for coal wagons. He has suggested evening out of the demand by building up of stocks at pitheads during the busy season, and stepping up despatches in the slack season. Coal is the most important single commodity moved on the railways and loading of coal wagons, therefore, largely determines wagon utilisation and railway earnings. Coal wagons should be used to carry other freight, viz, ores, sand, etc. This will reduce the empties. Better utilisation of capacity in the railways hinges to a considerable extent on more rationalised movement of coal, spread as evenly as possible over the year. Given the present financial condition of collieries, and the bearing of despatches on their production, it is perhaps too much to expect them to build up stocks during the busy season and carry them over into the slack season, and face uncertain demand as well. Would it not be

worthwhile to investigate the possibility of differential freight rates for coal to encourage greater demand during the slack season? A rebate on coal freight may be offered during the slack season and a surcharge may be imposed during the busy season. This by itself would not, of course, improve utilisation of capacity on the railways and eliminate the perpetual wrangle between them and the coal industry over the question of wagon supply, but it may offer a partial solution.

The additional increase of 5 per cent in freight rates proposed by the Railway Minister is expected to fetch only about Rs 14 crores. This would be almost wholly absorbed by larger payments to staff following the Pay Commission's recommendations. To that extent, therefore, no net gain would accrue to the railways, as was contemplated by the Freight Structure Inquiry Committee. Moreover, the Depreciation Reserve Fund will stand depleted over the Plan period from Rs 98 crores to Rs 18 crores, despite the stepping up of annual contribution to this Fund from Rs 30 crores to Rs 45 crores per year. The dependence of railways on general revenues in one form or another will, therefore, be still greater in future. The railways have a legitimate claim to play a ‘dominant role in this expanding economy.’ The continuance of the ‘dominant role’ is conditional, however, on better operational planning and achievement of greater economies in investment, of which they have shown inadequate appreciation so far.

Belpahar Refractories in Orissa

BELPAHAR Refractories in Orissa which was formally opened by the Chief Minister of Orissa this week, is a Tata-Didier enterprise. Tata steel and its West German associates, Didier-Werke, have invested Rs 388 lakhs in this plant of which approximately half represents the expenditure in foreign exchange. It starts with a capacity of 67,000 tons of bricks and 10,000 tons of mortar, but the factory is planned, and its plant is specially designed, in such a manner that it will be possible to double its capacity at much less than proportionate increase in cost, especially that of foreign exchange.

While surveying the field of refractories in general, Shri Jehangir Ghandy, Chairman of the Com-

pany, pointed out some of the difficulties ahead. This is a highly specialised field of production requiring special types of raw materials for different types of refractory products and some of these raw materials have to be obtained from long distances, as all of them do not occur in the same area. In the case of Belpahar refractories, for example, magnesite has to be brought from Salem which is many hundred miles away from the steel belt where most of the refractory products are consumed. Hence, there is need for careful prospecting for locating deposits within manageable distance and proving their commercial potential. A serious problem which the industry faces today was highlighted by Shri Ghandy—the problem of preventing mining leases for important raw materials from being cornered by speculators and middlemen. Of course, this is not a problem facing the refractories alone.

Mineral Concession Rules which can ensure the most economic working of mines and the conservation of mineral resources are extremely difficult to evolve, especially in view of the concurrent jurisdiction of the State and the Central Governments in this area. A standard lease form for coal has long been under consideration as also a model lease for other minerals, but a stalemate has been reached because the State Governments have been sitting over both the proposals.

Orissa is destined to figure prominently in the future development of refractories and of many other minerals, because it has substantial deposits of the principal raw materials. The difficulties encountered by Belpahar Refractories in setting up their plant, therefore, are of considerable general interest, especially for the light they throw on the problems of development in an underdeveloped area. There are degrees of underdevelopment. The lack of transport facilities in Orissa stands out, judged either by railway mileage or road mileage per 1000 square miles of area. Secondly, there is lack of power and third, that of trained personnel, despite opening of several technical schools in the State which have yet to come up to any standard. Shri Ghandy was naturally critical of Orissa's lack of enterprise in road building. The State has fallen behind very considerably in

its road programme for the Second Five-Year Plan. But one can also see the other side of the medal—why there should be so little enthusiasm for creating social overheads at a few chosen points, the advantages of which can be availed of, at least for some time to come, only by a few 'outside' interests.

Ceylon Sets a World Record

A Ceylon Correspondent writes:

THE political situation here is still quite fluid — runny might be a better word. Unless some unexpected event occurs, my guess now is that there will not be any landslide as in 1956. It looks as though no party can possibly form a government by itself. Twenty-three parties are entered, probably a world record for number of parties per unit of population, out of which about six can hope to get ten or more seats. No major issue seems to have caught fire up to this point.

The United National Party probably will get the most seats, but it may wind up with having 40 or so with several other parties, the Sri Lanka Freedom Party, the Lanka Sama Samaj Party (led by Dr N M Perera — Trotskyist) and the Mahajana Eksath Peramuna (People's United Front) led by Philip Gunawardene not too far behind, perhaps ranging from 20 to 30 each.

The Mahajana Eksath Peramuna is the big question mark. Gunawardene has joined with a Buddhist nationalist group, and they are pressing the issue of Christian, and especially Catholic, privilege quite hard. It is also the only party that is putting much emphasis on the Sinhalese language question. Since these are the two most explosive areas in Ceylon politics, the Mahajana Eksath Peramuna can make a surge if a strong response is aroused, either by the campaign itself or by some incident that might occur quite gratuitously. So far, though, this doesn't seem to be the case.

Also, local factors of personality and especially caste run so strongly across ideological lines that the whole situation is terribly confused.

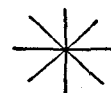
Secular Air of India

"AIR-INDIA is preparing to give a ceremonial welcome to its first jet aircraft. Priests will perform puja and recite Vedic hymns after the plane lands on Sunday".

—Evening News, Bombay, Feb 18.

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SISTA'S-58.15

India-Tibet-China

A Rejoinder

PROFESSOR Owen Lattimore's eminence as a keen student of the history of the inner Asian frontiers of China makes it certain that whatever he may have to say on the boundary dispute between India and China would be followed with close interest. His article in the *Economic Weekly* (Annual Number, pp 135-138,) however, is unable to sustain that serious interest. Curiously enough he has written more in the manner of a diplomat than in the manner of a scholar. He has shunned any serious examination of the historical or legal validity of the respective claims but has remained content with a few observations on negotiations and all that. Negotiations are certainly important and necessary—but it is not for any thing so obvious (even the two contending Prime Ministers also have publicly reiterated the importance of negotiations) that one turns to Professor Lattimore.

Professor Lattimore has bypassed the most important question viz, is there, or is there not, a boundary between India and China? If there is one, as indeed there has to be one, it must lie somewhere. Then where does it lie? In this context his statement that "The frontiers at issue were created neither by the Indians nor by the Chinese, but by the British" becomes incomprehensible. There are many things in Asia which are the creation of foreigners but they are nonetheless valid. The creation of Pakistan or Israel may be readily offered as an example; Korea and Outer Mongolia may also be cited as other examples of foreign creation. But that does not make the existence of these states any the less real. The only question is whether the boundaries created by the British were recognised *de facto*, if not *de jure*, by both the sides. Another question that follows from this one is whether the present stand of the Governments of India and China leads to any major departure from that recognised boundary, if there was one.

The present controversy involves the entire length of more than 2,200

miles of the India-China boundary, with the Chinese claiming about 90,000 square miles of territory over a greater part of which the exercise of jurisdiction by the Government of India has been beyond doubt for at least about a century now, and which has been recognised and used by the Indians as part of India during all these years. There are two major areas of conflict: the McMahon Line marking India's borders with China in the northeast and the Ladakh region of the State of Jammu and Kashmir in India in the northwest. Professor Lattimore seems to consider that the status of the boundary along the McMahon Line is more uncertain than it is in the Ladakh region. There is, however, hardly any basis for such differentiation. The root of the confusion lies in the inference made from the fact that the Government of China had not ratified the Simla Convention of 1913-14 in which the McMahon Line was formally delimited. The inference is made that since the convention which defined the McMahon Line was not ratified by one of the major contracting parties, the McMahon Line is invalid. This assumption may be legally "correct" but may nevertheless be factually untrue. If, as the Government of India contends, the McMahon Line merely confirmed the traditional north-eastern boundary of India, then the mere fact of non-ratification is irrelevant in determining the validity of the rival claims.

That there is a strong case for India in this sector is also proved by the fact that the Chinese never did really object to the McMahon Line until recently, nor did they ever object to Indian maps depicting this line as the frontier. That the Chinese Government had really no valid ground for objection to the McMahon Line is further reflected in the long Chinese silence over the public assertion of the Indian Prime Minister as early as 1950 reaffirming India's adherence to the McMahon Line. The Chinese refusal to ratify the Simla Convention was not prompted by their opposition to the drawing of the boundary

between India and Tibet (McMahon Line) but by their opposition to the delimitation of the boundary between Inner Tibet and Outer Tibet. The Chinese Government has really no effective answer to this point.

And the most important fact is that the exercise of Indian jurisdiction in this area is unmistakable. At present India maintains border checkposts at various points along the frontier — Khinzemane, Chutangu, Chuna, Bameng and Khenewa in the Kameng Frontier Division, Limeking, Taling and Nyapin in the Subansiri Division, Kargongla, Manigong, Mekchuka, Geling, Karbo and Domla in the Siang Frontier Division; and Kibithoo, Muentengliang, Anini, Demberen, Mifodon, Hot Springs, Jachap and Gailiang in the Lohit Frontier Division. While it is true that the boundary of two adjacent countries is not determined by the ethnic affiliations of the people living in these countries, some sort of cultural intercourse between the peoples living on the two sides of the frontier is also not uncommon. All the same it is significant that the tribes (Monba, Aka, Dafla, Miri, Abor and Mishmi) living in the North East Frontier Agency of India have not been affected in the slightest degree by any Tibetan influence — cultural, political or other.

Moreover, when the natural frontier between two countries is demarcated it generally follows the geographical principle of the watershed. Even if, for the sake of argument, it is agreed that the boundary in this sector is undelimited—a contention which is contradicted by the customary observance of the boundary by India and China—the boundary marked by the McMahon Line retains its validity in that it follows the principal watersheds in the region. Only minor modifications may be necessary to bring this line into greater conformity with the alignment of the watersheds.

A STUDENT OF HISTORY

Bombay
February 18.

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Britons and Indians
are building a
vast steelworks
at Durgapur

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BRITISH COMPANIES WORKING FOR INDIA



A familiar sight in the Durgapur of today is this instance of Indo-British collaboration — of Indian and British technicians discussing problems and working together to help build the giant 1 million ton steel plant in the newest steel city of India.

The entire construction work of the Durgapur project has been entrusted to ISCON, a consortium of leading British engineering and electrical firms, and from the very start they are working in partnership, hand in hand, with Indian technicians, Indian workers, skilled and unskilled.

Free Congo's Problem No 1 Domination of Belgian Capital

E K

ON January 27, 1960 there was a sound of revelry by night in Brussels, long years after George Noel Gordon, Lord Byron, had written that 'Belgium's capital had gather'd then'. But the banks, mining offices and stock exchange were closed, and the revelry was short-lived. The festivities initiated by 81 Congolese delegates to the Round Table Conference to celebrate Belgium's agreement to their liberation on June 30, 1960 were widely covered by information media. All noted the tactical unity achieved by Congolese spokesmen of divergent views. But each night is followed by its dawn, and the acid test of Congo freedom and of Belgian goodwill rests not in the hands of King Baudoin or his parliamentary monarchy, not even in the hands of his ministers, but in the directorates of the Belgian banks and corporations who today own the Congo.

Throughout long years of colonial liberation struggles in east and west Africa, during the Maghreb's march towards independence to the north and the continued struggle of the Africans of the Union of South Africa for human rights, two land masses have loomed like bastions of reassurance giving strength equally to the *colons* of Algeria and the *Apartheidists* of the Union. The two great land bulwarks of repression have been the Congo, for five decades the jewel of Belgium's crown, and Angola, mainstay of Portuguese wealth. Today Angola stands as the only major area of Africa without the prospect of freedom. But the fillip given to the struggles of Central Africa and Kenya and of the people of the Union by the announcement of impending Congo independence must be interpreted in the light of the Congo's harsh realities.

SWIFT MARCH TO FREEDOM

Belgium has moved from obstinacy to surrender with unprecedented speed, traversing in 380 days the distance from the King's pledge in January 1959 of gradual preparation for independence to agreement on the date. This phenomenon, unrivalled in the history of colonial struggles, must surely be

difficult to comprehend within the framework of India's decades of struggle for freedom.

The 'timing' being discussed today in Brussels is a purely formalistic matter of scheduling elections, campaigns and the mechanical preparations for the transfer of power in less than five months. The undiscussed timing is the pace of the march of history which will not permit the colonialists to dawdle in the 'sixties as they did in the 'thirties, nor to hedge and delay as they did through most of the 'forties and 'fifties with time-worn arguments about the needs of preparation of peoples and leaders. The march to freedom has become a stampede and a respected leader like Julius Nyerere of Tanganyika, speaking only last year of a programme for independence of ten or fifteen years duration now finds himself swept aside by the thunder of the Congo.

WILL THE BANKS OPPOSE?

What then is the Congo, in Africa, in the world, in terms of population? What are its problems? Why does it provide the new testing ground of morality and integrity? What are the forces influencing Belgium's behaviour? Does the government speak for the Belgian people as a whole, including the banks and trusts? Will Belgium take its cue from north or south, from French obduracy on colonial liquidation, as in Algeria, or from Dutch eventual acquiescence, as in Indonesia? These are the burning issues which will rage behind the scenes of the tactical and formalistic operations of the next five months. The verdict will come later.

The presently-Belgian Congo has concurrently played a unique dual role facilitating the development of world economy and might and hampering the development of free co-operative Africa. It has played a formidable role in European and western financing and political development and vitally affected the military bearing and strategy of the Nato powers. Eighty times the size of Belgium, two-thirds the size of India (2,344,932 square kilometers to India's 3,281,769) it has now a population of only roughly

14 million. Yet as John Gunther notes in his *Inside Africa*, it reportedly had 20 million inhabitants in 1900 and the rule of Leopold II of Belgium "cost, in all, between five and eight million lives".

Literally the treasure chest of mid-Africa, the Congo is a land-locked storehouse with some 25 miles of coastline. This has simplified implementation of Belgium's historic policy of keeping the Congolese in and sending the minerals out. In 1956 Congo exports were \$547.6 million, 40 per cent of it in copper of which Congo is the world's fifth largest producer (excluding socialist countries) exceeded, in that order, only by the United States, Chile, Northern Rhodesia and Canada.

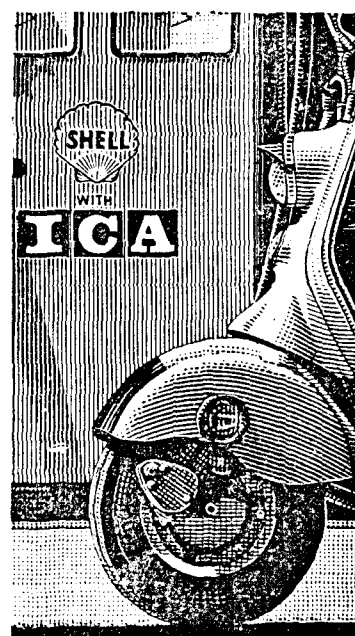
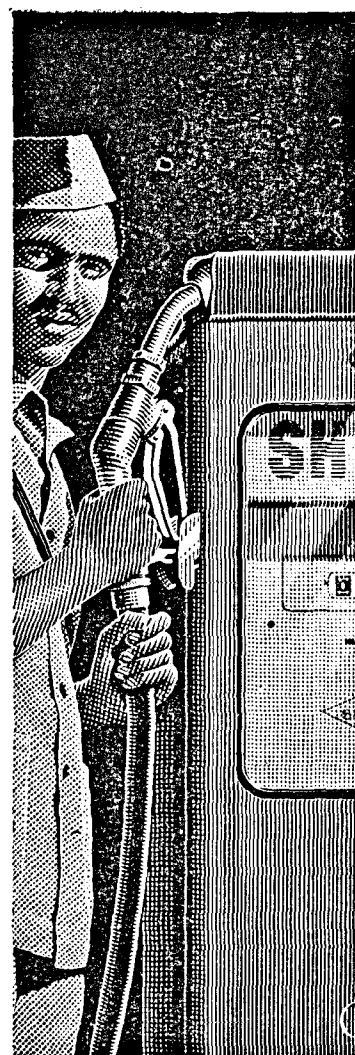
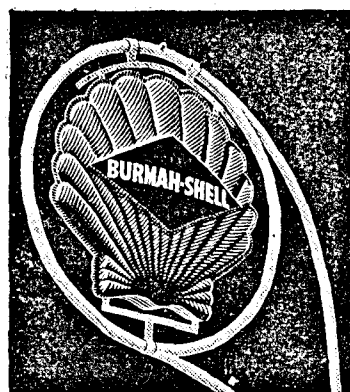
WEALTH OF THE KATANGA

Politically far more important, the resource which has moved Belgium, a non-atomic power, into the top rank of the world's atomic bodies, is the Congo's production of uranium whose volume is a well-kept secret. Uranium production has been the alleged justification for the restrictions (pass system, company towns, restriction of movement, etc) imposed throughout the last two decades most stringently on residents of the Katanga province, site of the country's major mineral wealth and producer of 60 per cent of the country's national revenue.

One important geo-political consideration is the fact that the Katanga, on the Congo's eastern frontier, adjoins Angola and Northern Rhodesia. The Chairman of Tanganyika Concessions Limited, addressing the annual meeting last month in Salisbury, Southern Rhodesia (*The Times*, London, January 22, 1960) reported a material increase in the volume of products from Union Miniere properties in the Congo exported via the Rhodesia Railways system and the east African port of Beira in Portuguese Mozambique.

No other fact demonstrates so clearly the size and location of the Congo than that its prime exports move from mid-continent through British and Portuguese territories to tidewater. The air distance from Elizabethville, largest city of Kata-

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nga province, to Leopoldville, twin city with Brazzaville on the Stanley Pool, is 2,337 miles.

UNION MINIERE

Dominant in the mineral economy of the Congo is the Union Minière du Haut-Katanga, formed in 1906 by royal decree of Leopold II, along with the Forminière, which is today the leading diamond producer of Africa. UM, as it is known, took over the interests formerly held by the Katanga (Belgian) Special Committee as well as those of Tanganyika Concessions Ltd in the Congo. The concession comprises a copper area of about 7,700 square miles containing also cobalt, zinc, radium, uranium, silver, gold, iron ore and limestone deposits, while the tin area consists of some 5,400 square miles. Smelting operations were begun at Elizabethville-Lubumbashi as early as 1911 and since then smelters, concentrators, electrolytic plants and supporting hydroelectric facilities have proliferated. In 1952 the Union Minière produced 205,749 metric tons of copper, 189,388 tons of zinc concentrates and 6,831 tons of cobalt.

As a holding company UM dominates Congo economic life with its tentacles reaching into and controlling other aspects of metallurgy, power production, chemical production, forest exploitation, shipping, transport and so on. The Katanga Province has been run largely as a company estate, albeit with the provision of some notable amenities. That this has not posed too great a financial burden on UM is shown by the fact that its profits rose from \$ 19 million in 1948 to \$ 84 million in 1955, or more than four-fold.

COPPER CARTEL

Belgium's decisive role in world metal markets—stemming from its Congo holdings—is of long standing. In 1947 the United States Federal Trade Commission, an independent bipartisan commission of high prestige, published its historic study of the world copper industry, which described the creation of the international copper cartel in 1935 when world markets were depressed by the economic crisis. A price-fixing, production-limiting agreement was reached in the spring of that year by the low-cost African and South American producers with the cooperation of interests controlling Spanish and Yugoslav mines. The group then represented some 50 per cent of world copper production capa-

city. Both the Katanga and Rhodesian copper producers were late comers to the world markets having materially increased production in the 1920's on the upswing of post-World War I expansion of electrical and other copper-using industries. The cartel itself was initiated by British interests in the Rhodesias jointly with the Union Minière du Haut Katanga.

In the conclusions of its study the U S Federal Trade Commission pointed out that:

"History has demonstrated that the power of monopoly usually has been used to advance the self-interests of those holding that power. The possibility that those interests may sometimes coincide with the public interest does not justify the existence of monopoly control of vital natural resources such as copper unless this control is subject to some form of regulation that will serve to protect the public interest." (Federal Trade Commission, *Report on the Copper Industry*, Washington, Government Printing Office, 1947, pp 253)

AIDED BY U K AND U S A

Presumably also completely controlled is the production of uranium by Union Minière, whose concession encircles Shinkolobwe, scene of most World War II uranium production. Congo's uranium production is shrouded in a veil of silence unbroken notwithstanding subsequent publication of its production figures by the newer-producer country of Africa, the Union of South Africa. In January 1956 the Panel on the Impact of the Peaceful Uses of Atomic Energy of the (United States Congress) Joint Committee on Atomic Energy reported only that

"Since World War II, Belgium has sold the United States and United Kingdom large quantities of uranium produced in the Belgian Congo. In return, the United States and United Kingdom have assisted in the development of the Congo uranium properties and have assisted the Belgian Government in the establishment of an atomic research program."

The report added further that the U S and U K had helped Belgium in construction of a research reactor and had cooperated through bilateral agreements in development of other aspects of a power reactor program-

me. "Ultimately," the report notes, the Belgians hope to become exporters of reactor equipment, especially fabricated fuel elements." (84th Congress, 2nd Session, "Peaceful Uses of Atomic Energy: Background Material for the Report of the Panel on the Impact of the Peaceful Uses of Atomic Energy to the Joint Committee on Atomic Energy", Volume 2, pp 342-3.)

COMBINED DEVELOPMENT AGENCY

The truth however appears to be considerably less simple. Original purchase agreements with Belgium and Portugal were concluded by the U S, U K and Canada under the terms of the so-called Quebec Agreement implemented after World War II by the Combined Development Agency. They covered the purchase of uranium and thorium. At later dates similar agreements were reached with other countries, in 1951 with the Union of South Africa, and in 1953 with Australia, for example.

There have been frequent reports of U S-U K friction over the division of the Congo spoils. Following the original agreement of July 1946, uranium coming from the Congo was to be shared jointly by the U S and U K (Canada having exploited its own resources sufficiently for its own needs). Reportedly the U K could not then utilize its full share and beginning in 1948 the United States share was considerably augmented. It is noteworthy that during this same approximate time period U S negotiations on allocation of surplus wheat to India were being blocked because of India's refusal to sell thorium to the U S.

In one of the most detailed studies yet published of the American atomic energy programme, the French economist Georges Fischer reports that under the agreements Belgium was allowed to retain a certain part of her uranium, but could utilize it only after obtaining agreement of the U S and U K and that only for industrial or commercial or scientific ends. Belgium sold 90 per cent of Congo uranium production to the U S and U K in 1956-7 and earmarked 75 per cent of uranium and thorium product for the two powers for the years 1958-60 inclusive.

ANGLO-AMERICAN CONTROL

Ironically the agreements with Belgium provide that after 1960 the percentage reserved to the Combin-

ed Development Agency will be renegotiated by the parties; this provision took note of changing demands for uranium but not of the possible change of powers to be consulted. According to Fischer, Belgium remains unable to sell uranium products to a third-country without U.S.U.K. approval. (Bibliothèque de Droit International, *L'Energieatomique et Les Etats-Unis*, par Georges Fischer, Paris, 1957.)

The agreements with Belgium were negotiated in utmost secrecy and were never submitted for ratification by the Belgian Parliament. They provoked considerable protest in other west European countries; in France, for example, on 27 July 1956, then Senator and now Premier Michel Debre argued that provisions of the agreement violated the terms of the 1885 Berlin Conference (apportioning spheres of interest in Africa to Western European colonial powers) which had guaranteed free and equal commercial access to the Congo to businessmen of all participating countries.

Although there are reportedly sizeable British holdings in the Congo (presumably largely through the 14 per cent interest in Union Minière held by Tanganyika Concessions Limited) there is less evidence of direct U.S. investment in basic Congo facilities. When, however, the Bank of England in 1950 disposed of 1,668,000 shares of Tanganyika Concessions to a combine of British, South African and Belgian interests, it was reported that 600,000 shares or roughly one third of the bloc sold were reserved for subsequent resale to Rockefeller interests in the United States and that the transaction was completed accordingly.

SPECIAL SEATS ON I A E A FOR BELGIUM AND PORTUGAL

Congo uranium has however opened many doors to Belgium in the world uranium club. When the UN-initiated International Atomic Energy Agency was established there was considerable discussion about the structure of the all-powerful Board of Governors. Eventually seats were allocated to "the five members most advanced in the technology of atomic energy" and seats to the most advanced member in either production of source materials or atomic energy in each geographical area not otherwise represented. Ten seats were left for general election. And in a procedure hitherto un-

known in UN bodies two seats were reserved to rotate between named powers, specifically Belgium and Portugal on the western side and Poland and Czechoslovakia on the eastern. But there is one key difference. Polish and Czech radioactive materials are within their own territories; Marie Curie made her historic discoveries using a ton of Czech ore; Belgium and Portugal are in 'the club' thanks to the wealth of the Congo, Angola and Mozambique.

Uranium however is only one of the keys to Belgian prosperity. In 1953 the Congo produced 86 per cent of Africa's cobalt, 60 per cent of its tin, 64 per cent of its diamonds, 53 per cent of its tungsten and zinc ores, 51 per cent of its silver and 34 per cent of its copper. Congo diamonds, produced under the auspices of Forminière, are primarily of the vitally needed industrial grade. (International Labour Office, *African Labour Survey*, Geneva, 1958) Figures have been published for cobalt production, as opposed to uranium. In 1953, cobalt of the value of \$ 30 million was shipped to the United States.

ATTRACTED BY MINERAL WEALTH

Although the Congo economy is relatively diversified, in African terms, involving production of many raw materials, copper continues to hold a dominant position in export balances. The world slump in the copper market severely affected the Congo's balance of payments in 1958. This was mitigated by import controls and additional external capital financing.

Congo economy was also affected by cuts in manganese production in 1958 and by curtailment of cotton and fibre exports. Coffee production however continues to rise, as in most of Africa, and has increased some 2½ times over the pre-war level. The 1957 production of 44,800 metric tons is equal to the total coffee production of countries such as Costa Rica, Cuba and India.

It is the mineral wealth of the Congo that has drawn the support of the international bankers of Washington. Both the US-dominated International Bank for Reconstruction and Development and the wholly American Export-Import Bank have demonstrated a noticeable alacrity in financing projects in the three major mineral producing

THE ECONOMIC WEEKLY

areas of Africa, the Congo, the Rhodesias and the Union of South Africa. Thus from 1946 to the spring of 1959 the World Bank had loaned \$ 80 million to the Belgian Congo, \$ 141 million to the Rhodesias and Nyasaland and \$ 185.2 million to the Union of South Africa. These three loans amounted to almost 80 per cent of total loans (\$ 542.5 million) to all African countries.

WARY OF PRIVATE CAPITAL

Today the Congolese leaders in Brussels are correctly refusing to be entrapped in discussion of proposed economic plans. They have affirmed their willingness to allow and to welcome continued operation of all private firms and concessionaires willing to help build a prosperous and industrialized Congo. It is in the practical application of conjectured proposals that the difficulty resides.

The independence leaders of the Congo draw solace from the fact that the Belgian Kingdom itself established—with the royal creation of Union Minière and Forminière, for example, in 1906—the principle and precedent of direct government participation on the boards of directors of the 'Congo companies'. From this they are laying their own plans, looking simultaneously to the profit-participation features of oil contracts in the Middle East and Venezuela and talking of 40 to 50 per cent government participation in stock ownership and Congolese rather than Belgian government seats on management directorates.

'CONGO COMPANIES'

The relatively rapid acquiescence of the Belgium side of the Round Table Conference to postponement of precise economic debate is simple to understand. Independent or not, in political terms, the Congo will not be independent so long as the Brussels banks and trusts control the concessions, the credit, the transport and the amenities of the Congo. Congolese leaders, publicly on record against nationalisation, still must come to grips with the economic realities, a problem which will doubtless consume much of their attention behind the scenes in the pre-independence spring of 1960 notwithstanding their refusal to discuss the matter publicly or officially.

There is in fact ground for the assumption that the Congolese determination not to allow diversion of

the Round Table talks into economic channels suits the 'Congo companies' by assuring their continued post-independence domination of the Congo economic scene. Here then is the acid test of the Congo's future. Will Belgium, as the Netherlands has done, give way gracefully and revamp its national economy accordingly? Belgium's historic post-World War II problems of structural unemployment, notably in coal mining, makes this extremely dubious. Nor is it likely that Belgium, owing her disproportionate influential role in world atomic affairs to the Congo, will willingly be relegated to the tertiary rank to which its domestic size and industry entitle it.

INCOME DISTRIBUTION

Leaders of Congo independence movements must in the coming months prepare also to face serious internal economic and social problems. There is abundant evidence that the 'seepage' theory of economic development practiced by Belgian administrators in the Congo has failed to attain its objectives. The distinguished Swedish economist, Gunnar Myrdal, wrote in *An International Economy* in 1956:

"In the Belgian Congo, the exploitation of uranium and some other nonferrous metal ores has rapidly increased its production and exports; under a tight colonial role (*sic*) of an old type part of the new wealth is spread among the masses of indigenous Negroes in the form of rising levels of living and social welfare measures, carefully calculated so as not to upset the social order."

As recently as 1952, Harold R Isaacs and Emory Ross, writing for the U.S. Foreign Policy Association criticized the much-touted social programming of the Congo and noted that

"Education, left almost entirely in the hands of the Catholic missions, is highly restricted. It has only recently been somewhat expanded but merely to supply certain low-level skills for Belgian enterprises."

A spate of official Belgian documents, published by the Congo Information Office during 1959, point to the establishment of two universities though African enrolment is still low. The percentage of students in lower schools is laudably high in African terms, but the upper levels of educa-

tion still leave much to be desired.

DEVELOPMENT EXPENDITURE

In recent years Belgian social expenses in the Congo, all derived from Congo profits, have been considerably augmented. The United Nations survey of *Economic Developments in Africa* 1956-57 (last report prior to the study distributed recently for the Tangier meeting of the Economic Commission for Africa, now in progress) showed appropriations through December 31, 1956 under the ten-year development plan of 38,884 million Belgian francs or roughly US \$778,680,000.

Of this total almost one half was earmarked, for transport, electric power, telecommunications, and storage facilities; slightly over one-quarter for social services (education, public health, what was still being called 'African housing' and other amenities), some 5 per cent for agriculture and the remainder for advisory services and public administration including local transport facilities.

RAPID URBANISATION

The Congo, like most of Africa and Asia, has seen rapid urbanization in recent years. An ILO survey discloses that between 1938 and 1956 the proportion of Congo Africans living either permanently or for lengthy periods away from their tribal areas rose from 9.83 per cent to 22.87 per cent. In the same period the African population of Leopoldville, Congo's capital, rose from 39,721 to 282,919 and has increased rapidly since the date cited by ILO. (International Labour Organization, *African Labour Survey*, Geneva, 1958).

But the thirst for independence is not limited to city Congolese. The nationalist movement has spread throughout the country. Preparations for elections will proceed equally in city and village. It is an irony that in the elections the Belgian pigeons have come home to roost. White residents of the Congo, long deprived of the vote by their own countrymen in the perpetually voteless Congo until 1957, will, in the vote for independence, be without the franchise—and this by agreement of the Round Table Conference itself.

NO FRANCHISE FOR WOMEN

This is only fitting. Regrettably, exigencies of a more practical na-

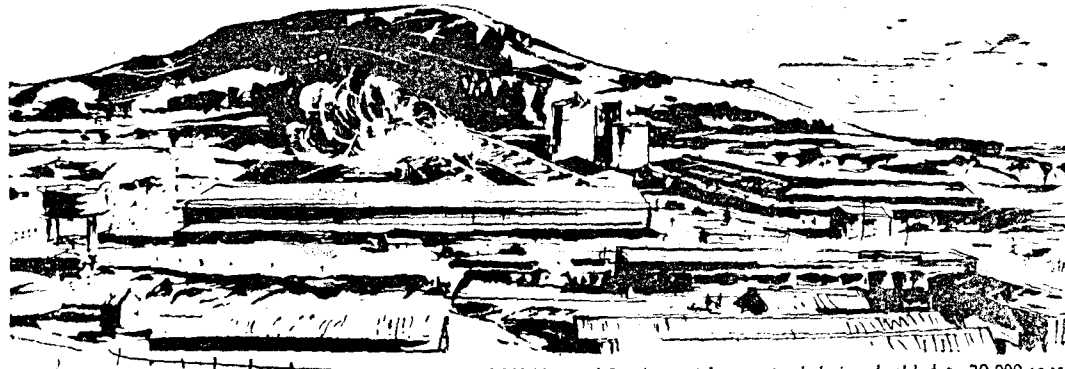
ture will prevent young people under 21 and women from casting their votes for legislative bodies which will form the Constituent Assembly and the first Congo government. Nationalist leaders accepted this limitation in order to achieve independence on June 30, 1960; election lists used in Belgian sponsored elections of 1957 and December 1959 were prepared only for adult males over 21.

Belgian leaders at the Round Table, emerging from meetings at which historic decisions—like the date of independence—have been taken, were besieged by the Belgian and foreign press. When asked how the day's session went, they have uniformly answered "Excellent." Nothing could be further proof of the political change wrought in Belgium—a change, incidentally, which Congolese leaders attribute in large part to King Baudouin's personal trip to the Congo in December.

Only a few months ago Belgium was still one of the United Nations' most recalcitrant and unreformed colonial powers. Belgium has flaunted the UN charter, refusing to discuss, in the Committee on Information from Non-Self-Governing Territories reports required from colonial powers under the UN Charter's famed Article 73. Even through 1959, the year in which the way to Congo freedom was being paved, they maintained their historic intransigence on the Congo, their property and theirs alone.

It is clear that by September 1960 the Congo will be ready to speak for itself; it will apply promptly for UN membership and its seat will surely be granted, likely on Belgian's nomination. The road to political independence will be complete. But the hot summer days of July 1960 must also reveal the other side of the story. Then and only then, when the Congo Government is a reality and the people are electorally free, will the role of Belgian capital become clear. Then Congo will need the support of its fellow independent states of Africa and of all freedom-loving peoples in its struggle to free itself economically from the tentacles of Belgian monopoly, stronger by far than the already-shattered chains of Belgian political rule.

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INDALUCO'S Hirakud Smelter—its capacity is being doubled to 20,000 tons

Indian Aluminium announces fully integrated expansion plans

	Today	1962
Ingot	15,600 tons	25,600 tons
Alumina	18,000 tons	54,000 tons
Rolling Mill	9,000 tons	16,500 tons
Extrusions	1,200 tons	3,700 tons

In early 1960, Indian Aluminium Company proposes to launch the biggest integrated expansion scheme it has yet undertaken. A comprehensive programme to increase production of aluminium ingots by 10,000 tons a year will be initiated... within a year of the opening in February 1959 of the Company's Hirakud Smelter which, at one stroke, more than doubled India's production of aluminium. The 1960 Expansion will increase the country's ingot production by another 55% and make substantial increases in semi-fabricating capacity.

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Alternative Methods of Development

D Ghosh

THIS note deals with the problem of allocating investment between consumption and investment goods industries. Its purpose is to throw some light on the current controversy in this country on the allocation of resources to heavy industries.

We shall assume that the desired rate of growth of income has been already decided upon and the appropriate total investment estimated. We shall assume further that there are only two industries, viz. the weaving and the loom-making industries, representing the consumption and investment goods sectors respectively, and finally, that the equipment in both the sectors is fully employed.

On these assumptions, given the demand for cloth, the annual investment in the weaving industry is determined by the capital/output ratio in weaving. Similarly, given the derived demand for looms, the capital/output ratio in the loom-making industry determines the total investment in the latter. Thus the relative values of the capital/output ratios in the two sectors indicate the proportions in which the total investment has to be divided between them.

FOR A SOCIOLOGICAL "TAKE-OFF"

Since the rate of expansion of the weaving industry is governed, technically, by that of the loom-making industry, it is not possible to increase the output of cloth without increasing the number of looms. On the other hand, there is no technical bar to increasing the proportionate investment in the loom-making industry. There is, however, an obvious economic argument against this procedure; it will involve a temporary waste of economic resources, for it will bring into existence more looms than can be utilized in the current state of demand for cloth. The procedure can, however, be justified on two grounds; first, if the larger investment in the loom-making industry increases its efficiency, reduces the cost of production of cloth and increases its consumption; and secondly if, for some reason, the country wants to keep down the consumption of cloth for some time with a view to maximising it at the end of the period.

In the first instance, the loss from the reduced supply of cloth in the present is made up by a cheaper and larger supply in the future. In the second case, the justification for reducing current consumption rests on the validity of the assumption that the big jump in the quantity of cloth available to consumers in the crucial year would mean such a significant improvement of their real incomes, and have such a violent impact on their psychology as to create or release forces for economic and social advancement. It is expected that the people will henceforth work harder, save more and even restrict the size of the family in order to preserve the rise in the standard of living. The sudden and big change of real income will thus constitute a kind of sociological 'take-off' and produce results which could not be achieved, if the total change in the living standard were to take place, by small instalments, over a number of years.

LATHES TO PRODUCE LATHES TO PRODUCE LOOMS

We shall now take up a more complex case. Looms are made with the help of lathes which, we assume, can be used to make lathes too. The economy is now made up of a consumption goods sector represented by the weaving industry, and an investment goods sector represented by the loom-making and the lathe-making industries. In this case also, the capital/output ratios in the weaving, the loom-making and the lathe-making industries indicate the proportions in which the total investment has to be allocated between the consumption and the investment goods sectors and between the two industries in the latter sector. And as in the previous instance, the weaving industry cannot expand without increased investment in looms, nor can more looms be produced without increased investment in lathes; but it is, again, possible to increase the proportion of the total investment made in the investment goods sector and, further to alter the distribution of the investment in favour of either industry within this sector.

We shall take two extreme cases; first the existing lathes may be used to make looms only from year to year, the number of looms produced

being determined by the number and capacity of the existing lathes. In the second instance, the lathes are used to produce lathes only for a number of years and then in the crucial year, the increased supply of lathes is used to produce looms only. In between these two extreme cases, there may, of course, be an infinite series of intermediate instances.

PILING UP OF PRODUCTIVE POWER

In the first instance, the production base of the economy remains unchanged, but the yearly output of cloth and looms is raised to higher levels, at least for the life of the existing lathes. There is, however, no reduction in the cost of production (and hence the price) of cloth and the larger supply can be taken off the market only if people spend more on consumption. Some rise of consumption would take place as a result of the rise in the real income (measured in cloth) of the people. But it is not likely to be large enough to absorb the whole increase of the output of cloth. This will result in overproduction and other undesired consequences.

In the second case, the supply of cloth remains constant till the crucial year, but the production base is progressively expanded by the annual addition to the number of lathes. That base now expands at a compound rate, for the return from investment is not consumed but is reinvested, year after year, in the production of capital goods. Clearly, the larger the number of lathes produced by each lathe, that is, the lower the capital/output ratio in the lathe-making industry, the quicker would be the rate at which that industry would expand and the larger would be the output of looms and cloth in the crucial year. A decision has to be taken on the extent to which the piling up of productive power should go before it is released for the production of consumption goods.

INVOLVES LARGER SAVING

At first sight, it would seem that the process does not involve more saving than the people are already doing. After all, the amount that is being invested is what they have already decided to save; only it is invested in lathes rather than looms.

In fact, however, the process does involve larger saving; for it implies foregoing, for a period at least, the opportunity to expand the output and the consumption of cloth. During this period, the amount of purchasing power in the hands of the public will exceed the value of the consumption goods produced in the economy by the aggregate value of the capital goods turned out, and unless there is a change in public psychology and a greater willingness to save and invest, this excess purchasing power will lead to a rise in the prices of consumption goods, profits and wages, and to general inflation. If the inflation is to be held in check, the surplus purchasing power has to be mopped up, chiefly, by taxation. The extent to which this can be done, depends on the strength and capacity of the fiscal and administrative organisation of the country which thus define the limits to this use of the methods of achieving development.

We have, upto now, taken no note of the time lag between investment and output in the two industries which make up the investment goods sector. Generally speaking, however, it takes more time to make machines for making machines than those which are designed to turn out consumption goods. This time lag or period of gestation has two important implications. The first has been already discussed; the greater the time lag, the greater will be the inflationary pressure resulting from the investment programme, and the more developed the fiscal and administrative organisation has to be to cope with that pressure. Secondly, the time lag should be taken into account in deciding on the shape and content of the plan over time. If, for example, the planning authority aims at raising output in, say 1965, and the necessary investment takes five years to fructify, the investment should be planned for the year 1960.

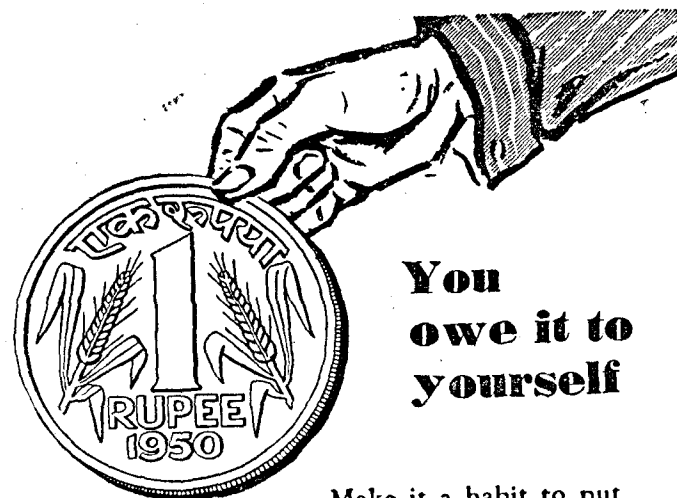
NATIONAL INCOME MUST EXPAND

In order to simplify our discussion we have taken the demand for consumption and, by implication, the supply of saving to be given. These, of course, change with changes in the national income; so also does the volume of investment. But if the national economy is to develop without fluctuations, the total saving and investment must keep pace with each other. Theoretically, entrepreneurs should have, at every

point of time, an inducement to invest as much as the people are prepared to save. But as saving is determined by national income, while investment is governed by the rate at which that income grows, (or rather, is expected to grow) the national income must expand at a certain rate which ensures the continuous equality of saving and investment. Now this ideal rate of growth may or may not materialise in reality. This places on the planning authority the further responsibility of achieving it by special measures.

Finally, we have in our argument assumed a closed economy and new considerations have to be taken into account when we pass on to an open economy which has relations with other economies. An open economy has the choice of either establishing an industry within the country or getting its products from foreign countries in exchange for other goods and services produced at home. Other things being equal, the more efficient method of secur-

ing the commodity should be adopted. If the basic industry is to be established at home, either the superstructure of other industries which provide market for its products should be larger, or the industry itself should be able to sell its products abroad at competitive prices. Neither of these conditions are likely to be present in the first stages of development of an underdeveloped economy. The domestic market for its products is not likely to be large, and it will be some time before it can compete with producers abroad. In such a situation, there is a *prima facie* case for the economy to import the products of the basic industry rather than try to establish it within itself. On the other hand, planned development is dependent upon an assured supply of the key instruments of production, which fits into the time shape of the plan. If foreign trade or foreign aid cannot assure the supply, the economy will have to establish the industry within itself, even though, on a short view, such a step may seem uneconomic.



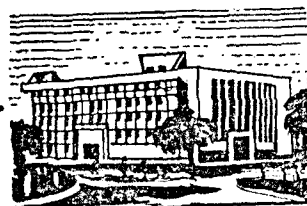
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The Joint-Family in India

A Framework for Discussion

F G Bailey

THIS paper is not an analysis of the joint-family, but is rather a series of connected questions through which that analysis could be made. It is a method of investigation and not the investigation itself.

The field of enquiry is divided into three sections, that is, into three levels of analysis. The first of these is an analysis of structural form; the second is dynamic analysis of what has been called 'repetitive' equilibrium; the third level concerns structural change. Before I go on to fit this type of analysis to the joint-family, I will explain in greater detail what type of question characterises the three different levels of analysis.

STATIC AND POSED

The term 'structural form' was used by Radcliffe-Brown, although I would not be sure that he would endorse my use of it here. A statement of structural form is a statement of the roles of both persons and groups. The essence of such a statement is that it describes positions which are static and—to use a metaphor—posed. By 'static' I mean that no account is taken of time and movement. By 'posed' I mean that the various actors are not, so to speak, photographed at work and in the 'natural state'. They are first posed in the position which the investigator desires. In other words, this kind of analysis produces a model: and it is not even a model which works; it remains still, and it shows the mutual positioning of persons or groups, as if they never moved. The words 'still', 'timeless', 'photograph', 'chart', 'map', 'posed' suggest what I mean by 'structural form'.

A characteristic of a static analysis is that it deliberately does not take account of certain variables. These variables must be excluded so that the chart may remain static and timeless. I call these variables 'external factors' and they are of two kinds, which are best explained by examples. In a static analysis or description of the model joint family we do not take account of the fact that the father or manager must eventually die or grow senile and be replaced by one of his sons. That

is to say, we exclude the variable of age, along with many other factors which are not accountable by social analysis and which vary quite independently of social relations. Another way of putting this point is to say that we describe and analyse the manager of a joint-family as a person—that is as the carrier of a role, of a particular set of rights over and duties towards other persons and things—and not as an individual, who grows old, or whose actions are influenced by emotion, or any other 'external' factor. The second variable which is ignored in an analysis of structural form is that several persons are combined in one individual. For example, the son in a joint family may also be the husband of a woman and through her the son-in-law of another joint-family. The role of husband and son-in-law, as we very well know, may make it difficult to carry out the duties of being a member of a joint family, but in a static analysis of the joint-family we ignore this fact and many others like it, because these are the very factors which would set the static chart in motion.

No-one is content, so far as I know, to present only a static chart of relationships, of the type I have described. Nevertheless it is a stage in the analysis which cannot be omitted without the risk of confusion. The next level of analysis is that which takes into account external variables, but only those which do not in the end tend to destroy the chart of static relationships. Both parts of this sentence will need further explanation.

RESTORATION OF THE STATUS QUO

I have already given instances of these external variables. In the dynamic analysis—the name given to this second level of enquiry—one takes account of birth and death, of the fact that many persons are located in one individual, and of other external factors. These external factors are viewed as threats to the continued existence of the static chart of relationships; they are potential factors of disturbance. Consequently in a dynamic analysis we study various institutions which res-

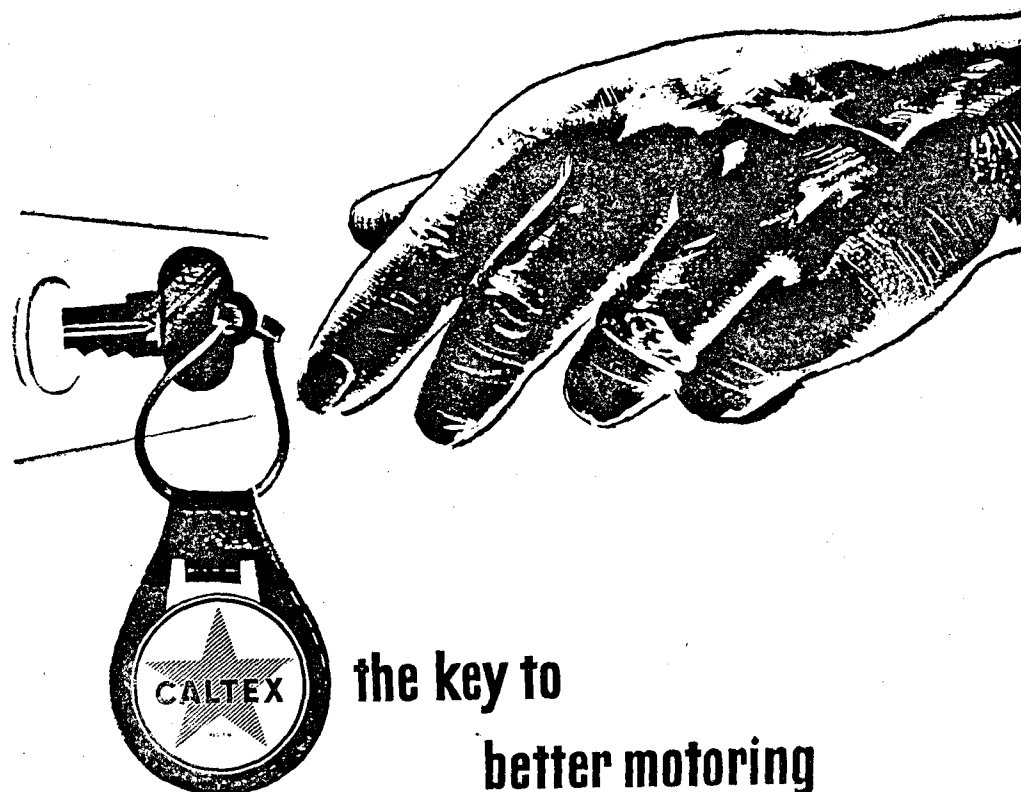
tore the *status quo*. To use again the two examples: if the manager dies there are institutions of succession and inheritance which restore the structural form of the joint-family, although this may be embodied in actual relationships which are different from those which existed before; again, if the conflict of allegiance to the wife and allegiance to the joint-family becomes serious and overt, then either sanctions come into play to strengthen the joint-family at the expense of the nuclear family, or else partition takes place, and the scene is set for the emergence of several joint-families in the place of the one that had existed before.

Let me again make use of metaphor to clarify what I mean by a dynamic analysis. The static analysis of joint-family roles and relationships serves as a norm, towards which, it is assumed, actual behaviour is always tending. Actual behaviour is continually being diverted or turned aside from this norm, but there always come into play various ancillary institutions which restore the *status quo*. This type of analysis can be conceived visually as oscillations across a straight line: or it can be seen as a cyclical process, some point on the circle being arbitrarily chosen as the norm.

To be brief, and to reify like a cavalier, a dynamic analysis takes account of those external factors (in our case external to joint-family relationships) with which the structure can cope. If manager A dies, manager B takes his place: actual relationships are different since B and A are different individuals: but the form or type of joint family remains the same in both cases. The structure of the joint-family has coped with the disturbance set up by A's death and restored the *status quo*.

CHANGING NORM

So much for the second level of analysis—the dynamic analysis of a repetitive equilibrium. The third level is the analysis of change. In this the crises and conflicts which in a dynamic equilibrium analysis are coped with and end in a return to the *status quo*, do not lead back to the point of equilibrium. The static



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chart becomes inappropriate and a new one has to be sought for, if that is possible. Movement and variation can no longer be conceived of as oscillations around a norm, which remains constant; rather the norm itself is changing.

I propose, then, to group questions about the joint family into these three categories: structural form, which is a static analysis; a dynamic analysis, which for convenience can be called either 'social circulation' or 'repetitive equilibrium'; and finally questions of structural change. It will be noted that these three levels of analysis are not a progressive refinement of concepts: they do not move from the lesser to the greater abstraction. Rather we start with the remotest and neatest abstraction, having taken for granted a preliminary inductive stage by which this abstraction was reached. Then, in the two succeeding levels of analysis, we bring the static model nearer to reality; we take into account more and more variables; we make it progressively less neat and more complex, in the hope that in the end we are dealing no longer with the model but with something which deserves to be called 'reality', relatively at least to the model which was used at the beginning of the analysis.

Structural Form of Patrilineal Joint-Family

To describe the structural form of the joint family is to say of what sub-groups or persons it consists and how these groups or persons are related to one another. It is, in effect, to give a minimal definition of a joint family, and I think this can best be done through two concepts, using Nadel's terms: through the concept of recruitment and the concept of activities. In other words we have to say how people are recruited into a group, and what they do together, when we call that group a 'joint-family'. The actual groups which exist may contain persons recruited in other ways, and may do things besides those specified, but these 'other things' are not those which are definitive of the joint-family.

The definitive recruitment is that through unilineal kinship, in the first instance. It will be immediately obvious why I say 'in the first instance'. The core of the joint-family, in a patrilineal system of descent, is the males of the lineage. Their sisters, although they belong

to the same lineage, and although they have defined claims on the joint-family property, cease on marriage to be members of the joint-family, although they may opt to return to it and in certain circumstances their children may inherit joint-family property. Recruitment, then, is not solely by unilineal descent, in that some who are so descended are excluded from membership of the joint-family at a certain stage of their lives.

But, secondly, the patrilineal joint-family includes also the wives of the men who belong to it. We may make this point briefly by saying that the *coparcenary* recruits males of common patrilineal descent, but the *joint-family* is composed both of these men and of their wives. The point is obvious: but I make it so that we may always be clear that there are two types of relationship recruiting a joint-family; descent and marriage. In the dynamic analysis it will become obvious that these two types of relationship can conflict with one another. In brief, then, for a group to be called a *coparcenary*, its members must have been recruited by unilineal descent: and a *coparcenary* becomes a *joint-family* when we take into account the wives of the coparceners. These definitions do not deal very happily with the daughters of the coparceners, but the position of these daughters is for the moment clear enough from what I have said earlier. That is as far as recruitment will help us in defining the joint family.

COMMON PROPERTY

As for the activities of the joint-family, only one is definitive: and that is common ownership of property (for the coparceners) and a right to maintenance from common property (for the whole joint family). Living under the same roof, eating from the same hearth, or practising common rituals are activities in which a joint-family may indulge, but we will not deny the name 'joint-family' to groups which do not have these latter activities in common. On the other hand we cannot apply the term 'joint-family' and still less the term 'coparcenary' to those who have no common property.

Besides the division between the coparceners on the one hand and their wives and female children on the other hand—between, if you like, coparceners and dependents—there

are various other formal structural cleavages within the joint family, such as the distinction between married and unmarried coparceners, between the manager and the others, and so forth. While all coparceners have equal shares in the property, in its management they are organized not as equals but in ordination.

That is all I intend to say about the structural form of the joint-family. There is obviously more to be said, but I have limited myself to these points as a sufficient definition of the joint family:

- (1) the distinction between coparceners and dependents, and its associated dual recruitment;
- (2) the division into nuclear families;
- (3) the ordination of the coparceners; and
- (4) common property and a particular kind of recruitment.

Social Circulation and Repetitive Equilibrium

An equilibrium analysis of a model joint family would be as follows. In this model the joint family—let us say the descendants of one grandfather and their wives and children living from the same piece of property—is taken as the norm, from which a cycle begins. Then the children grow up and marry and begin to have children of their own. There is a quarrel or, if not a quarrel some kind of difficulty, and the family partitions into its constituent nuclear families. The children in these nuclear families grow up and marry and have children themselves, and eventually there appears other joint families, *similar in form to the one which partitioned*; and this completes the cycle, and this is what is meant by 'repetitive equilibrium'.

There are three lines of enquiry which one may follow. I shall mention one of them. The others I will discuss at greater length.

The first method of enquiry is to play at being Linnaeus and to collect all the incomplete forms of joint family—and also what might be called the 'overcomplete' families; i.e. those which include such persons as widowed sisters returned to their natal homes, or uterine dependants. These could then be classified according to their composition.

WHAT CAUSES PARTITION?

The second line of enquiry, which follows on the first, is to ask what causes partition, what sets the cycle

going. This line of enquiry can be divided into two stages:

(a) We would enquire firstly about the non-social absolutes which lead to partition. An obvious one here is the ratio between the natural increase of the joint-family and the size of the property which is supposed to maintain the group, and the possibility of enlarging this property. Other things being equal—and in talking of models we have to use this phrase—a joint-family which does not increase in numbers from generation to generation is less likely to partition than one which does increase beyond the point at which it can be maintained by its property.

(b) A second — and probably more fruitful—line of enquiry, is into the external relationships of the individual coparceners, and the degree to which these lead to partition. There are many examples of these relationships. An obvious one is the individual coparcener's relationships with his wife and through her with his wife's kin group. Another example would be the political or economic relationships which individual coparceners might have outside the joint-family. This is the familiar question of outside earnings, and the tensions which may arise when these earnings differ greatly from one coparcener to another. Again, if a coparcener who is junior and insignificant in the family achieves a position of power and prestige outside the family, he may prove a reluctant subordinate in the joint-family and work for partition. These are only a few examples and there are clearly other kinds of external relationships which set the cycle in motion and account for the various incomplete or potential forms of joint-family.

WHAT INHIBITS FISSION?

The third main line of enquiry, which follows naturally out of the second, is to ask what inhibits tendencies towards fission. What, in other words, can prevent the departure from equilibrium, or, once fragmentation has taken place, what ensures that these fragments in time built up into joint families and do not continue fragmenting without ever coming back to the norm of joint-family life? What, in short, are the sanctions which maintain joint family life?

There are various ways of approaching this question. Firstly we can list the institutions which curb

deviance or cope with difficulties. These would range from the authority structure within the joint family itself and the way it is maintained and its values internalized, to the existence of a joint-family law, codified and enforced by the courts and based on the assumption that the joint-family is an institution worth preserving. Again there are the institutions of succession and the standardized ways of dealing with such recurrent and inevitable crises as the death of the manager or the necessity to find wives for the men of the joint family so that it may be perpetuated.

COUNTERBALANCING ADVANTAGES

Secondly we would have to ask what functions the joint family fulfils for its individual nuclear families. This, I think, is probably the most important factor in accounting for the return to equilibrium. We would probably get at these factors by asking what are the difficulties and disadvantages which face nuclear families or incomplete joint-families when compared with full joint-families. We assume that the disadvantages which the women particularly feel in joint-family life are counter-balanced—and in an equilibrium system, more than counterbalanced—by the advantages which the nuclear families get from living jointly. These may be economic advantages on the argument not that two can live as cheaply as one but that four can live as cheaply as two; that the joint family provides a kind of social insurance against hard times; that it has a larger capital sum at its disposal for improvement and further investment than a nuclear family by itself; and so forth. Or else these advantages may be of a political nature, in that the member of a strong joint-family cannot be kicked around in the same way as a man on his own: or something of that nature.

The key question here is this: after partition how can the nuclear family fill the gaps? What relationships can it call upon for help in times of distress? Where can it raise extra capital? Upon whom can its head call to help him in faction quarrels and perhaps in faction fights in the village? You will notice that we are again brought back to asking what are the external relationships which coparceners have, and upon which they can call when they cease to be coparceners.

I will return to these questions later, for they seem to me to be key questions in understanding the joint-family not only as a system returning constantly to equilibrium, but also in understanding change. In short, whether in equilibrium or in change, we can only understand the joint-family by taking it within the total context of social relations.

BRINGS PRESTIGE

Thirdly we might account for the cycle and the return to equilibrium by saying that the people value joint-family organization. Quite irrespective of its material advantages, they think this form of life is a good in itself—it is a moral good and requires no material justification. Or else—and in my opinion a much more legitimate version—the joint-family is valued because it brings prestige in the eyes of others. This last is an acceptable explanation. But I doubt whether the former statement that people value joint-family life and regard it with moral approbation is enough to account for the return to equilibrium, or for the persistence of the institution in the face of change. If people have joint-families because they value them, we may then ask why they value them. Values such as honesty or equanimity or forbearance may be irreducible in terms of our science, but institutional values—such as the joint-family or the nuclear family or the village republic or the nation—are applicable in terms of what they do for the individuals who belong to them.

I will now summarize the kind of question which would be asked in an analysis of a model joint-family as an equilibrium system, and in doing so I will try to give a more impressionistic description of what seems to me to be the main question which underlies both an equilibrium analysis and an analysis of change.

ONE RELATIONSHIP, SEVERAL ENDS

The relationships which people have with one another are ways of getting things done. It is now a commonplace in social anthropology that in primitive societies or in peasant societies one relationship may be made to serve several ends; and about this I will talk in a moment. Here I have in mind a different aspect: that to achieve a single end there may be several possible relationships between which a person or a group may choose. I am not suggesting that the choice is free in the

sense that the head, for instance, of every nuclear-family from time to time makes a rational assessment of what he is getting out of the joint-family and decides accordingly for or against partition. His choice is limited in many ways by the institutional framework in which he operates.

I list a few: he might decide that, although he would be economically better off after partition, his chances of achieving partition against the pressures of the legal system outside and the system of social control within the joint-family are small; again he might think that although he stands to gain financially by setting up his own independent nuclear household, he cannot afford to do without the non-economic benefits which he gets from joint-family life. From this single relationship, in other words he gains several ends, and on balance the benefits of some of these ends outweigh the disadvantages of others.

When we study the joint-family as an equilibrium system we do in fact assume that over the whole cycle the benefits of joint-family life outweigh its disadvantages. With this assumption in mind, let me repeat briefly the questions to be asked, under three main headings:

(1) The first task would be to collect the 'incomplete' forms of joint family, starting from a nuclear family and building up towards what we assume to be the norm. These would be then arranged in a sequence and the steps from one to the other would have to be described.

(2) This description would be achieved first by asking ourselves what are causes of partition. Within this question I have suggested two sub-headings:

(a) What are the non-social absolutes? For example we might find that property and the number of people who must be maintained by it must be in a certain ratio for a family to continue joint and avoid partition.

(b) What relationships do the coparceners have external to the coparcenery? What effect do these have in causing partition? These relationships might be grouped as

- (i) economic,
- (ii) political, and
- (iii) kinship.

(3) The second question concerned the joint-family cycle in the pro-

cess of fragmentation. This, the third question, concerns its restoration and is in two parts:

(a) What institutions inhibit partition? These would be on the one hand such crisis institutions as succession, and on the other hand social control both outside and within the joint family; and

(b) What are the advantages of joint-family life that make men see partition as an unpleasant necessity, and look forward to the time when they will again be part of a joint-family?

You will notice that in all these questions we are in effect asking this: Given a particular social, economic, and political background, what does the joint-family do for the nuclear family, which cannot be done other than by the joint-family?

Change and the Joint Family

When we study structural change and the joint-family I think we have before us three questions. The first is a basic question: Is the joint-family a disappearing institution in India? Were there more joint-families, or a greater proportion of the population living as members of a joint-family, a hundred years ago, or two hundred years ago, than there are now? The second and third questions are connected with each other. The second one is to take as given — to hold steady and not to treat as a variable — the ends or needs which the nuclear family desires, and to ask what alternative relationships can be employed by nuclear-families after partition. The third question is to take into account variation in the ends or needs.

We do not take as given the political, social and economic background as we did in the equilibrium analysis, but we take note of the fact that this background may be changing. These changes may put forward new prizes for which a man cannot easily compete as a member of a joint-family. He may be able to compete more effectively on his own, or he may find it expedient to find other kinds of relationships — to join groups of a different kind. It is also possible that new ends and new possibilities of making a living, may make it expedient for people who did not formerly live in joint-families, to set them up. In other words some new factors may not break down the joint-family, but rather may be such that the joint-family is an advantageous group to

which to belong. I will take each of these three main headings in turn.

A DISAPPEARING INSTITUTION?

On the face of it the question whether or not the joint-family is a disappearing institution in India is a reasonable and straightforward question, to be answered with a 'yes' or a 'no'. We might even hope that we could say — leaving aside for the moment the difficulties of where to find the information — that twenty years ago x% more of the population lived as members of joint-families than at the present day. But for two reasons I think that a question put in this way might be less helpful than it appears to be. The first reason is that acquiring the information appears to me to present insuperable difficulties, taking into account the resources at our disposal. Secondly a numerical answer to this question would not greatly increase our understanding of Indian society, and we can achieve some kind of understanding in this particular field without first knowing whether or not we are dealing with a vanishing institution.

Firstly the apparently simple numerical question, as to what percentage of the population lives in joint-families and what percentage so lived twenty years ago, cannot be answered out of the statistical material — such as the Censuses — which we have at our disposal. It might be answered in a field-study of one village, but even then it would not be easy. Such an answer could not be generalized and assumed to be true of the whole of India without a further and monumental sample survey. Let us be realists and rule out the possibility of this survey. Even if the survey could be undertaken I think difficulties would be encountered over the definition of what to consider a joint-family. I have given a narrow definition on the criteria of recruitment in two ways and activity concerning property, and I think this is enough as a base from which to make an analysis of process and change, but I would hesitate to put it forward as a suitable basis for a survey. Taken by itself it obscures, rather than highlights, the processes in which we are interested.

STATISTICAL STATEMENT UNHELPFUL

Does it then follow that our investigations will be handicapped because we cannot, for practical and logical reasons, first discover

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SAN. 59.1A

whether we are dealing with a vanishing institution? I do not think so. On the contrary I think that to hold before our eyes as an objective a statistical statement about actual joint-families would be to divert our energies from a more profitable end. This end is a description of factors which serve to maintain or to break down joint-families. Even if we could still substantiate by figures an assertion that the joint-family is a vanishing institution, we would still want to know why it is a vanishing institution, or, if our figures gave the opposite result, why it is surviving.

I am arguing, in short, that our objective should not be to say whether or not the joint-family is disappearing; but to discover factors which might serve to maintain it, or which might break it down; the larger question we can leave to historians of a future generation or to people whose resources and techniques are more suited than ours to the task. We do not have to say that x is happening; rather we must aim at being able to say, if a, b, and c occur, then x also must occur. I hope I have not laboured this point too much: it is helpful to know which are the blind alleys before one walks to the end of them.

HITS AT THE WEAKEST POINT

The second and third questions — those which concern changes in ends and the taking on of new relationships — I will try to discuss through an hypothetical example. But there are one or two preliminary points to be cleared away. First I would argue briefly that the equilibrium model is necessary if we are to understand how change hits the joint-family. I find it helps to view change not as the sudden shattering of joint-families, but rather to see it at first as an interference at a particular point of the cycle through which we describe the joint-family as an equilibrium system. This argument can be put in several ways. One way is to say that change enters through the conflicts which occur in joint-family life. A more metaphorical way would be to say that change hits the joint-family cycle at the weakest point.

In the normal repetitive equilibrium cycle we see the joint-family fragmenting into nuclear families: then, other things being equal, the nuclear families return to the normal we have set as our model; they

become joint-families. The crucial point in a study of change is that at which the curve begins to go upward towards the norm, if I may put it that way. The point is at first sight obvious: but it is important because it indicates the unit upon which we should focus our attention if we are to understand change — the nuclear family. I will return to this at the end of this essay.

FRAMEWORK OF QUESTIONS — NOT OF ANSWERS

I now take an hypothetical joint-family and see what happens to it, allowing some factors to vary and keeping others steady. In the first part I take as an example a background of an agrarian economy and what we call a 'feudal' political system. In the second part of the description I allow the background to vary and consider what may happen to the joint-family in a diversified economy and a centralized political organization. I would emphasize that this is offered as an example of the use of a particular method: it is not a comprehensive account of change in the joint-family; it is, I repeat, only an example. I have no doubt that the reader will find exceptions to the generalizations I make, without much difficulty. But what is at issue is not these particular generalizations in this particular example, so much as the framework in which it is offered. I am constructing a framework of questions, and not a framework of answers.

I begin by suggesting that we agree that the relationships which nuclear families have within a joint-family serve three ends. These are: (1) economies of scale; (2) economic security; and (3) political security. In other words the joint-family can manage a given piece of property more efficiently than could its constituent nuclear families by themselves: it offers some security to its members against such recurrent crises as illness or contingent expenses; and, thirdly, the man who belongs to a joint-family can protect his person and his property more efficiently than can a man on his own. I do not suggest that these are all the benefits which are to be got from joint-family living. They are merely the ones which I have chosen to use in this example, and they seem to me to be important benefits.

IN AN AGRARIAN AND FEUDAL SOCIETY

Let us suppose there is a joint-family, living in such an agrarian and feudal society as I have postulated, and let us also suppose that these are the three main benefits which the constituent nuclear families derive from being joint. The family then partitions. Since we are excluding a diversified economy, the kind of thing which would cause partition would be quarrels between the women of the family, or the fact that some of the *stirpes* are larger than others, and the smaller nuclear families feel that they are putting into the family more than they are getting out. A man might feel that he can do better maintaining his only child from half the property than he can by allowing his labour to go to the support of his brother's three dependent children.

We now have to ask how the nuclear families after partition fulfil the needs which were previously met by joint-living. The three benefits are economies of scale; economic security; and political security. The first benefit is sacrificed. The second seems to be met, if at all, by calling upon uterine and affinal kin, or upon other allegiances, such as friendship or patronage. The third need is met partly by lineage ties which are not concerned with property. In the case of a poor man it might be met by allegiances across caste to a patron: or, in the case of a rich man, by attracting clients and dependents from other castes, or by encouraging uterine kin to come and live with him. These again are not exhaustive descriptions; they are merely examples. And I should remind you that we are postulating only an agrarian economy. In an equilibrium analysis our assumption is that none of these allegiances, which are intended to replace the joint-family ties, are sufficiently effective to make people prefer them for ever in place of the joint-family ties. In time, we assume, the nuclear families develop into joint-families.

IN A DIVERSIFIED ECONOMY

Now consider the situation when the background is not only agrarian and feudal, but is a diversified economy with a strong centralized political power. The same factors which disturbed the joint-family in an equilibrium situation — women's quarrels or the differential growth of nuclear families — may cause

partition, but we may now include two other causes of partition. These are a shortage of land and a differentiated economy. We connect these two and we presume that, not having enough land, some members of the joint-family have had to enter the diversified economy and obtain jobs as, say, peons or schoolmasters. In this way, to the causes of partition already described, we can add the familiar one of differential earnings by individual members of the joint-family.

Partition takes place. How do the nuclear families fill the gap in their needs for security or efficient management of the estate, now that they can no longer call upon joint-family relationships? I think they can still use those relationships which I postulated when discussing the joint-family in an agrarian and feudal background. They can call upon uterine ties or make allegiances with persons of other caste. But there are now additional resources at their disposal. In some cases these may be the earnings which they get from the diversified economy. As part of the same process, if they are rich, they can make use of wage labour to manage a large estate and need not rely upon their brothers. For aid in times of distress they need not rely only on their uterine and affinal kin and on their friends, but they can also make contractual ties with moneylenders or with co-operatives, or even with some of the agencies of the rudimentary Welfare State. On the political side, a man's security and the security of his property are no longer guaranteed only by his ties with lineage mates, or with powerful patrons, but by the State — by the police, in other words.

I would argue that where the political and economic background changes in such a way as to provide new allegiances of this kind, the scale may be tipped against the joint-family. This is no more than the obvious point that the nuclear family will not seek to ally itself with other nuclear families of the same lineage into a joint-family, if it can achieve the ends it desires by other allegiances.

The same conditions may also bring into being joint-families where none existed before. There was a schoolmaster who became joint with his brother, when he became a school-master. This I would explain by saying that the estate

which he owned could not have been big enough to afford the hiring of a manager or of wage-labour. It is also possible that conditions in the village were not sufficiently secure for an estate to be left entirely in the hands of a woman on her own. In this case the most effective allegiance on which he could call was that with his brother. The differentiated economy caused the schoolmaster to need an additional relationship, beyond his own nuclear family, but for the reasons I have offered, this relationship had to be sought in a traditional field.

FOCUS ON NUCLEAR FAMILY

I have presented a way of looking at joint-families, both as equilibrium systems and in situations of change. Paradoxically our main focus must be not on the joint-family, but on the nuclear family. We

assume that this is not a self-contained unit, viable on its own. It needs to build bridges outwards so that it may fulfil various needs. One possibility is that these bridges are to other nuclear families; within the framework of a lineage. But, whether the society is changing or stable, there are other links which may meet these needs. Given factors a, b, and c the nuclear family will be part of a joint-family: given x, y and z it will build bridges in other directions. I have given examples of what a, b, and c, or x, y, and z may be. These examples are possibly wrong, and certainly inadequate. But that is not the issue: the issue is not the questions themselves, but whether this is a suitable framework for investigation.

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Dalal Street Marking Time

Thursday, Morning

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With the Central Budget drawing so very close, operators are inclined more to lighten their commitments than extend them. Business has dwindled appreciably, with outside interest virtually absent. Equities continue to move up and down in a narrow range in quite an indecisive fashion. The price pattern remains mixed. The general tone of the market, however, continues to be good. This is mainly because of the general belief that Shri Morarji Desai is unlikely to do anything which might disturb the investment climate if only to attract foreign investors to take active interest in the industrial development of the country.

The budgetary outlook, however, is by no means encouraging. In view of the increased development tempo last year, the revenue figures in respect of excise, customs, income tax and corporate tax for the half year to September make a better showing than what had been anticipated in the Budget. And if realisations in the second half of the year maintain their previous years' pattern it is quite likely that the revised estimates for 1959-60 will show a revenue deficit of only about Rs 15 to 20 crores against the budget estimate of Rs 59 crores. But this can hardly make any material difference to the outlook for the 1960-61 Budget. The country will have to foot a huge bill on account of increased defence expenditure and the Central Pay Commission's recommendations, these two items can easily make a total of about Rs 90 to 100 crores. If the Plan target of Rs 1,200 crores is not to be exceeded, the scope for deficit financing in the fifth year of the Plan is extremely limited, the total for the four years being already around Rs 1,133 crores. The upward trend in costs and prices too cannot be allowed to push ahead much further. For apart from other consequences, the country's export effort is likely to be seriously affected.

HIGHER FREIGHTS

The economic tempo has to be kept up without upsetting stability. The mobilisation of resources will call for a massive effort if the Plan targets are to be reached. From

the stock market angle, however, more important than the total tax effort is the nature of taxation. It is hazardous to express any opinion about the near-term outlook for equities in face of the Budget uncertainty. It is tempting nevertheless to forecast that with the steady growth of investible funds, equities are likely to maintain their upward trend. But the Budget can upset all calculations. The Railway Budget containing proposal for a five per cent increase in freight rates — ores for export is the only notable exception — has not caused any uneasiness in the stock market. Coal shares alone have suffered a modest setback.

Cotton

MARCH CONTRACT AT CEILING

COTTON futures recorded a spectacular rise last week. The Jarilla March contract which had been sold down to Rs 756.50 per candy on February 12 was bid up to Rs 790 on February 17. Forward trading in the March Contract came automatically to a standstill because according to the by-laws of the East India Cotton Association no business can be transacted in when the contract rises above Rs 790 — Rs 30 below the ceiling rate of Rs 820 for Moglai fine 25/32" — in the non-delivery period. Unofficially the March contract was bid up to Rs 798 on February 17. The spurt was due to heavy nervous short covering induced by the approaching maturity of the contract. With spot Moglai fine 25/32" — the basis of the hedge contract — quoted substantially above the official ceiling of Rs 820, it was only natural that bears should rush to cover their sales before the end of February.

Trading in the August contract was allowed from February 15. It started at Rs 743, Rs 23 per candy below the March contract. This discount increased further to Rs 41 within three days. While the March contract rose from Rs 766 to Rs 790, August rose by six points only, from Rs 743 to Rs 749. The heavy discount on the distant contract, which should normally command a premium, being the last contract of the season, reflects both the current

tight supply position and prospects of large imports after a month or two. Foreign cotton is expected to arrive in the country in a big way after March. Prospects of improved supplies after some time have not had any noticeable effect on spot cotton prices which continue to be at above the official ceiling rates. The movement of the crop has been slow. The fact that prices are already at the ceiling has not induced growers to rush their cotton to the market.

Mills are allowed to purchase indigenous cotton on the basis of quotas calculated on the basis of their consumption in the previous season. The object is to 'ration' the limited supplies this season. The shortfall is being made good through larger imports. But it is arguable that unless due consideration is paid to the total consumption of indigenous cotton, including cotton carried from the previous season's stock, the distribution scheme is unlikely to have the desired effect and mills might not care to avail themselves of their import quotas. The pressure on domestic supplies will therefore persist.

Oilseeds

ALL-ROUND SETBACK

AFTER keeping irregularly firm most of the time oilseeds prices developed pronounced weakness near the week-end. Prices suffered an all-round setback. Castor futures, which had been the strongest, were the worst to suffer. Then came groundnut to be followed by linseed and cottonseed. The market saw the highest levels of the week on February 15. Three days later it was at its worst. Between February 15 and 17, castor May dropped from Rs 189.12 — new high for the season — to Rs 182.50 per candy, groundnut February and May contracts declined from Rs 218.50 and Rs 212.50 to Rs 212.50 and Rs 208.75 respectively. Linseed May eased from Rs 31.94 to Rs 34.19 per cwt. Cottonseed May reacted from Rs 152 to Rs 149.50.

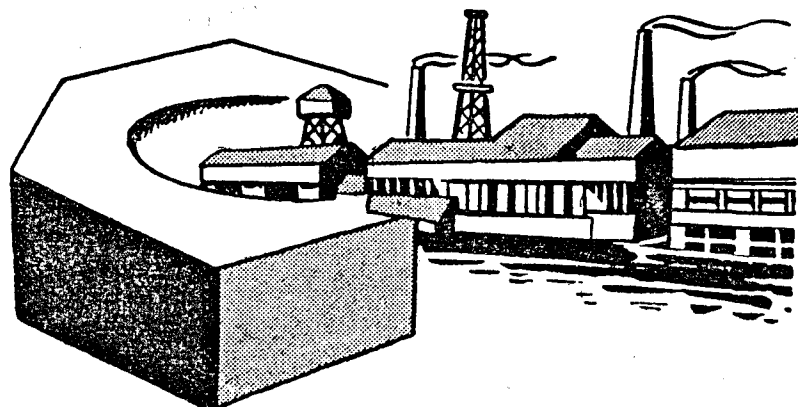
The setback in castor and groundnut can be dismissed as essentially technical. The preceding rise had been too steep to be continued much further without necessary technical

adjustments. How long the market might take to correct its technical position and how far the decline in prices might go, it is difficult to say. But there seems little doubt that both castor and groundnut are likely to scale new peaks because there has come about no change in the basic outlook for them. 1960 promises to be another good year

for oil and oilcake exports and with supplies what they are prices are likely to maintain their uptrend. The export performance last week, however, was rather poor. Traders did not report any important fresh business in castor oil. Having secured their pressing requirements the U S buyers preferred to keep off the market for a while. They

had paid up to 15.75 cents per pound for Commercial. When they offered resistance to a further rise in prices, speculators here rushed to liquidate their bull positions. Bears also pressed sales. The decline in prices exposed the market's weak technical position. Sentiment was also unsettled by increased flow of arrivals in upcountry markets.

More Industries



Go METRIC

On October 1, 1958, when the change-over to the Metric System began, a number of important industries—jute, iron and steel, textiles, cement, paper, salt, engineering, coffee, non-ferrous metals, raw rubber etc.—started adopting Metric weights and measures.

Since then the transition has begun in more industries.

Use of the Metric System was permitted in the COIR industry from October 1959. In the SUGAR industry the change-over started from November 1, 1959.

The pace will further quicken from April 1960 when the VANASPATI and PAINT industries 'go metric'.

The entire distribution of PETROLEUM and PETROLEUM PRODUCTS will be in litres and metric units from April 1, 1960.



Another Major step will be taken when the Customs and the Central Excise adopt the Metric System from August, 1960.

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DA 59/633

In groundnut extractions also, export houses did not report much new activity. Overseas inquiries were better and prices offered about £ 1 more than in the preceding week. But actual sales were limited. Near the week-end, however, some of the East European countries were reported to be in the market again for fairly large quantities. Business should materialise soon. Groundnut H P S continued to be in keen demand but business was limited by the lack of export quotas. Very little remains unsold out of the existing quota for 20,000 tons. Canada continues to figure as a keen buyer, willing to pay around £ 100 per ton.

AWAITING FRESH QUOTAS

The Commerce and Industry Minister's statement that licences for the export of oils and oilcakes would be revalidated and their period extended has led to various conjectures about the size of quotas for groundnut oil and groundnut expellers. If all the repeat quotas are added to the basic quotas valid up to the end of December and deductions are made for actual shipments there would perhaps remain unused licences to the tune of about 70,000/75,000 tons of groundnut oil and nearly 2.4 lakh tons to 2.6 lakh tons of expellers. There is no mention of a similar policy for groundnut H P S. But here also unused licences are estimated around 20,000 tons.

Notwithstanding New Delhi's determination to boost exports, it is very doubtful whether the Government would like to release such large export quotas for groundnut oil and expellers. But it is now certain that the export of these commodities will be permitted and the necessary announcement made in the near future. Informed sources believe that the quota for groundnut oil will work out to around 10,000 tons and expellers will be allowed on the basis of 3-1/2 tons for each ton of oil. A fresh quota for groundnut H P S is also considered likely.

While the export outlook for HPS is bright, prospects of selling groundnut oil even with the incentive of 3-1/2 tons of expeller quota seem unpromising at present. The current U K quotation for groundnut oil is around £ 123/124 per ton while the Indian parity comes to around £ 144. And export of

groundnut expellers yields no more than Rs 10 per ton. Conditions might improve in India's favour. Even so, not much can be sold in the immediate future. Of course, it is different in respect of business put through on a barter basis. The Government is believed to be considering some proposals for the barter of groundnut oil and castor oil.

Money

BILL RATE FURTHER UP

CONDITIONS in the short-term money market continue to be difficult. Funds are in short supply and banks are being obliged to seek accommodation from the Reserve Bank. They prefer borrowing from the Reserve Bank to putting up their inter-bank call money rates and/or selling their Gilt-edged investments. Stringency will continue for quite some time because the busy season is yet only half way through. The treasury bill rate last week rose further from 2.58 per cent to 2.665 per cent.

During the first half of the busy season — October 30, 1959 to January 29, 1960 — scheduled banks' advances have risen by Rs

78.88 crores against Rs 81.49 crores in the corresponding period of the previous busy season. Of this the State Bank accounts for an increase of Rs 15.70 crores against Rs 18.70 crores. Scheduled banks' deposits have risen by Rs 45.25 crores, with State Bank's deposits up by as much as Rs 23.66 crores. In the corresponding period of the 1958-59 busy season bank deposits fell by Rs 9.56 crores. Borrowings from the Reserve Bank have increased by only Rs 13.17 crores against Rs 37.30 crores. Investments are down by Rs 9.47 crores against a rise of Rs 16.84 crores in the first half of 1958-59 busy season.

In the week to February 5, scheduled banks' advances recorded a further rise of Rs 13.25 crores while their deposits decreased by Rs 6.61 crores. And to meet the increased demand for funds, banks had to draw down their cash and balances by Rs 4.58 crores and also borrow Rs 12.43 crores more from the Reserve Bank. Investments were also down but only by Rs 95 lakhs. The Gilt-edged market continued to be very dull and subdued. Sellers predominated in the medium-dated issues and quotations were down by 5 np to 10 np.

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Company Note

Birla Sugar Mills

THREE of the largest Birla sugar mills improved their financial results in the year ended June 30, 1959 as compared with the previous year in spite of adverse technical factors. The table alongside summarises their operating results. The two larger companies had a smaller sales turnover, and the largest suffered a decline in the gross profit margin as well. Sugar recovery in all of them was lower. Bharat Sugar worked for a relatively longer period and crushed more cane, as compared with the previous year; but the other two operated their mills for a smaller number of days, and crushed a significantly smaller quantity of cane. The decline was quite substantial in Upper Ganges. Despite these adverse factors, all

	Birla Sugar Companies (Rs 000)					
	BHARAT		NEW INDIA		UPPER GANGES	
	1959	1958	1959	1958	1959	1958
1. Sales (net)	71,40	64,07	95,53	1,13,82	2,35,54	2,79,27
2. Gross profit	6,98	4,45	14,05	16,05	29,72	42,11
(2) as % of (1)	13.7	8.8	14.6	14.1	12.6	15.1
3. Share capital						
a. Pref.	5,00	5,00	10,49	10,49	27,00	27,00
b. Ord.	15,00	15,00	7,89	7,89	8,00	8,00
4. Free Reserves	14,11	13,13	28,50	25,40	44,11	37,96
5. Net worth (3+4)	34,11	33,13	46,88	43,78	79,11	72,96
6. Capital invested*	32,75	33,15	60,66	61,03	1,30,23	1,75,13
7. Net earnings † 3,47		1,20	6,61	4,65	13,41	8,26
(7) as % of (6)	10.6	3.7	10.9	7.6	10.3	4.7
(7) as % of (5)	10.2	3.6	14.1	10.6	17.0	11.3
8. Net earning on ‡ equity capital (%)	21.5	6.9	76.3	54.0	150.0	89.0
9. Equity Dividend** (%)	15.0	10.0	36.5	25.0	72.5	50.0

* Net fixed assets plus net working capital † Including development rebate

‡ Net earning minus preference dividend as % of equity capital.

** Dividend for 1959 is gross and that for 1958 is net of tax.

the companies have shown better financial results. The paradox is explained by smaller donations, larger development rebate and lower taxation. New India and Upper Ganges have the further advantage of substantial reserves and a preponderant element of preference capital; earnings as a percentage of equity capital, therefore, show a big jump.

All the three companies have fairly bulky investment portfolios. Bharat Sugar holds the entire share capital of C & E Morton, a confectionery concern, which in turn owns nearly the whole of the share capital of Usha Development, which deals in real estate; another subsidiary, Saran Trading, is an investment company with significant hold-

ings in New Gujrat Cotton and Ashok Leyland. Apart from these, Bharat Sugar has large investments in Ashok Leyland and Behar Journals.

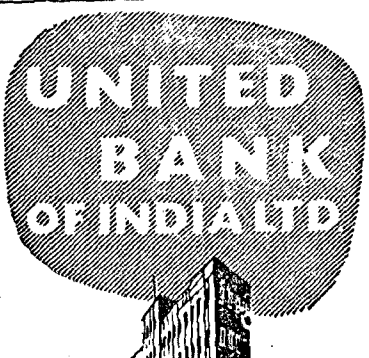
New India Sugar has two subsidiaries, Behar Journals and Darbhanga Marketing, the latter of which is an investment company with large holdings in Ashok Leyland and New Gujrat Cotton. The other substantial investment of New India Sugar is in National Engineering Industries.

Upper Ganges Sugar has invested a fairly large amount in Ashok Leyland. It has two subsidiaries: (i) Alco-Chem, a newly-set-up company which has leased a distillery from the holding company, but the first balance sheet of which shows mere-

ly loans and investments as assets; and (ii) Uttar Pradesh Trading, an investment company, which is a large shareholder in Ashok Leyland, New Gujrat Cotton and National Engineering Industries. The last-mentioned investment seems to have been taken over only in 1958-59 from the holding company.

Disposal of Coal Ash

RAILWAYS are annually realising about Rs 51.82 lakhs from the sale of coal ash. Revealing this in the Lok Sabha, in reply to a question, Shri Shah Nawaz Khan, Deputy Minister of Railways, said that if the ash contains cinders below 1/2" in size, it is sold at current rates to Government or semi-Government bodies like community projects, cooperative societies, village industries commissions, etc.



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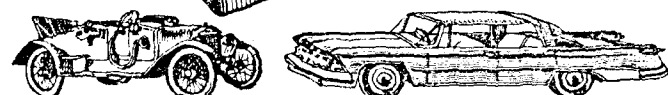
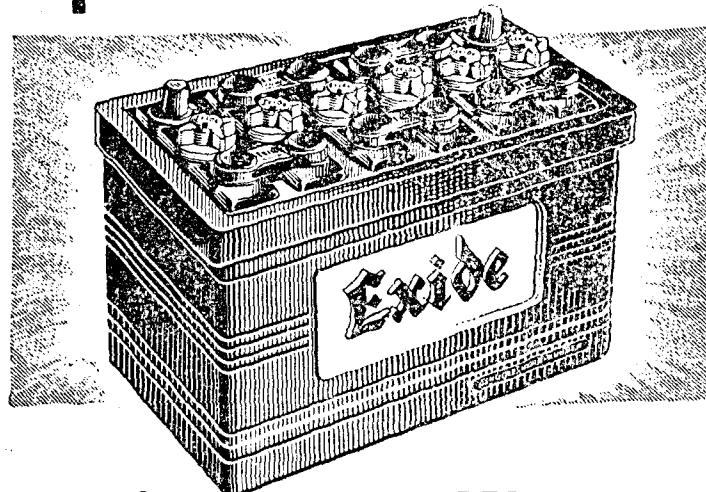
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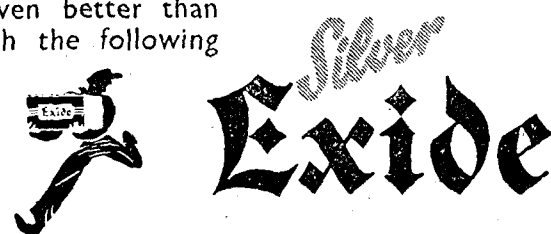
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CURRENT STATISTICS

BANKING RETURNS

Rs Crores				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note Circulation	1811.94	1796.80	1777.90	1668.14
2. Rupee Coin	126.29	127.20	129.49	131.76
3. Deposits				
(a) Central Govt	66.96	49.25	49.41	65.82
(b) Other Govts	20.85	25.74	40.37	21.99
(c) Banks	81.20	66.29	80.69	72.43
(d) Others	108.51	119.36	122.57	114.93
4. Foreign Securities	163.01	163.01	163.01	178.01
5. Balances abroad	44.34	44.34	46.78	28.12
6. Rupee Securities	1417.32	1407.34	1377.43	1251.45
7. Investments	192.99	202.40	213.03	259.78
8. Loans and advances to Govts.	23.50	21.75	20.78	27.79
9. Other Loans and Advances	130.25	121.04	105.54	96.82
Scheduled Banks				
1. Demand Liabilities (net)	729.97	742.01	738.88	691.48
2. Time Liabilities (net)	1120.83	1115.40	1106.70	895.70
3. Cash	109.48	114.06	153.30	107.21
4. Borrowings from Reserve Bank of which Usance Bills	39.44	27.02	32.21	35.22
5. Advances of which State Bank's	873.90	859.93	822.91	800.19
6. Bills Discounted of which Inland Foreign Total of which State Bank's	164.61	160.46	156.33	177.33
7. Invst in Govt Sec of which State Bank's	112.15	112.66	107.83	99.76
Cheque Clearance	46.10	46.33	45.92	38.20
	158.25	158.99	153.75	137.96
	16.86	16.54	15.81	13.52
	783.67	784.63	763.79	623.35
	393.88	393.88	383.16	266.00
	187.40	196.40	187.25	162.84

† For Reserve Bank and Cheque Clearance Week ended 12-2-1960. Scheduled Banks week ended 5-2-1960.

Bombay Money Rates

(Selected Scheduled Banks other than State Bank)
(per cent per annum)

	5-2-1960	Week Ago	Month Ago	Year Ago
Call Money				
From Banks	3½	3½	3½	3½-3½
Deposits				
Seven Days	3-3½	3-3½	3½	3-3½
Three Months	3½	3-3½	2½-3½	3½-4
Six Months	2½-3½	2½-3½	2½-3½	3-4

Bombay Bullion

(In Rupees and nP)

	18-2-1960	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	132.72	132.22	133.87	117.94
Forward	131.69	131.78	132.87	117.56
Silver (per 100 tolas)				
Spots	215.50	213.19	214.00	196.01
Forward	215.25	213.81	214.87	196.00

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Monthly Average

Group and sub-groups	Jan 60	Dec 59	Nov 59	Jan 59
Food Articles	117.7	118.2	121.4	114.3
Cereals	101.7	100.8	106.2	105.2
Pulses	92.0	91.8	94.2	117.1
Fruits & Vegetables	109.6	113.7	124.1	113.5
Milk and Ghee	106.8	107.6	111.7	103.5
Edible oils	131.1	127.9	127.5	118.8
Fish, Eggs and Meat	114.5	114.1	111.4	109.2
Sugar & Gur	144.3	150.0	160.5	126.6
Others	185.7	186.7	178.0	151.1
Liquor and Tobacco	100.9	103.7	104.6	103.6
Tobacco	99.5	102.3	103.4	102.5
Fuel, Power, Light and Lubricants	117.1	117.0	116.6	115.1
Industrial Raw Materials	131.0	127.2	122.5	114.1
Fibres	126.9	123.2	111.7	106.8
Oilseeds	136.0	130.9	130.7	123.8
Minerals	95.2	95.6	95.2	106.6
Others	131.9	129.8	129.6	110.3
Manufactures	116.0	113.4	111.7	108.4
Intermediate Products	121.1	118.0	116.0	110.5
Finished Products	115.1	112.6	111.0	108.4
Textiles	114.3	109.8	106.9	101.9
Cotton	123.5	118.4	116.1	110.4
Jute	96.4	94.2	90.2	85.4
Woollen	104.2	104.2	104.2	105.9
Silk and Rayon	104.9	97.7	93.1	91.1
Metal Products	145.1	144.6	144.6	143.1
Chemicals	106.8	106.7	106.5	111.3
Oil cakes	146.2	145.0	148.0	143.6
Machinery & Transport Equipment	106.1	106.0	106.0	104.5
Others	112.3	113.9	113.8	114.1
All Commodities	118.9	117.9	118.3	112.4

COTTON IMPORTS AND EXPORTS

Imports

(in bales of 400 lbs each)

From Sept 1 to February 11

Description:	1959-60	1958-59	1957-58	1956-57
American	21,979	4,023	59,415	115,939
Sudans	46,418	21,129	24,701	26,917
Egyptian	55,467	20,172	23,191	19,258
East Africans	27,563	44,397	40,659	65,397
Pakistani	—	—	—	—
Other Varieties	332	938	—	765
Total	151,759	90,659	147,966	228,276

Exports†

(in bales of 400 lbs each)

From Sept 1 to December 19

Destination:	1959	1958	1957	1956
U K	1,421	3,933	1,005	4,953
Continent	5,020	6,556	420	2,443
Hong Kong	3,757	25,550	1,280	2,473
China	—	6,886	—	30,273
Japan	68,907	56,458	10,189	30,713
U S A	4,401	557	139	425
Other Countries	1,280	1,357	391	314
Total	84,786	101,297	13,424	44,348

† Excluding Zoda and other yellow pickings

Source: East India Cotton Association

INDUSTRIAL PRODUCTION—II

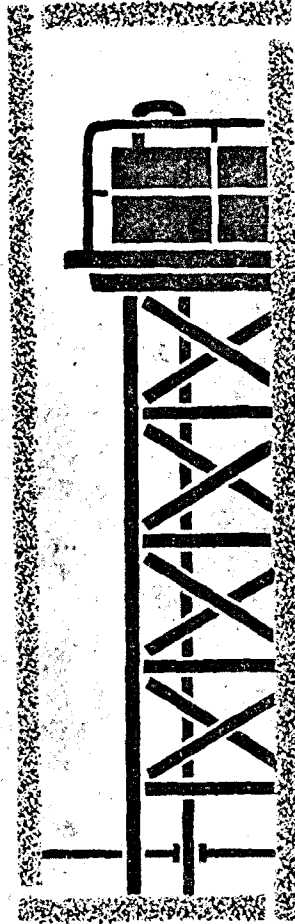
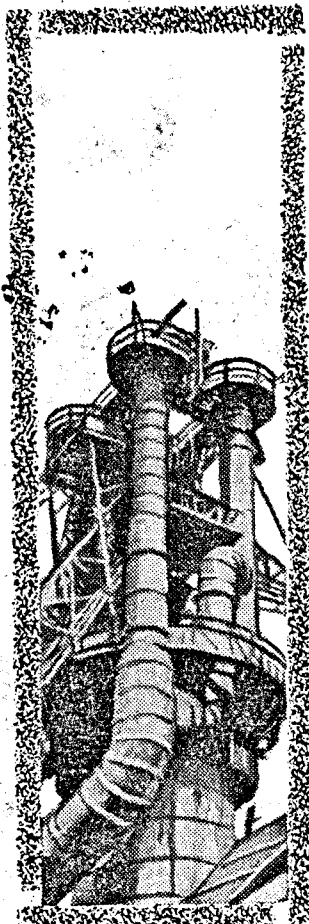
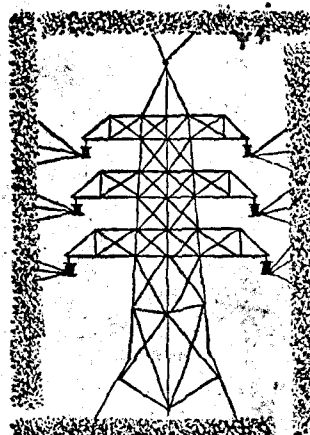
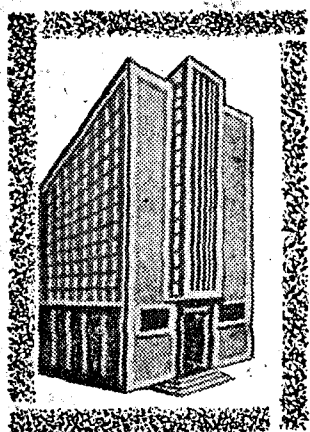
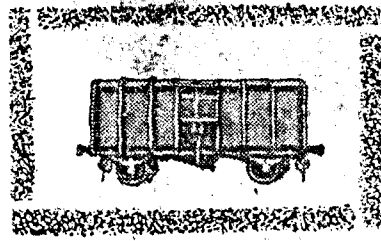
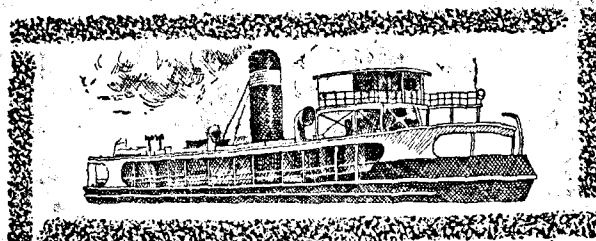
(Monthly Average or Calendar Months)

	Rayon viscose staple fibre yarn (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)
1958	1,098	1,159	148	83.2	682	1,112	44	654	278	1,700	166.9	151.1	133.3	108.3
Nov	1,169	1,371	175	105.9	666	1,114	40	670	332	1,737	174.3	156.1	154.7	110.2
Dec	1,249	1,456	143	149.9	678	1,287	38	720	392	1,888	184.7	164.7	169.3	118.2
1959 Jan	1,172	1,541	152	118.6	805	1,300	15	587	418	1,900	168.0	153.6	152.3	121.1
Feb	1,089	1,527	160	148.0	1,429	1,162	10	466	346	1,500	194.9	182.4	161.2	122.8
Mar	1,262	1,738	156	166.3	1,524	1,225	30	712	410	1,818	263.6	208.9	186.1	130.6
Apr	1,058	1,695	9	138.8	1,280	1,314	48	671	300	1,855	273.0	198.0	176.1	132.6
May	1,191	1,768	117	115.8	1,411	1,314	75	673	382	1,659	253.4	192.0	162.6	132.8
June	1,188	1,692	127	91.3	1,425	1,379	70	676	200	1,817	242.5	192.2	173.9	136.6
July	1,270	1,789	154	61.6	1,505	1,475	90	686	353	1,856	267.3	208.9	184.1	147.0
Aug	1,334	1,765	167	65.7	1,552	1,418	85	681	283	1,836	275.7	207.2	187.7	158.7
Sept	1,260	1,722	112	57.9	1,536	1,335	85	701	314	1,904	252.6	195.2	172.6	160.0
Oct	1,341	1,780	13	—	1,538	—	55	707	280	—	—	—	—	—
Nov	1,323	1,596	99	78.0	—	—	45	711	330	—	—	—	—	—
1958	355	2,147	6.5	31.33	127.9	266	73	96	197.3	20.7	152.8	228.1	177.2	29.6
Nov	385	2,454	6.0	28.99	77.6	328	88	75	208.6	23.0	147.1	245.0	127.9	31.9
Dec	366	2,787	7.0	38.17	90.7	392	96	112	198.5	23.9	148.0	269.3	175.9	38.1
1959 Jan	487	2,427	7.1	51.07	81.8	324	98	94	171.0	21.7	139.1	185.8	160.3	32.7
Feb	598	2,388	7.4	36.61	64.0	289	90	81	176.0	21.3	122.8	140.2	145.8	32.5
Mar	636	2,752	6.6	39.82	82.6	276	99	84	227.6	26.8	146.4	156.7	159.7	31.7
Apr	671	2,832	6.4	23.25	82.9	282	102	79	253.3	22.7	161.6	203.7	149.9	37.5
May	735	2,965	6.2	32.64	98.4	297	85	75	237.2	22.7	155.0	264.8	137.4	39.7
June	771	2,993	6.7	34.98	92.1	313	63	35	197.2	23.1	147.4	245.1	138.2	38.8
July	870	2,239	6.5	25.93	111.3	311	100	36	234.4	26.8	144.7	116.8	149.1	41.6
Aug	679	1,916	7.0	41.66	103.9	371	95	53	231.4	25.0	107.5	109.5	188.8	39.8
Sept	775	1,941	6.4	34.05	105.2	438	92	43	209.5	24.7	158.0	93.3	198.9	39.1
Oct	706	2,036	—	—	138.6	429	86	41	154.8	—	—	—	—	35.0
Nov	879	2,388	6.6	—	107.4	—	—	—	268.5	—	—	—	—	34.7
1958	140.2	52.0	93.9	2,233	919	343	76.1	1,126	83.8	688.3	2,408	78.9	654.5	2,594
Nov	151.2	50.3	79.3	2,020	1,038	304	73.3	686	83.6	734.5	2,457	74.9	614.1	1,604
Dec	171.8	57.0	90.1	2,713	1,090	436	83.6	865	91.8	823.5	3,017	81.3	728.6	4,493
1959 Jan	148.0	54.6	100.0	2,992	1,125	392	75.1	946	91.5	862.0	3,572	81.6	765.7	3,195
Feb	149.4	50.0	86.1	2,339	879	386	77.3	1,003	87.0	700.3	3,017	82.8	769.4	2,783
Mar	136.8	50.1	98.1	2,676	852	541	78.6	972	89.4	724.4	1,971	87.2	774.0	600
Apr	138.5	56.0	83.1	2,041	1,043	277	76.0	127	87.2	795.8	1,915	89.6	808.1	1,563
May	154.1	46.6	90.5	2,598	1,177	435	71.4	58	81.6	818.4	2,056	79.8	837.3	3,533
June	154.3	47.8	79.2	3,008	1,276	304	82.0	488	89.4	795.0	2,255	89.4	930.5	2,079
July	169.8	50.4	81.2	3,291	1,348	295	88.0	735	108.6	883.8	4,023	109.2	930.5	2,518
Aug	156.2	42.2	83.1	3,526	1,458	417	80.9	888	109.4	883.3	3,292	110.2	894.6	2,888
Sept	162.8	43.8	96.8	3,075	1,480	424	89.2	850	105.7	854.6	3,281	104.8	838.9	6,221
Oct	137.2	38.7	—	3,018	1,245	437	—	—	80.5	593.2	1,104	80.3	554.8	1,633
Nov	182.1	—	—	3,369	1,449	438	—	920	103.7	841.6	4,129	104.0	916.8	3,210

Source : Directorate of Industrial Statistics

— = not available

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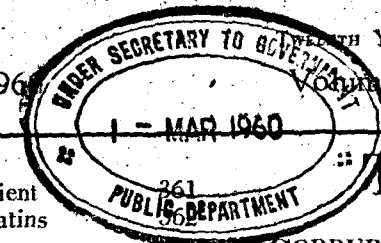
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The Unwilling Patient

CORRUPTION is a subject on which people feel strongly and give vent to their feelings habitually with both abandon and vigour. Of so many aspects of the lives and conditions of the people we know so little, and inadequacy of facts or statistics is a baffling obstacle which stands in the way of determining what the remedial actions should be. But neither in regard to the extent of corruption nor about the remedies to be applied is there any such uncertainty. Ex-cathedra judgments are plenty and they do not come from the uninformed alone. It is a disease of the body politic, apparent above all in the administration, the symptoms of which are assumed to be clear and indisputable. The remedies for it are equally infallible and open to no dispute. Though every one is clear on the subject in his or her own mind, the curious thing about it is that the patient who is supposed to suffer from it is himself unwilling or reluctant to admit the existence of the disease and highly resistant to treatment. He would not take the medicine which is so confidently prescribed as guaranteed to effect instant cure.

Administrators have not the shadow of a doubt where exactly the the root of corruption lies. They also know, and are equally certain, how to stamp it out. Their prescription is short and simple: throw out the politicians. True enough, they do admit the presence of a certain amount of corruption in the lower echelons of the civil service. But that can be largely eliminated, if politicians do not interfere and what remains will be negligible which in any case will have to be endured.

Politicians, however, are somewhat ambivalent in their attitude, or more correctly, they are divided into two groups—one very small, almost microscopic, consisting of those who are actually in the ministries or on the outer fringe in the queue, waiting for their turn, and won't care to lose their position in the queue. These are the people who, in constitutional theory, are supposed to run the Government and are, therefore, responsible for the acts of the administration and for the actions of the civil servants. More immediately, they have to work at least with the top echelons of the service and cannot afford to antagonise the latter. Hence the good words which drop now and again from the lips of the Ministers in praise of the civil servant. Hence also Tyagi's commendation of the high calibre of the services and strong condemnation of the practice of attacking them in Parliament. Government delays, Tyagi said, when the O & M Division was under fire in Lok Sabha, had more to do with the instability of "us politicians to take decisions."

The attitude of the rank and file of politicians is vastly different. Most of them suffer from a sense of injured pride, their amour propre is hurt at the sight of the administrator and the civil servant, doing everything while they are doing nothing. They suspect and openly accuse the latter of throwing their weight about which charge the civil service returns with compliments. It is not difficult to understand his frustration, no one likes to be left out, least of all the politician.

Ever since the beginning of history, men have been sharply divided on the question of the role and relative merit of the individual and the organisation. Some have believed that by suitable organisation, men, despite the known weaknesses in their nature, can be made to work wonders. There have also been the others who have held equally firmly

that, without the inner regeneration of man, nothing worthwhile can be done, that power will always be abused, that men in authority will exploit their position for personal gain. Commonsense suggests that we leave the task of inner regeneration as the special preserve for saints. Even such trivial devices as double-entry book-keeping, efficiency audit and improvements in methods of organisation, of which there is no end, have enabled men in different times and different climes to do things which one would not expect of them, if one thought of the weaknesses that flesh is heir to. The atmosphere would be cleared of much obscurity if one clearly defined the areas where political action is feasible and where it is not. In the process, we have to forget and resolutely put our face against the sort of miracle which Gandhiji achieved in raising the Indian people from the dust.

It is the humdrum administrative rules and procedures, audit and methods of payment, which make up the present system, on which attention should be focussed when corruption and inefficiency are discussed. These are twins, always together, and very largely, these are also the two faces of the same ugly monster. One can, therefore, draw some solace from Nehru's candid admission in Lok Sabha that "the work today was different from what it was during the days when the Government rules and regulations were framed". This was prefaced by a summing up of the historical situation which is Nehru's forte, as follows: "Basically the present delays and troubles arose from the fact that the Government work had expanded enormously without anything like a proportionate improvement in the training facilities. The result was that though quality at the top was high, this had been progressively diluted". To the last, one is forced to enter a caveat. To consider the people at the top efficient but to find it irksome and difficult to get things done through anybody else is a fundamentally mistaken and illusory concept of efficiency. That the realisation has dawned on Nehru that the work today was different from what it was when the present Government's rules and regulations were framed is of course most heartening, though it has come ten years late, for it is better late than never. Will the rules and regulations be now

thoroughly revised and properly streamlined to make them effective instruments of administration?

Apart from Nehru's admission that the Government rules are somewhat out of date, another hopeful development of the week was the announcement of the decision that income-tax returns would be open to public inspection and that the secrecy clause in the Income Tax Act in respect of tax assessments will be repealed. The text of the amendment which will give effect to this decision has not yet been published. So one cannot say for certain what would be the effect of this change on tax collection, or to what extent it could be a deterrent to tax dodgers or to what extent it would strengthen the hands of the honest officers to do their work without fear or favour. But whatever the intended effects are, they would be largely those derived from publicity. Now it may be asked, returns of joint stock companies have all along been open to public inspection at a nominal fee. Has it in any way helped to raise the standard of working of

the companies? But leaving such carping criticisms aside, whatever the effects expected from publicity would also depend on the emergence of a proper climate of opinion so that tax evasion is socially looked down upon. The hopeful note we would like to close on is somewhat muffled. For one cannot forget the front page pictures of Pandit Nehru photographed, if not with known evaders of taxation but violators of similar laws which are even more damaging to the country's interests in that they lead to loss of foreign exchange which is more precious than Rupees which the Reserve Bank can print. Like the anti-deluvian monsters of the pre-historic past, someday the buccaneer type of entrepreneur will also pass away and the business management school trained executive will take his place. But has not determinism to be tempered with commonsense? Can this change come while the climate of opinion and social values stay put? To ask this is not to raise the egg and hen conundrum, which comes first.

Befriending the Latins

TRAVEL, they say, broadens the mind. It is a truism of which the statesmen of the world have only recently started seeing the truth. In Russia, the stern aloofness of Marshal Stalin has been steadily abandoned by his successors in the Kremlin; and today the rulers of the Soviet Union are constant travellers round the globe. Mr Khrushchev is ever on the move—from Moscow to London, from Moscow to Delhi, from Moscow to Washington, from Moscow to Peking. Then there is the clever Mr Anastas Mikoyan, who pursues his own, long routes. From Britain, goes out Harold Macmillan in one direction after another. And one of the last converts to the cult of travelling salesmanship is Dwight Eisenhower, until only the other day as immovable as the White House itself, but now a political trotter of the first waters. In recent months the President of the United States has seen a lot of the world; and he has discovered with something of delighted wonder that what he has seen he has liked, and has himself been liked in return. The experience has encouraged him to take a

personal look at a next-door neighbour with whom his Government has seldom, and only briefly, been popular. He set out this week to find out if the Eisenhower charm can win over Latin America.

From America's own point of view, this is an assignment of major import. Nearly all the twenty states of Latin America have for long had strained relations with Washington. They have felt, not without reason, that one Latin American dictator after another has been sustained in power by the policies (sometimes direct, but often indirect) of the United States. The dictators have mostly fallen, except for the rather glaring instance of Generalissimo Trujillo; but the bitter memory has lingered.

For many ignoble years, the policy-makers of the State Department have turned a blind, and on occasion even a benevolent eye, on Trujillo. No doubt, they have disapproved in their own minds the totalitarianism of his regime; but they have welcomed its "stability" and have on that account been loathe to disturb the status quo.

This must have given heart to the dictator. Certainly, his grip has been tightening rather than relaxing over the years. A few weeks ago, he acted with a ruthlessness unusual even for himself, and clamped as many as 2,000 of his chief political opponents in jail. The event disgusted the whole of America, north and south; the North American public opinion, if not the Government, came forth outspokenly against the regime. At the same time the Organisation of American States stepped forward formally to weigh the evidence against Trujillo and pronounce him guilty. Now the Roman Catholic Bishops of the Dominican Republic too have lined up against the dictator, making his early downfall certain. But where, in all this, does the Government of the United States stand? On this point there has so far been nothing but silence in Washington. President Eisenhower has only to break this silence during his present trip to win millions of friends right away.

Havana will figure with particular prominence in the President's itinerary. There is a lot of ruffled feeling to unruffle there; and the forthcoming Eisenhower visit has been carefully presaged by at least two conciliatory acts. First, there has been a timely reiteration of United States determination to continue the important hundred-million dollar sugar subsidy to Cuba, all the irritations by Castro notwithstanding. Secondly, Washington has publicly apologised to the Cuban Government for the latest aircraft flight of a hostile nature from American soil.

The sugar subsidy decision is exceedingly important; and it is designed to influence Latin American opinion far beyond the borders of Cuba. Washington aims to show by this act of generosity that it has no intention of using its economic power to intimidate even a rather unfriendly country in South America. The generosity is, however, proving increasingly unpopular at home. The anti-Cuba lobby in the United States Congress is pressing hard for the subsidy to be discontinued, particularly in view of what looks like Castro's wilfully provocative attitude towards the United States. This provocation comes in the form of the economic agreement just concluded in Havana between Castro and Mikoyan—an agreement

under which Castro has agreed to sell a hundred million dollars worth of sugar to Russia at a price which is slightly lower than the world price, and considerably lower than the price the United States pays.

Mr. Mikoyan's visit, just ahead of Mr. Eisenhower's arrival in Latin America, is naturally considered to have wide implications in Washington. His mission has been, of course, above reproach. He has done nothing beyond concluding a trade agreement with a free country; but as far as America is concerned, it represents an uncalled-for Soviet incursion into the United States sphere of influence. Russia's entry into a "western" area whose relations with America are at the same time not conspicuously good, raises strong suspicions of mischief.

Washington is puzzled as well as annoyed. It had been taken more or less for granted by the State Department that the Soviet Union would not deliberately provoke or alienate American opinion so shortly before the Summit. That calculation has proved wrong. And President Eisenhower is faced with the task not only of winning the Latins but also of trying to undo the victory of Mr. Mikoyan. The Russian leader has played his cards extremely well. His agreement with Castro conforms completely with the Latin American preference for trade to aid; and Mr. Eisenhower will be hard put to it to meet the challenge of this move if the anti-Cuba lobbyists at home choose this particular moment to shift their sugar clientele elsewhere.

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Weekly Notes

Kerala Ministry

AFTER many parleys and much horse trading, a Congress-P S P Coalition Ministry has been formed in Kerala with the P S P leader, Thanu Pillay, as the Chief Minister. The Muslim League has been left out. To the extent that the League is now out of it, the Alliance is weakened. Pandit Nehru confessed this week that had he seen the League's election manifesto earlier, his attitude towards an alliance with the League would have been, perhaps, different. So far as the Congress is concerned, the fate of the 'grand alliance' which won the elections is, therefore, sealed. On the other hand, the sprightly and young P S P minister in the new cabinet, Shri Chandrasekharan, in his first public statement has expressed the hope that before the next elections, the P S P-League alliance will be extended to States like Bombay, Uttar Pradesh and Bihar. In other words, while the Congress, perhaps Nehru alone, looks at the revival of the Muslim League with disfavour, the P S P is wedded to the League as an ally against Communism. How will the Congress-P S P Coalition Ministry reconcile these sharply conflicting attitudes to the League? Quite likely the local Congress may not, as in the past, take any serious note of what Nehru says. Will secular India stomach it?

Another question that naturally arises is what would be the policy of the Coalition in regard to the controversial legislations of the Communist Party, particularly the Education Act and the Land Bill, Debt Relief Bill and Junmikaram Abolition Bill which are awaiting the President's sanction. In the absence of a clear and joint election manifesto, people have naturally been left in the dark. The earlier an understanding is reached on these measures, the better, because at present opinion is widely divided within the parties themselves on many of the important issues in these Bills. There are influential sections both in the P S P and the Congress who would like to make certain provisions in the Land Bill like those on ceiling, compensations, etc., more stringent, while there are others, equally influential, including the

Nair Service Society leader, Manom, who are deadily opposed to the fundamental principles of the Bill. Has the Chief Minister the political status to reconcile the conflicting forces within the parties and to maintain an effective unity of the ministry for constructive purposes?

From the composition of the Cabinet and the allocation of portfolios, it would appear that the ministry is staking too much on industrialisation for its success. The appointment of Shri Damodara Menon as Minister for Industries is a pointer. Of all the Congressmen in Kerala, he is believed to have impressed the Congress High Command most. It is not his grasp of the problems of industries, however, which encourages high hopes but his flair as a contact man and his acceptability to Delhi which should help him to get things done. To what extent industries can solve the colossal unemployment problem of this over-populated state, however is a different question altogether. The more immediate question at the moment is whether any industry can be established and run successfully in Kerala without industrial truce. The views of the Communists on the subject are well known. They were incorporated in the Industries Relations Bill which was introduced in the last Assembly, and which has now lapsed. The point at issue is: Will it be possible to bring industrial truce, if the policy of Government is to exterminate Communists who have the largest following among the labouring classes, as the last elections showed so very clearly?

How Non-partisan?

IT is rather ominous, however, that the Law and Order portfolio should be given to the Catholic leader Shri P T Chacko. Reputed to be very able, Chacko gained in status as the Leader of the Opposition in the Assembly. But as the Church had been in the fore-front of the anti-Communist agitation and is likely to continue to be so in the future also, is Chacko really the man to hold the balance and prevent the militant section of the Church from resorting to undesirable and undemocratic methods in its crusade against Communism? Already com-

plaints are there of the excesses of the Vimochana Samiti and four clear cases of murder of Communist workers have been reported from Central Travancore. The answer to Communism is not to replace one partisan rule by another.

What is wanted under the circumstances is a clear and unequivocal policy statement from the Coalition Ministry whether it is prepared to accept the hand of co-operation extended by the leader of the Opposition, Shri Namboodiripad, or whether it intends to continue its crusade against the Communist with the active connivance of the Church and the Muslim League. A legally constituted Government had been thrown out by unconstitutional methods, in the name of democracy, and if a party which secured 43 per cent of the votes is not allowed to function effectively as Opposition, the concept of parliamentary government will have to be re-defined.

Sardar Kairon Speaks Out

PUNJAB Chief Minister, Sardar Kairon's dramatic statement is a clever trick upon his opponents which will fail to assuage either his political denigrators or the more serious critics of his policies and actions. Winding up the three-day-long debate on the Governor's address in the Punjab Legislative Assembly, Kairon said that as a loyal worker of the Congress, he would immediately quit office if the Congress High Command asked him to do so. While making this offer, Kairon was apparently fully aware that the High Command was in no mood to allow itself to be convinced of the truth of any of the charges brought against him and would not, therefore, ask him to go. The truth is that the Congress High Command could not have sat silent, as it has done, upon the charges that have been made against Kairon if it really meant business. And the charges were by no means light enough to be allowed to go unchecked with impunity either in the interest of a desirable code of public conduct or from the narrower point of view of the interests of the Congress Party itself. Kairon's personal unpopularity was in no small measure responsible for the almost complete rout of the non-Akali

Sikhs in the last Gurdwara elections in Punjab.

But the statement may also go in another direction as well. While Kairon may be able to score a point against his political opponents within his own party in Punjab by this statement—if only for the time being—the Congress High Command would seriously compromise itself not only before the rank and file of the Congress but also before the public at large if it now refuses to direct impartial investigation into specific charges of political and other types of corruption brought against Kairon and his Cabinet colleagues. A Governmental enquiry with the accused persons in power will not satisfy the public either. Kairon may then have unwittingly committed the High Command to a course of action which both he and the High Command have so long strenuously tried to avoid.

Price Control on Sugar

THE Indian Sugar Mills Association in a press release has tried to make out a case for the removal of the price control on sugar. Its argument is based on the current year's production and stocks. By the first week of February this year, the industry has produced 2.30 lakhs tons of sugar more than last year, the actual production by that time being 12.55 lakhs tons against 10.25 lakh tons during the same period last year. The stocks of sugar in the country are also higher, being 8.99 lakh tons on 7th February as against 8.08 lakh tons on the same date last year. The gravamen of the Association's charge is that in spite of larger production and stocks, Government has not been able to supply sugar to consumers at controlled prices in important consuming centres, because of defects in the arrangements made by Government for the distribution of sugar. Against the control price of Rs 37.85 per maund, fixed for factories in U P and Bihar, in Calcutta, which gets its supplies from these factories, the price of sugar is about Rs 55 per maund. In the interior of Saurashtra and elsewhere the rates are even higher, Rs 75 to Rs 100 per maund.

The case of the Association is untenable on two points. If the present price control is removed, will the price to the consumers bear a fair relation to the present controlled rates, or will it lead to an

all-round increase to a point halfway between the present control price and the higher rates prevailing in areas where the control is ineffective for various reasons? Secondly, how are the sugar mills going to meet the alleged competition from Khandasari and gur for sugar cane and ensure steady production and adequate supply to prevent sudden unexpected spurts in prices? The Association concedes that because of the present tax policies, the margin of profit to Khandasari and gur manufacturers is fairly high and that it is not possible for the mills to attract more of sugar-cane at current prices of sugar-cane. Moreover, even if the control is removed and mills are enabled to pay better prices for sugar-cane, how will it be possible to divert more cane to the mills, when the advantage to the Khandasari and gur manufacturer arises from the present tax policies, particularly those relating to cess and excise?

The real difficulty would appear to be that Government's thinking on the subject is not clear. Here there are three types of sugar, white sugar, Khandasari and gur. The raw material for all three is sugar-cane. In a competitive economy, khandasari will have to give way to white sugar and gradually gur also would be replaced by it. Government is not prepared for such a situation. It wants the cane-grower to get a fair price, and gur and khandasari to thrive along with the white sugar industry. If this is Government's objective, it has not yet formulated a policy to achieve this end. It should also be understood that any such policy could be thought of only on the basis of a price relationship between white sugar and khandasari/gur on the one hand and the sugar-cane on the other. Such a policy would require the concurrence of the State Governments of U P and Bihar, both of which have consistently obstructed the formulation of a sensible sugar policy. Under the circumstances, the consumer will have to put up with shortages and high price till such time as Bombay and the south become surplus producers.

Pump Makers and Government
THERE are many kinds of pumps that are now being manufactured in India, though, of course, the bulk of the production is accounted for by the standard types of centrifugal and vertical turbine pumps. There is not much trouble about the first category; these are the common varieties which sell by themselves, so to say, and sell well. The vertical turbine variety is different in that the State Governments seem to be its principal buyers, and the demand for it depends on the progress of the various tube well projects which have their ups and downs. If the complaint of the Chairman of the Indian Pump Manufacturers' Association at the last Annual General Meeting is to be believed, many of these projects, "have been shelved or not carried out". The result is that those who have installed capacity for their manufacture, do not get buyers for what they can produce while the Development Wing, rightly perhaps, going by its own projection of estimated demand, goes on licensing new manufacturers. As a result at the moment there is much idle capacity in this particular line of production and such unused capacity is bound to increase with the progress of the new installations. This is a common and familiar phenomenon of non-synchronisation—should we say between different parts of the Plan, or between the aspirations and achievement, or idea and reality? To call it idle capacity however, is misleading for it has no element of that technical expertise which one normally associates with the failures of projection or forecasting of demand based upon certain minimum assumption of rationality. The situation has been described by Shri J R Bammi, Chairman of the Association, as follows:
"Towards the end of the First Five Year Plan, and the early part of Second Five Year Plan, quite a large number of tubewells were drilled in the Indo-Gangetic plain. However, a substantial number of these have never been put into operation, due to lack of electric power or non-construction of feeder canals from pump houses to the farms. With so many of the tubewells lying idle, it was pointlessly going in for new construction and, hence, the various State Governments concerned decided to postpone the new schemes which they had originally intended to take up, resulting in substantial drop in the demand for Vertical Turbine Pumps."

It may be recalled that Pandit Nehru himself referred to the failure

of the tubewell programme in U P in the course of a spirited denunciation—against whom and for what, one should not ask—of the non-utilisation of the irrigation potential built up at a heavy cost. Every Association has a little bit of the trade union spirit. It looks askance at new comers, and the criticism against the Developmental Wing in issuing licences when the existing capacity is not being fully utilised is both natural and understandable. Also there is nothing like leather. "Irrigation by tubewells eliminates construction of dams, expensive head works and lengthy canal system, all of which require substantial time for construction. Tubewells can be drilled in a very short period and located close to the area where the water is actually required". What could be simpler? There should be more tube wells to ensure better sales of turbine pumps and non-admission of new entrants so that the happy family consisting of those already established in this particular line of production may be secure and may continue to thrive! Shri Bammi derives consolation from the thought that in the Third Plan, the Planning Commission would be giving special consideration to food and agricultural production and in the process, the gap between supply and demand will be closed not only for food but also for turbine pumps. This is, however, subject to one proviso—"if the tubewell schemes are properly planned". What assurance is there that they would be better planned and also better executed in the Third Plan than in the Second?

Obstacles to Diversification

THIS is the kind of failure of estimation of demand which cannot be rectified by the most sophisticated of econometric techniques. There is another kind, also referred to by Shri Bammi, which arises from lack of primary data on which demand projections have to be based. As mentioned before, the manufacturers of pumps are going in for many new types and are experimenting with diversification of production. Apart from pumps for handling water, manufacturers are going in for the special types suitable for industrial requirements such as for cement, paper, chemical and petroleum industries. Progress has also been made in the manufacture of pumps for handling sewage. The limiting factor here is the availability of statistics. "One of the main

holdback in setting up manufacture of specialised pumps is the lack of statistics pertaining to the demand. The Association had contacted the Government to find out whether they had any statistics on the demand of specialised pumps which were imported over the last few years. The Development Wing informed us that whereas they had figures for total number of pumps imported, no statistics had been maintained categorising the pumps. Further, specialised pumps had been imported as part of overall machinery for particular projects and, as such, their import have not been recorded separately". The Association has now taken steps to try and secure information independently.

As in the case of other light engineering products, manufacturers of pumps are also getting export-minded. The Association's suggestion for export promotion are two fold—(1) inclusion of pumps as one of the items in barter agreements and (2) formation of an exporters' pool, which could exercise effective control over quality, seek subsidy from Government in the event of losses from export and extend credit to foreign purchasers. The Association is also research-minded, but would like to have an all India institute for promotion of research, shifting the cost thereby to the Government.

Dark Horse in Raw Films

INDIA is one of the world's largest producers of motion picture films. There have been years in which the number of motion pictures produced in India entitled her to the second rank in international rating. Though the number of films produced is large enough by any standard, the number of copies of pictures which are taken out may not be that large, and hence it has sometimes been contended that the annual demand for raw films has not yet reached the dimension necessary to ensure an economic scale of production should India decide to go in for manufacture of raw films on her own. This is, however, a contention which has not been established. And in view of the steady increase in the construction of cinema houses year by year and increasingly extended use by the Government of films as a medium of publicity, the case can certainly be made out for indigenous production of raw films and of photographic papers.

In fact, proposals for starting the manufacture of raw films have been in the air ever since Independence and in view of the continuing shortage of foreign exchange all these years, it should have received a very high priority indeed. But none of them had clicked hitherto. The Development Wing, however, has at last finalised a proposal, and according to press reports, an agreement has been reached between the Government of India and a French firm for the manufacture of cinema and photographic films and photographic papers. The plant is to be set up at Ootacamund and is expected to go into production by the middle of 1962.

There are many fields of industry and highly specialised engineering and chemical techniques in which France undoubtedly leads, but very definitely making of raw films is not one of them. There are only about half a dozen established raw film manufacturers in the whole world, and they are all internationally renowned. They also happen to be distributed over a number of countries belonging to different political and foreign exchange blocks. So the choice for the Government was not restricted in any way—U.S., Belgium, Germany both East and West, Soviet Russia and Japan being the leaders and near-monopolists in this particular line of production. How come then that the Government of India picked on a French firm, Messrs. Bauchtet, whose reputation as manufacturers of raw films is known only to the Development Wing or perhaps, to the Ministry of Information and Broadcasting, but which is completely a dark horse to the trade and to those who are knowledgeable on such matters?

The special character of manufacture of raw films is such that it is difficult to imagine why an established foreign firm run on commercial lines would be interested in parting with its know-how and lending its technical assistance without a continuing interest in the returns of the venture, even though the venture might be taken up in the public sector. Manufacturers of films are not known to be manufacturers of plant and equipment for film-making which are offered for sale. This consideration alone would seem to rule out the possibility of a successful collaboration with com-

mercial firms in any of the capitalist countries. This is not necessarily to hold a brief for the quality of films produced in the Soviet group of countries, but to draw attention to the method of collaboration which could be acceptable to them, but not to producers elsewhere who are legitimately interested in long term profit prospects and continuing returns.

But whatever the form of collaboration, it is urgent and essential that raw films are manufactured in India and that the product be of standard quality. From the standpoint of quality, there is little to choose among the established producers in different countries. This is a line in which quality and standard is essential above all—there is no such thing as poor quality films. An indifferent production would be worse than useless, for it will not save foreign exchange in the long run and may expose Indian films which are now coming up in a big way to the risk of a severe set-back. The Ministry concerned owes it to the trade and to the public to put all its cards on the table and giving the latter the fullest opportunity to satisfy itself that the film industry is not being led up the garden path because someone in a strategic position has a particular whim or fancy.

Record Life Insurance

ONE of the main objectives of nationalisation of insurance was to expand life insurance business over as wide an area, and as quickly, as possible. Barring the hardened critics of nationalisation, it could be clearly foreseen at that time that new life business was bound to grow steadily along with economic growth, inflationary pressures, and public confidence in the security offered by a Government body. It would not be correct, therefore, to assess the performance of the Life Insurance Corporation solely by the larger volume of business it underwrites every year. It has to be judged primarily by the extent to which L I C is able to spread the insurance habit and mop up savings in areas and among classes of people which had been hitherto untapped. And this has to be done without, at the same time, allowing the high costs of development to raise the overall expense ratio. On all these counts, the L I C appears well set to achieve the objectives for which it was set

up, though it has still a long way to go before it can claim to have broken through the hard shell which limits the development of life insurance business in this country. It will be months before its annual report for 1959 is available. But some preliminary data on its performance during the year have already been released to the press. It secured new business of Rs 429 crores from 11.5 lakh policies, against Rs 339 crores from 9.5 lakh policies in the previous year; the rate of growth of new business was, thus, 24 per cent against 22 per cent in the previous year. An increasingly larger part of its business is being secured from areas outside the larger towns and cities. In 1957, less than 37 per cent of its new business came from branches located in towns with a population of less than 1 lakh each; this proportion rose to 38 per cent in 1958, and 42 per cent in 1959. The improvement has been effected without an adverse effect on the overall expense ratio.

Last year the Corporation drew up a five year plan of development to treble new business, from Rs 339

crores in 1958 to Rs 1,000 crores in 1963. Actual achievement in 1959 was Rs 13 crores higher than the target for the year. There is still a long way to go before the target of Rs 1,000 crores can be achieved. This will require a substantial stepping up of the pace of annual expansion and straining organisational resources to the utmost. It is just as well, therefore, that some rethinking is being done about the Janata Policy scheme, the poor results of which have not justified the organisational effort devoted to it.

The Corporation's premium income during 1959 is estimated provisionally at Rs 82 crores against Rs 74 crores in 1958. Of this, Rs 17 crores against Rs 13.6 crores in 1958 has accrued from fresh business. On an average, the L I C invests about Rs 3 to 3½ crores every month. According to the Chairman, Shri P. A. Gopalkrishnan, investments have been distributed between the public and private sectors in almost the same proportion as in the previous year. The Corporation continues to take interest in new issues of private capital.

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From the London End

Co-Existence and the Arms Race

THE publication of the British *Defence White Paper* follows quickly in the wake of the French atomic explosion. These events reflect in a sense the great tragedy that befalls those who refuse to grow old gracefully. Both Britain and France know in their bones that they possess little of the resources required to match or influence the power of either the Soviet Union or the United States. Indeed this was the essential reason for Nato, for 'inter-dependence' and the stationing of American bases in West Europe. And yet both undertake at great cost and sacrifice the development of weapons capable of considerable devastating power which become out of date as soon as they are produced because Soviet and American technology, each in its own way, is proving that the search for the ultimate of weapons has not been exhausted. What seems ludicrous about these Anglo-French attempts is the claim that both are providing their own 'independent deterrents'; in the face of the evident Soviet mastery over military rockets, these are clearly not deterrents,—they are merely the type of complications that makes the approaches to disarmament almost impossible to reach. For what they provoke is the spread of the arms race to the whole class of second-grade powers (with West Germany waiting on the ramparts eager to enter this appalling game).

BLUE STREAK MISSILE

It is not possible to make much sense of the expenditure statistics given in the British *Defence White Paper*. What is known is that the military budget for 1960-61 is going to cost £115 million more, totalling £1,630 million and absorbing some 9 per cent of the national income and over one-third of aggregate Government expenditure. What is also known is that much of the expenditure is being devoted to military projects about whose worth as viable deterrents even the Government is sceptical. Indeed the impression is obtained (and this is acknowledged in the serious press) that the Government can only write off the Blue Streak missile, the development of which has already cost £600 million, after it has expended another £400-500 million on it.

This may sound much too silly to be true, but it is the one big fact that emerges from the *Defence White Paper*.

Let us follow recent development of British military policy. This policy is supposedly based on a five-year plan which commenced soon after Suez. The basis of this plan was the development of the 'independent deterrent' through the medium-range Blue Streak missile. This missile was to gradually replace the manned air bomber. The cost of the development of the missile is not known; the *Economist* has reported the probable cost of the research and development side part alone to be about £600 million. By the time sufficient missiles are made for the stockpile, the total cost would reach £3,000 million. This is said to be the target of the five-year plan.

NOT SIGNIFICANT ENOUGH

But already by 1958 misgivings about the suitability and reliability of the Blue Streak were being voiced in British military circles. It was being argued that the Blue Streak launching sites, buried and surrounded with concrete, would be vulnerable to attack. The *Times* reported that experience with Thor missile sites has shown how difficult it is to keep the location of sites secret. It was being said that an attack of 150 megaton weapons could knock out all possible missile sites in Britain.

The rising volume of criticism forced the authorities last year to re-emphasise their determination to maintain an independent deterrent through the Blue Streak missile. Alternate missiles from mobile launching sites were regarded as not practical and as being too costly. Clearly what was central in all this, as the *Economist* now sees, was the fact that "what we are after is still an independent British deterrent." This is a political question of the first magnitude. In favour of the demand that Britain secures an independent nuclear and missile status, it cannot in truth be argued that such a status constitutes a military deterrent to Soviet attack. Against the Soviet moon-shot the Blue Streak is of doubtful significance. In any event, as the *White*

Paper states, the "4-minute alarm system" is yet to be developed. The nuclear status thus cannot assist in the avoidance of a conflagration. If war is to come, then the British missile is not significant enough to be a deterrent to it.

NO CONFIDENCE IN NATO

One has the impression that the costly British attempt to acquire a nuclear status arises partly from something of a lack of confidence in Nato and the US alliance. Be this as it may, the Blue Streak ultimately comes down to being a political instrument—an instrument to establish Britain's place in the hierarchy of power and influence.

It cannot be said that this instrument has been seriously prejudiced by the French explosion as yet. In any event, world opinion has become sufficiently informed and involved in international relations to know that France is no greater now than she was and that Britain's own contribution to the growing "fission plenty" (as the *Times* called the present position) is so meagre and unimpressive that what gives Britain anything of an influence continues to be based on the Commonwealth and Empire and little else.

RISING MILITARY EXPENDITURE

Against this background the assurances, much too emphatic at times, that Britain's deterrent was the Blue Streak and that by 1965-67 it would have completely replaced the Bomber Command, we now read in the *White Paper* that:

"The development of the British ballistic missile Blue Streak is continuing. However, it may be decided not to rely exclusively on fixed site missiles as the successor to the medium bomber. ... Therefore the possibilities of mobile launchers, whether aircraft or submarine, for long range delivery of nuclear warheads are being investigated."

The prospect is presented by this statement for a growing cost of militarisation and for the 1960-61 military budget of £1,630 million to be gradually worked up to £2,000 million by 1965—a sum sufficient to finance the entire development needs

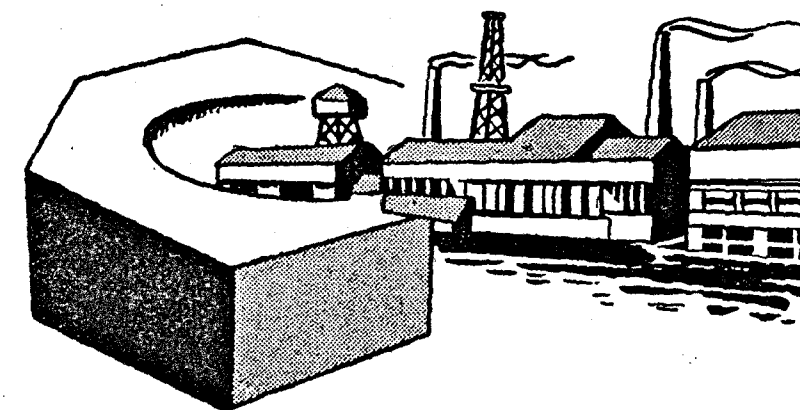
of the Commonwealth for a year. But this is not all.

The British *White Paper* coming as it does so soon after the French atomic explosion, fouls the atmosphere of international relations and makes a mockery of all talk of disarmament and the banning of tests.

For Britain, escape from a feeling of defencelessness cannot come from the independent "deterrent"; it can only come from an easing of world tension. Even if we are to assume that the even balance of terror now evident in the military power of the Soviet Union and the United States helps to maintain peace (and this is

by no means an acceptable assumption) then Britain's own military plans as given in the *White Paper* are not likely to disturb the balance. It merely provides the incentive for a spread of nuclear arms. This is now the big new factor which is likely to imperil peaceful co-existence.

More Industries



Go METRIC

On October 1, 1958, when the change-over to the Metric System began, a number of important industries—jute, iron and steel, textiles, cement, paper, salt, engineering, coffee, non-ferrous metals, raw rubber etc.—started adopting Metric weights and measures.

Since then the transition has begun in more industries.

Use of the Metric System was permitted in the COIR industry from October 1959. In the SUGAR industry the change-over started from November 1, 1959.

The pace will further quicken from April 1960 when the VANASPATHI and PAINT industries 'go metric'.

The entire distribution of PETROLEUM and PETROLEUM PRODUCTS will be in litres and metric units from April 1, 1960.



Another Major step will be taken when the Customs and the Central Excise adopt the Metric System from August, 1960.

CHANGE TO METRIC SYSTEM

FOR SIMPLICITY & UNIFORMITY
ISSUED BY THE GOVERNMENT OF INDIA

A Purposeless Gathering

P G Ganguly

Regional Seminar on Techniques of Social Research. 15-20 December 1958, Proceedings and Papers. UNESCO Research Centre, Calcutta, 1959. Pp 170. Price not stated.

INTERNATIONAL organizations are increasingly making available resources and opportunities to experts from various countries for international collaboration which is an important factor for the growth and dissemination of scientific knowledge. Though knowledge cannot grow without specialisation, specialisation also creates artificial diversities in the unity of knowledge and ultimately the wood is missed for the trees. Hence the significance of seminars and conferences in which experts from different or related disciplines get an opportunity for the cross-fertilisation of their ideas, standardisation of their techniques and comparison of their findings. The need for collaboration among scientists was realised early for the more matured biological and natural sciences. Social sciences had to wait quite some time for recognition and international support. Since the creation of the Social Science Department of the Unesco, however, frequent meetings of social scientists from different countries have become possible and the results, in most cases, are understandably encouraging.

About 27 experts from India, Burma, Malaya, Pakistan, the Philippines, Thailand, U K. U S A. Japan and Netherland, participated in the regional seminar on Techniques of Social Research held at the Unesco Research Centre, Calcutta, during 15-20 December, 1958. It was also attended by observers from the ILO, ECAFE, FAO and the Ministry of Education, Government of India. As is usual with Unesco publications, this volume has a neat and attractive get-up. Its contents are broadly divided into two parts. The first contains a conspectus of discussions while the second part is devoted to some of the papers, summarised or in full, which were specially prepared for the seminar by the participants. Though the seminar could not reach general conclusions, we are assured in the Preface by the Director of the Centre that the trends of discussion as reported in this volume, should help the reader to understand and ap-

preciate the special problems involved in social research in Southern Asia. So the reader opens the volume hopefully and reads it through. What happens to his hopes when the exercise (through nine items for discussion and 25 papers on as many topics) is over, can best be described with a couple of examples.

SPONSORS OF RESEARCH

In the summary report of the first item, viz, the sponsors of research in relation to research projects, it is stated that universities and independent research organizations in Asian countries, have meagre finances at their disposal. Research projects under these circumstances have to depend more and more on government support. Government sponsored research projects are generally large undertakings, like comprehensive surveys, in which individual researchers have only a narrow scope for independent work. Small projects for training research personnel, however, were considered useful. Doubts were raised about objectivity in research projects conducted for and by governments but such doubts, it was decided, were largely baseless. For maximizing the use of limited financial resources, it was suggested that some time it might be possible to make a project multi-purpose without materially affecting the research design of the main project and without additional cost. Examples of such on-going projects were given. Finally, the stimulating effect which a project initiated somewhere can have elsewhere, was stressed by citing the instance of tension studies inaugurated by Gardner Murphy and continued by several research workers among different socio-cultural groups.

The second item is devoted to the projects undertaken by the Unesco Research Centre, Calcutta. We are briefly told about the objectives of these projects and vaguely about the formulation of the specific problems for research. It was noted while discussing the project on small scale industries, that during

the collection of data, it should be borne in mind that the ultimate findings of the project should be useful not only to administrators but also to the industrial establishments. Difficulties in getting directly from the establishments, information about credit and profit, etc, were pointed out and several indirect ways were suggested. The need was felt for studying small industries from a social standpoint in relation to heavy and handicraft industries and it was observed that sampling of industries was difficult without a general frame.

NO LIGHT ON RESEARCH TECHNIQUES

Thus we go on and on, through 163 excellently printed pages. We are told about the selection of the unit or group for research. "The question arose how far random samples of villagers could be taken to elicit village opinion or whether that could only be ascertained by interviewing some village leaders" (p 22). Another vexing problem was the concept of homogeneity. The hydra-headed problem of the use of statistics in social research was raised and it was noted that questionnaires could not be used in non-literate societies which abound in southern Asia. We are told that the problem of no-response is not due to the fault of statisticians. It is the fault of the sociologist who has not been able to impress upon his respondents the importance of cooperating in his study. It was decided in the seminar that unduly long questionnaires are really annoying, both to the respondents and to investigators. These nursery rhymes are more often heard in undergraduate classes in sociology than in a seminar of experts sponsored by an international organization. It will not serve any purpose to cite further instances of the trends of thought in the seminar.

We may, however, briefly observe that the seminar participated in the ritual battle of qualitative versus quantitative social research. Nothing was gained and nothing was lost. Statistical problems involved in so-

cial research were discussed by the experts but the reviewer feels that it is possible to get the content of this discussion in any good text book on statistics for social scientists. Hardly any new and serious problems were raised in the seminar and none were solved. Use of various types of documents, whenever accessible, is a long established technique and, therefore, the suggestion that the documents of a village panchayat may be useful for studying certain problems, does not seem to be a contribution to social research techniques. Similarly, the case study method has become fairly sophisticated at the hands of psychologists and psychiatrists and the seminar's discussion of the technique is just a repetition of the same old story. It is not quite clear, for instance, what we are supposed to gain from the new approach to Case Method in Research as presented in Professor Bradley's paper for the seminar. "At the outset, a generalised description of what a 'case' is may be useful. As used here, it refers to the record of the events, personal and situational, affecting an opinion, decision, or outcome in a specific setting" (p 72).

NO CLEAR OBJECTIVE

The discussion on interdisciplinary research does not even touch the key problems of this approach. One gets the impression that interdisciplinary research has been confused with group research—a group consisting of social scientists from various disciplines. It is, nevertheless, well-known that the central problems of interdisciplinary research are conceptual and technical and they do not easily lend themselves to surface-scratching. To take an example, it is not enough that an economist and a psychologist should exchange ideas regarding a particular problem. They should be able to work with concepts and techniques cross-cutting disciplinary boundaries. These are tricky problems whose theoretical bearings can be understood, to some extent, in the work of Talcott Parson, among others. It is easy to say, as the Director does in the Preface, that many of the problems in social science need to be looked upon as a whole if they are to be properly understood and analysed. It is not, however, so easy to apply this grand dictum when one gets down to the brass tacks of practical research.

It may now be somewhat clear as to what happens to the hopes of the reader which were roused by the Preface. He certainly does not become a wiser man. His knowledge is not enlarged; he gets no inkling into the problems of social research techniques with which front-line social scientists are confronted. Though we are told that new techniques for social research are necessary for Asian countries with socio-cultural features which are often sharply different from those of the West, we are told nothing about those techniques to justify the seminar and the publication of its report. One begins to feel that the seminar was held without a clear idea of its objective.

Those of us who think that social research should be conducted scientifically are seriously concerned with the problems of developing research techniques. The ultimate objective is to have a battery of standardized tools which social scientists may utilise in uni-disciplinary or interdisciplinary research. In a seminar on social research techniques, one would expect a discussion on the existing tools of this nature and the possibilities of developing new ones. There is much scope for disagreement in social sciences at the moment. The concept of social laws, the problem of personal bias in fieldwork, meaningful statistical handling of social research design, terminological troubles, readily range the social scientists on both sides of the fence even today. Add to this the tribe of the invalid and the delicate who find armchairs to be the best place for social research. Then we cannot forget the group which believes that social sciences have nothing to do with science of any kind; for them, social studies are just studies in humanities. There are of course fanatics as well among social scientists who would like to lift laws of physical sciences bodily and apply them to social studies.

OPPORTUNITY LOST

It is not for this reviewer to resolve the differences among various tribes of students of society. But it can surely be pointed out that the number of those who think it possible and worthwhile to study human society in a scientific way, is on the increase. Scientific study of society does not, however, imply that the techniques of physics and chemistry alone will make it possible. While the basic assumptions of

scientific method are universal—irrespective of the field of study—research techniques will differ from problem to problem and several related variants. At the same time it is necessary to standardise the techniques as far as possible for, otherwise, comparability of findings cannot be assured and research findings will not be cumulative. If new techniques for social research have to be devised for the countries in Southern Asia, we have to begin with what we have. It is really surprising that the seminar did not show any intelligent awareness of the more sophisticated research techniques—to name only a few at random: sociometry, psychodrama, cluster analysis, area research, projective tests, multivariate analysis, and group dynamics—which are being used by social scientists. One would, for instance, have liked to know something concrete about the alterations involved in the application of projective and other psychological tests for depth studies of culture and personality in the countries of southern Asia. An exciting discussion could have centred on the techniques of small group studies. But the opportunity was lost.

There is little to comment on the papers submitted by experts for few of them have anything new to say about research techniques. Papers on assessment of technical personnel, and the paper on some problems of field research in a multi-racial society (A F Wells, Singapore) are perhaps the only pleasing exceptions. Some of the papers are interesting field reports and a few are conceptually thought provoking.*

It is also purposeless to give a list here of challenging *a priori* statements and value-oriented in-

* (1) Kamla Chowdhry—Relation of Organization and Social Structure: A Case Study of Two Textile Mills; (2) Nguyen Cao Hach—Research on the Social Implications of Industrialisation in Viet Nam; (3) A F A Husain and A Farouk—Some Problems of Survey Research: Experience in East Pakistan; (4) David G Mandelbaum—Concepts and Methods in the Study of Caste; (5) Ramkrishna Mukherjee — A Note on the Classification of Family Structures; and (6) M N Srinivas—The Study of Disputes in an Indian Village.

junctions which researchers have been asked to bear in mind. For instance, village studies will have to be made on the assumption that Asian villages are more closely knit than European villages. To the best of our knowledge, this is not yet a proven fact. At one place we read, "It was believed that purely empirical methods as used in the West would not be applicable to Asia where traditional values regulated life to a large extent. . . . The role of religion in a village in the West where the church would be the Centre, was different from that in the East and the methods of study would therefore not be the same" (p 24). The reviewer does not presume to have clearly understood the import of these observations. He suspects the use of an argument-stopping device here. It is difficult indeed to see why the empirical methods are at fault if religion plays a particular role in one society and a different role in another. One feels confused when told that in a tradition-bound society, "purely empirical" methods cannot be used for social research. Are traditions and values without foundation in our empirical world? Are social scientists not trying to study traditions and values by using purely empirical methods? After all, what is the alternative to empirical methods? The seminar is as good as silent here. It is impossible to see how one can do without empiricism during the collection of one's data and to a very great extent, during one's analysis unless one decides to resort to clairvoyance, planchette and yogic exercises for social research.

Halda Typewriter Factory

THE Halda typewriter factory at Guindy, Madras, started in 1956 in technical collaboration with the Swedish Halda firm, is now producing 3,500 typewriters annually with English, Tamil and Hindi keyboards. About 60 per cent of the component parts of these typewriters are produced in the country.

Halda's expansion programme is due for completion in December 1960. The number of machines made will then rise to 12,000 to 15,000 per year. The figure for indigenous parts will go up to 83 per cent. Machinery, tools and jigs worth over Rs 15 lakhs have already been installed and it is under-

stood that the rest of the machinery will be received before July 1960.

This is the first time that the Facit group, collaborators of the Rayala Corporation which is producing the Halda machines in India, is helping in the making of typewriters outside Sweden. It has

sent its technical experts and has a programme of training Indians in Sweden. The Facit group has assured that it will go all out to develop production at Guindy to meet the swiftly growing 'tremendous market for these typewriters in India'.



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JWTSTP. 47

A New Concept in Foreign Lending

International Development Association

Subimal Mookerjee

THE much-awaited announcement of the articles of agreement of the International Development Association (IDA) has been recently released by the World Bank. By and large, the articles follow the general lines of discussion at the last annual meeting of the Bank. IDA is to function under the management of the Bank. The initial resources proposed are a billion dollars which will be obtained if all the present 68 members of the Bank join the organization and accept the subscriptions assigned to them. IDA will come into being when countries with an aggregate subscription of at least 65 per cent of the proposed total have accepted membership; the earliest date on which it may open for business is 15 September 1960.

IDA subscriptions are to be roughly proportional to the subscriptions to the Bank's capital. The United States would be the largest shareholder with a subscription of \$320.29 million and the United Kingdom would follow with \$131.14 million. Subscriptions will be payable over a five-year period. In regard to the manner of payment member countries are divided into two groups. Countries in the first group—the 17 more industrialized members of the Bank—will pay their entire subscription in gold or convertible currencies. The other countries who include the likely recipients of IDA loans will pay 10 per cent of their subscriptions in gold or convertible currencies and the remaining 90 per cent in their national currencies which IDA will not be free to convert into other currencies or to use to finance exports from the country concerned without its consent.

GREATER FLEXIBILITY

One special feature of IDA is that, in addition to these initial subscriptions, countries may supply the association with their holdings of foreign currency provided the countries whose currency was involved agreed. Thus the United States may offer IDA some of the huge amount of local currencies in underdeveloped countries accumulated through sales of surplus agricultural commodities. In fact, the possibility of a satisfac-

tory disposal of these balances through an international agency was the origin of the IDA plan which was first advanced by the United States. The proposed articles, however, lay down strict safeguards for the use of these balances, as for all soft currency holdings of IDA.

The aims of IDA, as defined, are to promote economic development in the least developed areas included within its membership, in particular by providing finance to meet their development requirements on terms which are more flexible and bear less heavily on their balance of payments than those of conventional loans. IDA's financing is to take the form of loans for specific projects of high development priority in the above areas. The form and terms of the loans will be such as IDA "may deem appropriate". This gives IDA much flexibility. It can give loans on easy terms of repayment with long maturities, or long periods of grace before payment begins, or both. It can give loans wholly or partly repayable in the local currency free of interest or at a low rate of interest.

MAGNITUDE OF RESOURCES

On the basis of the proposed subscription payments, IDA will have over a period of five years a total fund of convertible currencies amounting to \$786.76 million of which \$763.07 million will come from the more prosperous countries and \$23.69 from the rest. In addition, IDA will have the equivalent of \$213.24 million in the currencies of the latter countries; but this amount is unlikely to be used in its loan operations at least in the initial phase. Thus on an average IDA will have an amount of \$157.35 million each year in convertible currencies for its loan operations. The amount may increase if the more developed of the second group of countries release part of their 90 per cent subscriptions in convertible currencies.

Considering the needs of the underdeveloped countries, the above amount hardly seems impressive. It does not, however, compare unfavourably with the scale of Bank's annual lending to the underdevelop-

ed countries until 1953-4, although in later years the Bank has considerably expanded the scale*. Also, IDA in the proposed form is only a beginning. The articles provide for a review of the adequacy of resources at regular intervals and for the authorization of general or individual increases in subscriptions at any time.

BROADER BASE OF ACTIVITIES

A very welcome feature of IDA is the large measure of flexibility with which it will be able to begin operations. As a separate window of the Bank, its role must necessarily be to broaden the base of the Bank's activities. In other words, some of the development projects which cannot be taken up by the Bank because they do not meet its technical requirements can be financed by IDA. An analysis of Bank financing in the underdeveloped countries in the past decade would reveal certain governing principles. In general, the Bank does not undertake projects which are likely to attract private capital directly. It has therefore laid major emphasis on the development of basic facilities designed to have a stimulating effect on production in general—facilities which are not likely, under the present circumstances, to prove attractive to private capital, rather than on production of specific end goods. Moreover, within the general classification of basic facilities, projects which have a more direct bearing on the expansion of productive capacity have been undertaken to the exclusion of others whose contribution to productivity is relatively remote.

Thus the bulk of Bank finance has been provided for electricity generation and development of transportation (mainly railways)—projects which are revenue producing and are expected to pay their way. To

* The average annual amount of Bank's lending to countries in Asia, Africa and Latin America (excluding Japan) was \$153 million in the four years between 1949-50 and 1953-54; in the subsequent five years the annual average increased to \$407 million.

by their
united effort
Britons and Indians
are building a
vast steelworks
at Durgapur

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INDIAN STEELWORKS CONSTRUCTION CO. LTD.

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BRITISH COMPANIES WORKING FOR INDIA



A familiar sight in the Durgapur of today is this instance of Indo-British collaboration — of Indian and British technicians discussing problems and working together to help build the giant 1 million ton steel plant in the newest steel city of India.

The entire construction work of the Durgapur project has been entrusted to ISCON, a consortium of leading British engineering and electrical firms, and from the very start they are working in partnership, hand in hand, with Indian technicians, Indian workers, skilled and unskilled.

a lesser extent, finance has also been provided for flood control, land reclamation, irrigation and similar projects whose benefits in fostering agricultural and industrial activity are considerable although direct earnings, at least in the short run, are not high. However, community projects of a primarily social character such as street-paving, water supplies, sanitation, pilot housing, hospitals and schools have not been eligible for Bank assistance as a matter of policy because even though these projects are basic to the development of a country, their contribution to a productive capacity is less direct or materializes after a longer period. The reason for choosing projects in terms of their direct contribution to growth in productivity arises from the fact that in making a loan the Bank has to be fully satisfied with repayment prospects especially because the Bank derives its available funds for lending mainly from the capital markets in the United States and Europe.

FINANCE FOR BASIC UTILITIES

IDA with its more flexible terms of lending can finance the basic utilities of a social character. Further it is in these projects that local currency requirements are particularly high; IDA could meet the foreign currency requirements from its fund of convertible currencies and help in meeting the other requirements from the holdings of local currencies made available to it by the United States and other members. Another fruitful area of operations for IDA would be the financing of regional schemes involving more than one government. Large-scale river valley development projects, for example, are a natural and obvious field for international planning; the Bank has already been drawn into this field. Apart from the question of adequate finance, these and other projects for multinational development raise difficult political issues which could be resolved more easily by an international agency. Many of these projects could be brought to life by IDA acting as a catalyst. These operations would also provide a useful means of utilizing the soft currency holdings mentioned before.

In forwarding the IDA articles of agreement to member countries, the executive Directors of the Bank are reported to have noted that IDA would not only finance basic social investments but also projects of the

type financed by the Bank. Since the terms of IDA and Bank loans are expected to be widely different, it would seem to be necessary to avoid as far as possible an overlap between the fields of operation of the two lenders at any particular time. It would thus be inappropriate for a railway programme to be financed by a Bank loan in one country while a similar programme is financed by an IDA loan in another on the ground that the capacity of the latter country to service foreign debt obligations is relatively weak. In the initial period when IDA will operate with rather limited resources, it would seem best to confine its activities to the financing of social investments in a member country or multi-national utility projects. With the strengthening of its resources in later years IDA should gradually extend its operations to cover most types of projects constituting the infrastructure of a country while the Bank should increasingly concern itself with industrial development.

REPAYMENT IN NATIONAL CURRENCIES

The easier repayment terms of IDA loans have been greatly welcomed by the underdeveloped countries. However, certain creditor countries, particularly in Europe, have expressed several doubts. It has been argued, for example, that soft loans would lead to financial indiscipline and so undermine the good work of the Bank. Further, loans with long maturities and low interest might prove upsetting to the private capital market. Both these arguments can be disposed of easily. The President of the Bank has assured the member countries that "IDA in whatever field it may operate and on whatever terms it may provide finance should support only sound projects of high developmental priority." At the Washington conference it was the representative of Austria, a borrower of the Bank, who urged that "in order to render the maximum usefulness to a country, the same principles of economic soundness which have been the cornerstone of the Bank's activities should be applied to it (IDA)". Admittedly it may not be so easy to apply these principles to what is essentially supplementary aid, but the management of the Bank can certainly be relied upon to see that IDA loans do not engender financial recklessness. As to the second argu-

ment, since IDA will operate in areas which have no attraction for private capital, it is difficult to see what harmful effects its operations can have on the latter.

A more serious argument relates to the aspect of soft currency repayment of IDA loans. Some European countries have felt that either IDA will be left holding unusable currencies or the attempt to utilize them will introduce serious distortions in the pattern of trade. Further, with soft currency repayment IDA's stock of convertible funds will not be of a revolving character and hence the problem of replenishing it will arise from time to time.

NEW CHANNELS OF TRADE

If repayment of IDA loans can be made in national currencies which are not transferable, the proceeds can either be relent to the original borrower or to another developing country. Relending them to the original borrower does not solve the problem but only delays its solution. Relending them to another country raises several questions. Suppose underdeveloped country A borrows \$100 from IDA and repays the loan in its own currency. The A-currency proceeds are then lent by IDA to underdeveloped country B. What can B do with this loan? It cannot use it to meet a normal deficit in its balance of payments with A, for such settlement of normal net balances will not be a legitimate purpose of IDA loans. The loan must be used to further economic development in B and, more specifically, in connection with development projects of the type financed by IDA. Can A meet such needs for B's development? More generally, the question is: To what extent would it be possible for developing countries to create this kind of trade between themselves? Further, would not this development distort the pattern of trade, as the European countries fear?

The first question emphasizes once again the point that the ultimate solution for the foreign exchange problem of the underdeveloped countries must lie in the development of additional export capacity. It is true that a substantial increase in export capacity is not possible in these countries in the near future. But the problem we are considering need not arise in the near future if long periods of grace are provided before repayment takes effect. Unfortunately in many of the developing countries the importance of an all-round increase in

export potential has not received adequate attention. Most of these countries export mainly to industrial countries and the goods are of the traditional type where the market is not growing as fast as world income. Since the increased import needs of these countries can be currently supplied only by industrial countries, their export promotion efforts are directed largely to pushing the sales of existing goods in the latter countries. This is no doubt important and should be reinforced by the adoption of modern processes of production and marketing. At the same time thought should be given to the creation of new export goods and new markets. With adequate planning it is not impossible for some of the industrializing countries like India to be able to find markets in ten years or so in the developing countries in Asia and elsewhere for such goods as steel, cement, chemicals and pharmaceuticals, transportation equipment and so forth which the latter countries may use in their investment projects. IDA operations might well facilitate the creation of these new channels of trade.

CASE FOR DIVERSION OF TRADE

The argument that this kind of trade may be at the cost of the industrial countries may be true in some cases but the policy can be justified on the same ground as certain types of discriminatory restrictions, namely that despite possibilities of trade diversion, there will be on balance an increase in the level of world trade. There is, of course, the secondary argument that the real basis for assistance to underdeveloped countries is the development of fruitful channels of trade in one way or another. Incidentally, the policies of the advanced countries in recent years have not been wholly encouraging in this respect; agricultural protectionism, discriminatory commercial policies, and other restrictions operating in an obvious or concealed manner have not served to widen the basis of trade between industrial and non-industrial countries.

It is possible that even though hard currency repayment is not required, certain borrowing countries may be able to acquire enough surplus in the advanced countries to make at least a part of their repayments freely convertible. To this extent the hard currency resources of IDA will be revolving. However, this favourable development is not

likely and since recourse to private capital market is not possible, IDA will have to depend on its more prosperous members to replenish its fund of convertible resources. If the first phase of IDA operations proves successful, there is no reason why these countries should not be called upon for a second and even larger round of subscriptions. The question essentially is whether advanced countries, particularly in Europe, accept the responsibility of aiding the underdeveloped countries on a continuing basis. There is no doubt a much better recognition today of the importance of international transfers for this purpose and it is reasonable to expect that this recognition will grow and take shape in the form of larger aid commitments. After all, Europe's prosperity is at least in part due to the large amounts of US capital that it absorbed in earlier years; in recent years Europe has benefited immensely from the relatively low prices of primary products.

WELCOME BEGINNING

IDA is a welcome beginning. It embodies the recognition on the part of the advanced countries of

the need to distribute a substantial amount of assistance on easy terms through an international agency rather than by separate bilateral arrangements. It is however unfortunate that participation in IDA is confined to members of the Bank, which will keep out the Soviet Bloc. It is hoped that the summit meeting will be followed by an invitation to the Soviet Union to join and to channel its aid programmes through this institution. It is also unfortunate that the proposal for a liaison committee between UN and IDA was rejected. The effectiveness of IDA will increase if its activities are closely coordinated with those of the UN Special Fund. This Fund, it may be recalled, was set up in 1958 to do the exploratory work necessary before large capital investments can be carried out in the underdeveloped areas. This year the Special Fund and the Technical Assistance Programme of UN are expected to spend about \$65-70 million. With the proliferation of agencies concerned with development assistance in various forms, the need for effective coordination has become more compelling than ever.

Martin Burn Limited

NOTICE

THE Annual General Meeting (being the Fourteenth Ordinary General Meeting) of the Shareholders of Martin Burn Limited will be held on Wednesday, 30th March, 1960, 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, 1959, and the Directors' and Auditors' Reports thereon.
2. To declare a Dividend.
3. To appoint a Director in place of the retiring Director.
4. To appoint Auditors and to fix their remuneration.

The Ordinary Share Register of the Company will be closed from 15th to 30th March, 1960, 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,
A. G. Gidley
Secretary.

Calcutta,
25th February, 1960.

Note—The Dividend, if sanctioned, will be paid on or after 18th April, 1960, to those Shareholders so entitled whose names appear in the Company's Register of Members for Ordinary Shares on the 30th March, 1960, or to their mandatees. No application for dividend warrants will be necessary.

Distribution of Petroleum

Preliminary Investment Needs

(From a Special Correspondent)

THERE is a case for diversifying the debate on petroleum. The preoccupation with consumer price levels and production profits that has usually distinguished partisans on both sides has given petroleum polemics a certain angularity and diverted attention from the areas of enquiry that lie between the consumer price on the one hand and the act of crude sale, on the other. The development of refining capacity in areas of consumption as opposed to regions of production and points of export, combined with balance of payments pressures focusing attention on the procurement and distribution of refined products are but two developments among many that make a discussion of other aspects of the petroleum industry both necessary and topical.

In India, particular point is lent to a discussion of petroleum distribution by the operation of the price agreement recently concluded with the oil companies operating in this country. The agreement established, broadly speaking, a fairly rigid distributor's margin. The extent to which distribution costs will measure up against this margin will regulate the return that the distributing companies will receive on their investment. The fact that a wholly State-owned Corporation is shortly to enter the field of distribution and will function under the discipline of the distributor's margin created by the Price Agreement, can only impart additional interest to a study of the investment in petroleum distribution.

An efficient distribution network has to be closely integrated with the particular facts of economic geography of the area over which it extends. Hence any general study, such as this, can only be tentative and subject to modification when applied to any particular region.

VOLATILE AND INFLAMMABLE

Among the multitude of factors that determine the shape of a distribution organisation, two very general considerations are of primary importance:

- (1) The fact that many petroleum products are volatile

and hence inflammable liquids, and

- (2) That in no country does the pattern of demand coincide exactly with that of the output of indigenous refineries.

These two factors give rise to a host of problems unique to the industry.

The fact that oil is liquid and a liquid that should not mix with others, implies that separate and specialised facilities have to be provided at every stage of storage and transportation. The volatility of oil demands that operating facilities should have special characteristics in the interest of safety.

PRODUCTION-DEMAND DISPARITY

The second consideration arises from the fact, that, the demand for refined products, and their refining, are subject to the operation of entirely different sets of laws. Demand for a product is conditioned by the requirements of the market and it would be a truism to say that the variety of uses to which petroleum can be put is almost unlimited. This variety conflicts with the limitations imposed by physical and chemical laws on the refining process. Though modern techniques have achieved considerable flexibility in refining methods, the fact remains that such flexibility is limited by the following general considerations among others:

(a) Crudes differ in inherent chemical characteristics and consequently in yield of product.

(b) The choice of crudes is governed by geographic and economic factors.

(c) It follows from (a) and (b) that the chemical characteristics of any chosen range of crudes set limits to the yield pattern.

This disparity in the pattern of demand and supply is further complicated by the fact that while demand for many petroleum products is seasonal and discontinuous, the imperatives of refinery and transport economics impose on the supply and movement side the necessity for a steady and continuous flow.

WIDELY DISPERSED RURAL DEMAND

It is one of the main functions of a distribution network to even out

these imbalances: to provide for the refining and transportation side the desired steadiness of operation and flow and simultaneously to meet the fluctuating demands of the market. It needs to be added that in nearly every case, main petroleum products play a vital role in the agricultural, industrial and transportation processes in which they are consumed. Any failure of petroleum supply can, therefore, lead to the dislocation of essential economic processes with consequent and far-reaching damage to the national economy.

Apart from these general considerations, the distribution problem in India has at least one very special characteristic. This is constituted by the economic and political importance of meeting rural demand. Such demand is not only dispersed over vast areas, massively outweighing the concentrated demand in urban centres, it is also spread over a considerable range of products. Since it is imperative, for quality reasons, to segregate individual petroleum products, it becomes necessary to maintain storage, transportation and handling facilities for each range of product and often (e.g. the various grades of aviation fuels and motor spirit) for each product.

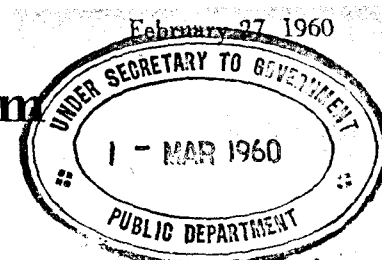
As it is incumbent on the distri-

Pattern of Demand

('000 long tons)

Superior Kerosine	245
Inferior Kerosine	39
Motor Spirit	136
High Speed Diesel	162
Light Diesel Oil	86
Furnace Oil and Extra Heavy Furnace Oil/Low Sulphur Furnace Oil	182
Vaporising Oil	8
Jute Batching Oil	15
Aviation Gas	14
Aviation Turbine Fuel	18
Lubricants	38
Bitumen	47
Others	10

1,000





Bessemer Converter and new Blast Furnaces at the Burnpur works of The Indian Iron & Steel Company Limited

This is the heart of a giant industry. Here converges an endless stream of raw materials—coke, limestone and iron ore to feed the roaring blast furnaces. Here blows the Bessemer converter with its charge of molten metal, engines drawing ladles come and go, cranes clank and swing, men toil and sweat, here begins the ordeal by fire—the first step in the making and shaping of Steel.

bution company to meet rural demand, which is at once widespread and of low density, it becomes necessary to establish and maintain facilities in areas where investment may not yield reasonable returns.

TO DISTRIBUTE A MILLION TONS

Against this background, we select as our task, a rough assessment of some of the preliminary investment needs of an organisation called upon to distribute annually a million tons of product. The range of product has obvious implications for our study and it is thought that a reasonable course would be to assume the product pattern as shown in the preceding table.

The starting point of a distribution system is the unit known in the industry as the installation or terminal. The installation is the main storage centre and its location is governed by a number of factors. For a market dependent entirely on imported product the installation is usually sited on the seaboard, at the junction of harbour and port facilities adequate to handle the incoming tanker traffic and inland distribution facilities, road, rail and marine. Where local refining capacity exists, a different set of factors will have to be assessed. Much will depend on the degree to which such capacity meets market demand: where the import content overshadows local refining output, the installation will, normally, have to be sited at the seaboard—in the opposite situation the decision will be governed by the location of refining capacity in relation to consumption areas. Sometimes such refineries are best sited close to the oilfield area and distant from consuming centres, sometimes the decision goes the other way.

In the first case, the choice of a location for the installation would be a balance of the advantages and disadvantages of separation, from the refinery, on the one hand, and consumption areas, on the other. In the second case the choice is predetermined by the factors establishing refinery location.

Though there are these broad considerations, there is no universal formula and the choice of location is dependent on an individual study of the transportation, market and operational economics relevant to each case.

MINIMUM STOCK COVER

Experience has shown that tankage capacity necessary for such

an installation (handling a million tons annually) is in the vicinity of 100,000 tons giving a stock cover of approximately five weeks. It must be emphasised that such a cover would be markedly inadequate for an installation receiving any significant portion of its supplies from overseas sources; even for an installation supplied exclusively from indigenous sources, a stock cover of five weeks leaves little margin for any interruption in refinery supplies or for the fluctuations of market demand. It is, therefore, to be regarded as a bare minimum.

An installation of the size stated would occupy an area of approximately 92 acres and involve a capital outlay of about Rs 24 crores.

Certain of the main items of initial expenditure (excluding road transport facilities which are treated separately) are now described.

The cost of site preparation, assuming an average fill required over the whole area of 2 ft would alone amount to Rs 10 lakhs. Other important items of expenditure are: some 8,000 ft of railway siding costing Rs 5.8 lakhs, 1,00,000 tons of tankage which would utilise some 2,500 tons of steel and involve an expenditure of Rs 56.7 lakhs, product pipelines up to some 50,000 ft in total length and varying in diameter from 12" to 2" together with valves, filters, separators and other fittings would cost in the region of Rs 42 lakhs, 11,000 ft of tank bunds costing Rs 4.4 lakhs and 8,000 ft of boundary wall costing some Rs 2 lakhs. Apart from this, the installation would have to include a tin factory with appropriate machinery (cost Rs 16 lakhs), tin filling sheds, tankwagon filling gantries, lorry filling gantries, yard standing for empties and for 30,000 bitumen barrels, workshops and transport repair facilities including plant and machine tools, a barrel plant with machinery which would cost some Rs 20 lakhs, electricity supply lines, laboratory and control equipment and fork lift trucks, pumps etc.

COST OF TANKWAGONS

From the main installation petroleum products are moved to depots in specially-designed rail tankwagons. It is estimated that some 800,000 tons would have to move in bulk and this would involve the use of some 2,050 wagons of 20-ton capacity each, based on a turn-round period of 15 days.

The cost of a single tankwagon today is in the region of Rs 35,000 and total expenditure on this account would come to approximately Rs 7.2 crores. This expenditure has not been taken into account in this study. The balance of product (some 200,000 tons) would have to be packaged and transported in box wagons; the cost of this transport operation is not being estimated.

THE DEPOT

The average size depot in India today has a monthly throughput of 600 tons packed and bulk, and on this basis it is estimated that some 84 depots would be required to handle the product quantity under reference, giving a stock cover of approximately four weeks, plus a margin for ullage and dead stock. It may be stated here, that, for quality control and safety reasons, all aviation fuels, motor spirit and all H S D required for automotive purposes are handled through depots. In addition, the major portion of the bulk kerosine demand has, for economic and marketing reasons, to be stored and handled in depots.

While in actual practice, some depots would be larger than others, it is necessary for the purpose of this study, to assume an average size of depot whose cost is estimated at about Rs 4 lakhs. The total capital required to construct depots can, therefore, be put at Rs 3.36 crores.

THE RETAIL OUTLET

(a) *Motor Spirit and High Speed Diesel*: These two products are retailed through special outlets operated by commission agents appointed by the distributing company. An outlet consists usually of two pumps (motor spirit and H S D) connected to two tanks by pipelines, a building to house lubricating oils, greases and other items required by motorists as well as to provide office space for files, records and other documents. An outlet has also to include 'IN' and 'OUT' driveways strong and spacious enough to cope with traffic flows and the damage inevitably caused by adverse weather. The entire unit and its constituent parts have to be designed and built within the rigid safety limits laid down in Government's petroleum regulations. Municipal building rules and the stipulations of the traffic police have also to be taken into account. Many



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such outlets also carry servicing bays and facilities.

The capital cost to bring into commission the required number of filling stations to handle the Motor Spirit and H S D trade as well as to provide the necessary servicing facilities for the motorist can be placed at approximately Rs 4.10 crores.

(b) *Aviation Fuels:* As stated earlier, the distribution organisation would be required to handle 32,000 tons of aviation fuels. These products have to be delivered direct into aircraft tanks by the distributing company due to the stringent quality control measures that must be observed. Hence the provision of specialised and expensive equipment at airfields. Assuming that the defence services uplift directly from the main installation some 8,000 tons, it will be necessary for the distributing company to make arrangements to sell the balance of 24,000 tons to civil airlines.

This would involve the commissioning of retail outlets, called 'service stations' at airfields. Such service stations are generally of two types—those at international airfields and those at minor airfields.

At international airfields the needs of major airlines have to be met; the aircraft concerned uplift fuel in large quantities (in some cases as much as 6,500 gallons at a time), and the fuelling has to be done at high speed (well over 400 gallons per minute) under stringent quality control regulations. Consequently, service stations at such airfields have to carry the latest equipment and the capital cost of a single such service station is in the region of Rs 20 lakhs.

Assuming that the distribution network will include one such station with an annual offtake of 15,000 tons, the balance (9,000 tons) output will have to be handled through 9 minor service stations—it being assumed that such service stations have an average throughput of 1,000 tons per annum—the capital cost of each minor service station being approximately Rs 1.75 lakhs, the outlay on this account would be in the region of Rs 15.75 lakhs.

Adding to this figure, Rs 20 lakhs for one international or major service station, the total initial

capital outlay on aviation facilities can be put at Rs 35.75 lakhs.

TRANSPORT

From the depot product moves by rail, road and inland waterway to consumers and to selling outlets. The volume moving direct to consumers varies with the intensity of industrialisation in the depot supply area; for the great majority of depots such movement is insignificant.

Of products moving to selling outlets some have, for quality and safety reasons, to move in specially-designed road transport vehicles; prominent examples are the various aviation fuels, H S D and motor spirit. For the movement of these products, the distribution company has to operate a bulk transport fleet and it is estimated that 166 bulk lorries would be necessary for the purpose, each having a capacity of 1,200 I G.

It is estimated that each lorry will cost Rs 37,000. Total cost on this item can be put at Rs 61.42 lakhs.

The following is the summary of capital expenditure :

	(Rs lakhs)
Installation	240.00
Depots	336.00
Transport Fleet	61.42
M S/H S D Outlets	410.00
Aviation Service Stations	35.75
	1083.17

WORKING CAPITAL

In addition to the above initial investment, the capital at the disposal of a distributing network handling one million tons of product annually would on a rough estimation require to provide for :

	(Rs Crores)
Products stocks, packages, stores stock	6.0
Market Outstandings	5.0
	11.0

making a total capital requirement of around Rs 22 crores, roughly Rs 220 per ton.

In this study no provision has been made for the cost of acquiring and equipping administrative offices, a major item. Operating and maintenance expenditure has also not been taken into account.

The investment estimate provided by us does not include any element for the capital value of land required for the installation, depots and retail selling outlets. Where

land is rented and not bought, the annual rental will appear in the final cost of operation in lieu of a charge for servicing the capital set aside for land purchase.

It is also clear that an organisation would have to expend considerable sums by way of preliminary expenses over items such as design work, training of staff etc. This study does not attempt to compute the funds necessary for this purpose; it is clear they would be considerable.

Cycles & Sewing Machines Targets Achieved

THE Second Plan production target for bicycles and sewing machines has already been achieved—one year before the end of the Plan period. In a number of other light engineering industries, the additional capacity already licensed and under implementation indicates that the Plan target will be fully achieved, if not exceeded.

The production of bicycles during 1959 in the large and small-scale sectors has been estimated at about 13 lakhs, as against the Plan target of 12.5 lakhs. It is expected to go up to about 15 lakhs by the end of 1960. By the end of the Plan period, free wheels, chains, hubs etc, which are now met, in part, through imports, will be fully met from indigenous production.

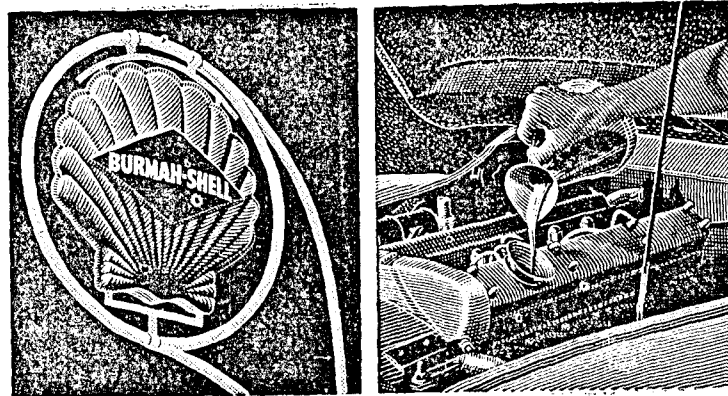
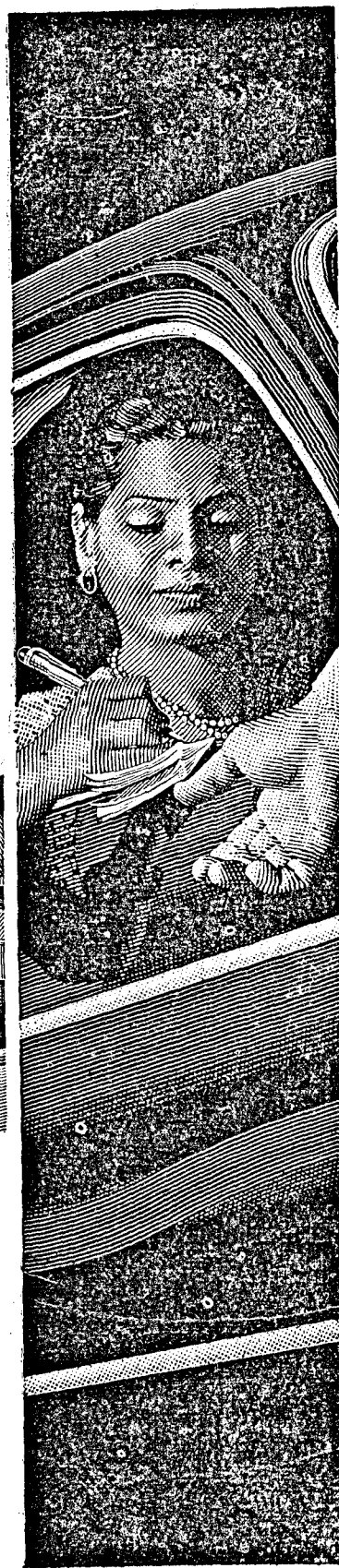
For the Third Plan period, a target of 2.5 million cycles has been proposed by the Development Council for bicycles.

The entire requirements of domestic sewing machines and light industrial sewing machines are now met by the indigenous industry. Production of sewing machines in 1959 totalled 3 lakhs.

The Development Council has proposed a target of 6 lakhs sewing machines of all types for the Third Plan period.

In a number of other light mechanical engineering industries like typewriters, razor blades, time-pieces and hurricane lanterns, substantial rise in production has been recorded.

Production of razor blades, has risen from 25 million pieces in 1951 to 395 million pieces in 1959. Substantial additional capacity has been licensed recently and by the end of the Second Plan, production is expected to go up to 650 million blades.

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Productivity and Management

S Seshadri

PROBLEMS of productivity are usually discussed from the point of view of labour. One has only to scan the speeches of company chairmen at the annual meetings of shareholders to realise that the term productivity is always taken as synonymous with labour productivity. A general anxiety is expressed at increasing labour costs and the great need to decrease it, in order to increase productivity.

The term productivity is usually defined by the mathematical ratio of 'output per unit of labour time expended'. This definition of productivity owes its popularity to two circumstances: firstly, it was the product of a time when large numbers of unskilled labour were employed in factories in the earlier stages and had to be reduced to reduce costs, as mechanisation advanced; secondly, it is the more easily calculable aspect, from the point of view of achieving economy. With the advances in science and technology becoming available for industrial production, economies could be more easily effected in the utilisation of human labour power. Mechanical power could easily produce much more than man-power. Therefore a better way to cut costs and prices and increase profits was to reduce labour, that is, increase 'output per unit of labour time expended', which could be more easily achieved. This fallacious equation of labour time to all input was thus the result of management's interest in labour saving devices.

MANAGERIAL EFFICIENCY

But in recent years there has been a shift in emphasis, and the concept of productivity is now viewed as one of the whole enterprise rather than of the production line worker only. The productivity of an enterprise depends as much, if not more, on managerial planning, direction, control and organization, as on the capabilities of the worker on the line. Looked at from this point of view, the concept of productivity will become a measure of the efficiency of managerial planning and direction.

This shift in emphasis has been the result of enormous increase in the size and scale of industrial units, caused by continuing develop-

ment in science and technology. Today's production problems are entirely different from those met with in the earlier stages of industrial activity. Developments like automation have created acute problems of coordination and control of departments and sections, engaged in a variety of activities, all directed to producing a final product of exchangeable value. Hence the problem now is one of group productivity and not of the individual worker on the line. Various studies of industrial units have shown that a wrong decision, or even a right decision made at the wrong time, by top management group can affect the productivity of the entire unit, in spite of the high efficiency of the production line worker. Therefore, the productivity of an enterprise depends today on the efficiency of its top management. But how is this efficiency to be determined? Is it to be determined merely by the input-output ratio?

LOOKING AHEAD

Rising profits or decreasing profits cannot be a good measure of management efficiency or inefficiency. In periods of boom, even firms with managements of marginal efficiency may make good profits; or again, an extremely efficient one may just make enough to survive in times of depression. Profits today have come to depend more on extraneous circumstances of state policy and national and international considerations, and therefore, can no longer be an index to the efficiency of management. This has to be looked for elsewhere.

Fayol described management as 'looking ahead'. Technology which has revolutionised production methods has also revolutionised management techniques. Modern management does not consist in personal supervision and guidance of every aspect of work done, which was a general feature of industry in the earlier stages, but in general planning and direction. Management's functions thus today involve planning, organization, direction and control.

PLANNING AND FORECASTING

Planning has become an important feature of business organiza-

tion today. Whether this is a result of state planning or whether the latter has itself drawn from the experiences of large scale industrial planning, or again whether both these are a reaction to wartime military planning, is a question of mere academic interest. But one fact cannot be denied that top management today are more interested in planning with a goal. The goal is profits and more profits, of course. But profits are essential for a business to survive. Instances of industrial houses preparing quarterly, half-yearly and annual plans, and sometimes even projecting upto five years ahead, are many in the modern business world. A separate planning department is a common feature now; and a business house which does not have such a department will be regarded as short-sighted.

This has introduced the element of forecasting. Forecasting is not merely estimating the future income and expenditure or even the total volume of future business, based on the current and past figures. It is more than this. It involves a study of the present and future economic trends, national and international, including government policies, and charting a course of action for business, so that management can prepare a suitable plan of action. It is said that it was the wide use of this technique of forecasting which helped American business to overcome the effects of the recession of 1957-58. Forecasting and planning have thus become an integral part of management function.

EFFECTIVE IMPLEMENTATION

The best of plans will be badly implemented without a suitable organization for its implementation. Who can say that the Five Year Plans of India are not properly prepared or that they do not reflect the needs, requirements and objectives of the people of India? But they have one lacunae, that is, they do not envisage and provide for a suitable organization for effective implementation of the various schemes.

It can be said that Indian business is, by and large, defective in this respect. Our managements give least attention to organisational

structure. In elementary text books of economics, organization is called the fourth factor of production. This has great significance. Although in management literature, its connotation is not so wide and is restricted to the structural aspects, its importance to total productivity of the enterprise cannot be gain-said. In most of our industrial houses, decision making powers are concentrated at the very top and, therefore, even minor matters are required to be referred upstairs so that no one down below will take up any responsibility and will only wait for instructions from above. Delegation of responsibility and power is thus mostly absent.

ABSENCE OF DEPARTMENTATION

Collateral with this is the absence also of proper departmentation. The division of work among various departments is not clearly done and the responsibilities of sectional heads are mostly kept vague. It is not yet fully recognised by management in India that proper departmentation with a clear delineation of duties and responsibilities will lead to better productivity of the personnel.

Absence of this will only cause overlapping and create problems as to who is responsible for what. Such a situation gives rise to internal jealousies and rivalries between sections, leading to creation of groups and factions within an organization. Not unoften, we find such groups and factions, engaged only in manoeuvres to jockey themselves into positions of power and control. This happens especially in large-sized companies and corporations; in smaller ones, it increases the power of the top man. A situation like this of tension and rivalry may sometimes increase productivity; because the various rival groups will be working in competition, to outbid each other. Therefore some managers even deliberately cause such a situation to arise. But such productivity will be shortlived and will not continue in times of crisis. It may continue so long as there is a strong man to exercise personal control over the various factions; and it will drop the moment he retires or is removed or the moment a crisis arises.

ORGANIZATION STRUCTURE

Therefore, one of the fundamental requirements for continued productivity is a good organization structure. What structure a company or

corporation should have has to be decided by its needs and requirements, and the nature of its business. A trading concern, a printing press and an electrical goods manufacturing company cannot all have the same organization structure; their similarity will lie only in fundamentals, such as, clear departmentation and definition of duties and responsibilities. The structure may be a flat one with very few levels of authority or it may be a pyramidal one with a number of levels. It all depends on the span of control that is sought to be established at each level by top management.

What should be the span of control for each person is still an open question. There can be no hard and fast rule about this. It should be left to the discretion of the top management and should depend on the abilities of the personnel concerned. But one essential and guiding principle should be that the decision making powers should never be allowed to remain concentrated at the top; it should be distributed down the line. Such decentralisation will provide ample scope for self-expression and initiative of individual sectional heads down the line and raise their contribution to the total productivity of the organization.

PROBLEM OF COORDINATION

But there arise then the problems of coordination between various sections and departments. Lack of coordination between sections can seriously affect total production. This lack of coordination may arise either because the different divisions function in water-tight compartments or because the divisional heads develop mutual jealousies and do not cooperate with each other; in either case, iron curtains may be raised between division and division or all may be working at cross purposes. It becomes therefore an important function of top management to establish departmental coordination. This can be achieved by a system of committees and periodical meetings between divisional managers, for exchange of views and discussion of common problems. Again a system of reporting between departments and from departmental heads to top management will provide coordination and also at the same time facilitate managerial control over the various activities.

But this reporting can serve as an effective means of coordination and control, if only there are set standards, against which they could be checked. These standards for checking and comparison are provided by overall planning for the whole organization. The plan sets down the goal for each division and for the whole concern. The plan is a sort of a time-table of work for the organization. The reports when checked against this time-table will provide a means for top management to control and to take timely corrective action. When what should be achieved is known, it is easy to measure what has been achieved. The plan thus becomes a yardstick for measurement of the productivity of the whole concern, and incidentally, of managerial efficiency.

Thus the productivity of industries today is a joint affair. It is not dependent only on the efficiency of the line workers. It depends more on the efficiency and team-spirit of top management. The people at the top should be held more responsible for fall in production than those at the bottom lines. Policy decisions, planning, forecasting, managerial direction and control, cooperation and team-spirit at higher levels, these factors determine industrial productivity much more than labour efficiency. It is high time our businessmen and industrialists began paying attention to these aspects of the problem of productivity than merely lamenting over the falling productivity of Indian labour.

M V Jalakrishna

THE first cargo motor ship of Scindia Steam Navigation Company ordered in Japan to Lloyd's highest classification + 100 AI, was launched at Kobe Shipyard last week. It is expected to be delivered this June.

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With the launching of m v Jalakrishna, Scindias now own 57 vessels of about 2,96,500 gross registered tonnage. Besides their owned fleet, Scindias have 11 ships under time-charter on their Overseas Services.

So Indian Economists Are Eclectics — And Idealists!

D P Mukerji

I HAVE written 'Lament for Economics: Old and New' as a sketch of an article on November 14, 1959. Four sketches or articles on the same subject have appeared; the second 'Why Lament for Economics' on December 5, 1959, by Professor A K Dasgupta, the third 'Lament for Economics and Why?' on December 19, 1959, by Professor Mohd Shabbir Khan, the fourth 'More Lament for Economists' on January 2, 1960, by Shri Narindar Singh, and last 'No Cause for Lament for Economics or Economists' on January 16, 1960 by Shri M A Raz. It is assumed that no more laments will be forthcoming. I, therefore, presume that I can make comments on them.

My preliminary remark is that these four articles are composed with grace and vividness: grace, because I have been spared the vigour that could have been associated with my article, and vividness, because the truth of their respective points of view has been told with clarity. I am thankful to the authors for their exposition. But having said this, it will be my duty to describe again what I have partly explained. My contentions are these:

(i) Our economists 'do not come near Marxism by a long chalk'. 'Unfortunately, however, all the economists of a thousand million people think otherwise and have adopted Marxism.' 'If Marx and Keynes can thus be brought together, the simplicity of Indian endeavours will be changed. If they cannot be, if Marx and Keynes cannot be squared in essentials, if they live apart, then we have to make a choice between them. Indian economists, we know, are Keynesians, but we need not be non-Marxists by choice.'

(ii) 'It (Economics) thus comes under human science, or a social science'. 'We do not want to differentiate between discussion and decision. We want them to take recourse to a continuous process. It is stupid to disengage ourselves from political decisions because we are citizens *en bloc*, human beings in fact'. 'Economics as (is) an

interim object of study with two sets of workmanship, one for that of human affairs as Economists and another as economic engineers or backroom boys.... That means Economics tends towards Marxism, because Marxism does not separate Economics from Politics (Sociology, History, etc). Marxism is a whole human science'.

(iii) 'In that sense, Nehru is wrong when he condemns Marxism as back-dash'. 'It is not known to Nehru and Indian intellectuals that Marxism is intimately connected with modern technology and Keynesianism only in a very negative way'.

I repeat that these are my main arguments and, therefore, I expected that the critics would take them up. Unfortunately, however, all the critics have missed my main points. And why should it be so? Why do our brilliant economists either avoid the issues or touch them gently? The issues are there but they are not to be discussed! I am apt to conclude that they are averse to taking the issues as a whole, that they are either non-Marxists or anti-Marxists, and that once they discuss, they do not decide.

(a) Dasgupta's note is of course excellent. It is critical of Keynes, very critical of Schumpeter, exceedingly kind to Adam Smith, and allows Marx even to let the 'totality of knowledge grow', 'effect the desired integration and try to discover, as Marx did with the then existing body of knowledge, the vital links that connect social movements'. He also wants the modern Indian economist to be chary of model-building and 'not divorce himself from what is happening outside his own field'. So far I agree with him almost entirely. But then why does he call himself an eclectic? 'I am an eclectic'. 'No, we—Indian economists—have to be eclectic'. Why does he say, 'The Indian economist, if anything, is an idealist and a believer in interventionism?' Eclecticism and idealism just do not go together. Interventionism may mean eclecticism but it does not mix with idealism.

Besides, eclecticism has no wedge. Economics must mean something to India, Indian economics has to sharpen and to divide, to focus and to collect, to energise and to act as a beacon. In future India, it will have to be a new partisanship and not a mass of eclectic opinions. His opinions thus disperse my chief contentions in spite of his brilliant estimate of Keynes. (I will not refer to his biological interpretation of sciences. I will only mention *en passant* Marshall's statement on this question).

(b) Shabbir Khan is very right in saying that Schumpeter agrees with Marx in the understanding of the transition from simple to expanded re-productions. He is also right in claiming that 'the dynamic part of Schumpeter's is essentially based on Bohm-Bawerk's round about methods of production which are more productive but lengthier'. But are 'the Keynesians and post-Keynesians birds of the same feather'? In my opinion, they are not. There are really three groups: the non-Keynesians who have a generic nomenclature, the non-Keynesians who accept the primary basic tools of Keynes but change their theories and practice according to their own requirement, and anti-Keynesians who are mostly Marxists but need not be so. (Dasgupta's 'eclectics' belong to the second group, and Indian economists, I repeat, are of this category). The 'most practical problems' e.g. Hansen and Domar-Harod's equations are not 'models of growth'; they are, according to their estimates, purely theoretical constructs. The practical problems are deduced from them. Even then the immediate deductions are essentially theoretical. Keynes's economic tools were again deduced from experience; but once done, his General Theory was a generalised special theory.

If that is true, the division need not be between Keynesians and anti-Keynesians, but between Keynesians and post-Keynesians. I have, however, separated Keynesianism from Marxism in spite of an opinion that

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Keynes was a Marxist. My final criticism of Shabbir Khan's statement that 'the Indian economists do not have to be dogmatic and that they have to learn a lot from the writings of other economists' is this: We also must not be dogmatic. Marxism itself is a process, and it is not a dogma that has to be admitted. Yugoslavia, Poland and Russia's Marxisms are changing rapidly. (I do not know of China.) Shabbir Khan will accept this, I am sure. But 'learning a lot from the writings of other economists' is just 'eclecticism'. To pick and choose from 'other economists' is, however, not what an Indian economist wants. It is as ridiculous as theorising from mixed economy, from the best of both the worlds. To select as a goose selects is not an academic pursuit; it is the way of a liberal politician.

(c) I have very little to say about Narindar Singh's article on my note. He simply suggests, against Shabbir Khan, that Schumpeter's innovators are a fiction in India at least. Beyond that my withers are unwrung. Why talk about 'developmentologists'? Growth should have sufficed.

(d) Raz's summing up of the position is admirable and I cannot but appreciate it. I fully agree with him when he says that 'Indian economists have a bright future', and that they have 'emerged from childhood'. This is also my feeling but I am critical of their excessive model-building. Raz is again right when he says that I, with my present generation, have been 'left behind'. At the same time, shall I not remember Marshall's letter to Bowley: 'I had a growing feeling in the later years of my work at the subject that a good mathematical theorem dealing with economic hypothesis was very unlikely to be good economics'? (*Memorials of Alfred Marshall*, p 427). Does Raz mean that modern mathematics is still more modern than Marshall? If that is so, then the New Mathematics is at best a cocoon.

And if our new economists are so new as all that, then they cannot be eclectic. But Raz says 'I believe with Professor Dasgupta that we as Indian economists have to be eclectic.... We have to be Keynesians at one time, Marxians at another and even Schumpeterians at a third'. Raz also thinks that 'we would be the only losers if we succumbed to

the temptation of studying only that which was applicable to our conditions and discarding everything that was not'. This is 'eclecticism' again, but this time by the back door.

It comes to this then. A sample of our modern economists gives me the impression that they are eclectics. And that is exactly my point. Are they eclectic (and idealist)

because Pandit Jawaharlal Nehru is an eclectic (and an idealist)? Do they not repeat what and when he founders and guesses?

My other contentions have not figured in my note. But my chief concern is that we should study Marx and Marxism very carefully, before we can dismiss them. To neglect them as 'back-datish' or as 'underworld' is not a joke.



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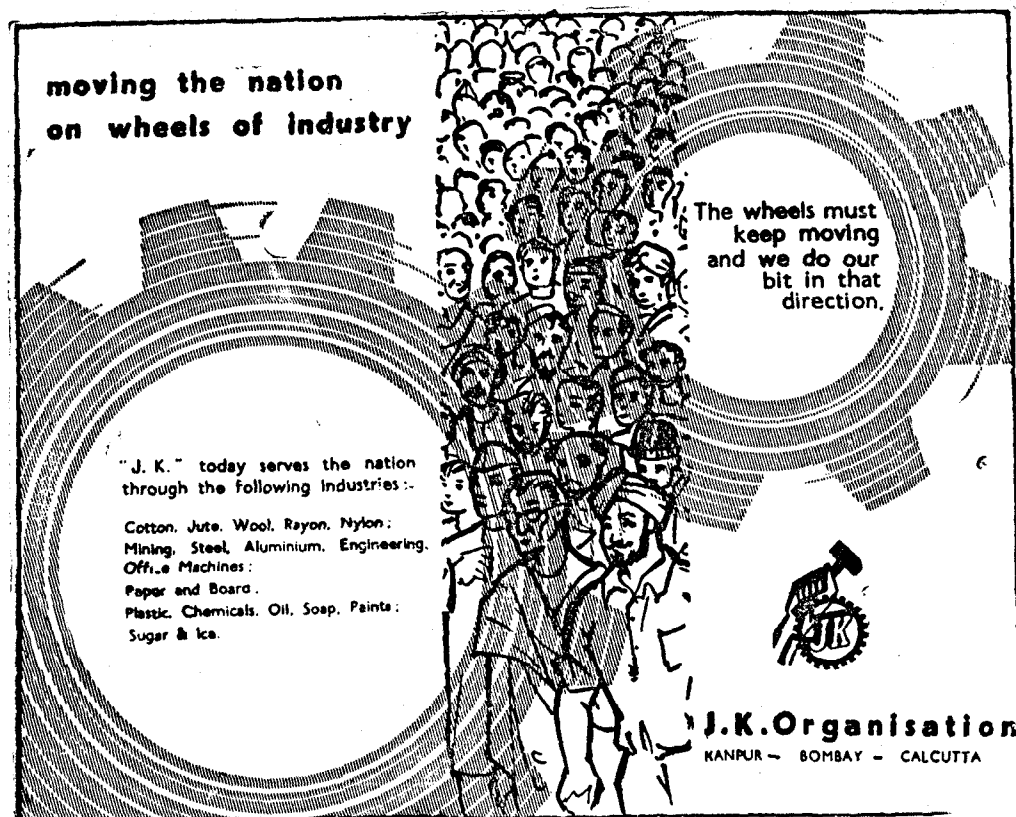
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DA 59/418

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From the Chair

The Scindia Steam Navigation Co Ltd

Speech of the Chairman, Shri Dharamsey M Khatau

THE following is the speech of the Chairman, Shri Dharamsey M. Khatau, delivered at the 40th Annual General Meeting of the Company held on Wednesday, the 24th February 1960, at Scindia House, Ballard Estate, Bombay :-

Gentlemen,

It gives me great pleasure to welcome you to this the fortieth Annual General Meeting of the Company. You have had with you the Directors' Report and the Audited Statement of Accounts for the year ending 30th June 1959 for some time now and may I assume your permission to take them as read?

I shall now endeavour to give you a picture of the Company's activities during the year.

ACCOUNTS

Our gross earnings are higher by nearly Rs. 3.20 crores than in the year 1957-58, but the net profit shows a considerable drop owing principally to enhanced operating costs and the unremunerative level of freight rates. In 1958-59 we carried 24.54 lakh tons yielding an income of Rs. 16.59 crores as against 20.73 lakh tons carried in 1957-58 for an income figure of Rs. 13.64 crores.

Owing to reduced net profit, the Company had to draw on Dividend Equalisation Reserve to be able to declare a dividend of Re. 1.30 nP. per share.

The Company's "Reserves and Surplus" stood at Rs. 10.79 crores as at 30th June 1959 as against Rs. 10.96 crores a year earlier.

OVERSEAS TRADES

We are passing through a period that is particularly difficult for the shipping industry. Not only do freights continue to be at a low level but the movement of cargoes is also not quite satisfactory. Besides, new tonnage continues to be added to the already surplus tonnage throughout the world. All this has led to a scramble for whatever cargo one could get to fill the space that would otherwise go empty. This has been a specially trying time for the Indian Lines. They have to stand in competition with Lines that have been in the trade for a very long

time, they have also to contend against the competition of ships of other countries which have very little trade with India and where Indian ships are not allowed to call, and of ships which merely call at certain Indian ports as wayside ports to carry away whatever cargo they could get on their way to other ports.

The Indian Lines have made up their minds to stand firmly together and face the difficult future with determination to find their proper place in the trade of this country with the other countries of the world. In coming to this decision, I am happy to say that we have the sympathy of our Government, because the Government of India not only wants to see the Indian merchant shipping grow to its full stature but also because unless Indian shipping can make its voice felt in the various Conferences that govern the different trade routes of the world and thus influence the various freight rates, India's trade with the world is bound to suffer. In addition, there is also the all important factor of saving of foreign exchange on all cargo carried in Indian ships, which is a vital factor today.

The Indian Lines, on their part, have

- (1) rationalised their services to various ports of the world by giving a regular service to the shippers;
- (2) are continuously replacing their old vessels by faster vessels; and
- (3) are opening up new trade routes.

I have said all this to show the difficulties which the Indian Lines have to face and the steps they are required to take to face it. We may have to go through a severe trial of strength and patience, but I am sure that in the end wiser counsels will prevail and by negotiation and in a spirit of goodwill we will be able to adjust matters with the other competing Lines for the good of all.

COASTAL AND ADJACENT TRADES

Our Coastal services too have their own troubles. The cargo liftings have dropped by over

1,00,000 tons to approximately 10,23,000 tons with a reduction of about Rs. 50 lakhs in freight earnings. Among the factors that contributed to this adverse position were a lower rate of freight allowed by the Government of India for carriage of rice from Burma, progressive deterioration in the draft of the Hooghly river (leading to idle steamer capacity) and delays and detentions, particularly at the ports of Madras and Cuddalore. The movement of bulk cargoes, particularly coal and salt, has suffered a set-back by the sea route owing to the continued policy of the Railways to place larger waggon capacity at points previously served by Coastal shipping.

The maintenance and expansion of Coastal shipping are entirely dependent on availability of Coastal cargoes, and it is unfortunate that this aspect is not properly appreciated by the Government who are in a position to divert cargoes such as coal. It is being overlooked that some of to-day's leading Indian shipping companies commenced their career in pre-war days with a large proportion of Coastal fleet and have since made additions to it at the behest of the Government themselves. This has not only made Coastal Reservation possible but has also enabled goods across the vast Sub-continent to be carried expeditiously during several periods including post-war times and time of emergency, when the railways were just not able to cope with the traffic. Coastal tonnage stands to-day at nearly 2,65,000 G. R. T. as against a target of 4,12,000 G. R. T. laid down by the Rail-Sea Co-ordination Committee quite some time ago.

Frankly, Coastal shipping is facing almost a crisis of existence. Unless the recommendations of the Rail-Sea Co-ordination Committee for diversion of bulk cargoes to the sea route are implemented, it would seem that its future is gloomy. It is unfortunate that we are at present witnessing a reverse process, in which cargoes traditionally moving by the sea route are going out to the rail route. It is not in the interests of the economy of the coun-

try to allow Coastal shipping to suffer—if not to fade out—and I would appeal especially to the Transport Minister, the Minister of Shipping and to the National Shipping Board to ensure that it is enabled to maintain its proper position in the transport economy by adequate diversion of bulk cargoes from the rail route, so that it may also retain its foothold as a second line of defence. Unless early and adequate steps are taken, I am afraid our Company, as owners of sizeable Coastal fleet, will incur a substantial loss in this trade.

I would also request the Ministries of Transport and of Food to take all the economic considerations into account in fixing the rate of freight on Burma rice instead of considering mainly the fluctuating conditions governing tramp tonnage.

As regards the West Coast trade catered by the smaller vessels of your Company, while the quantity of cargo carried has shown some improvement, the number of passengers carried has maintained its level. It is hoped that as a result of recent trade negotiations between India and Pakistan, the movement of passenger and cargo traffic will show an increase and augment the earnings of the Line.

TONNAGE PROGRAMME

As you know, our operations until 1948 were confined to Coastal and Near trades of India and it was only after the war that we embarked upon Overseas activities. Initially we had to go in for such tonnage as was available after the War, but since 1954 our expansion and replacement programme had been satisfactorily planned, for which our thanks are in a large measure due to the then Transport Minister Shri Lal Bahadur Shastri who decided on giving loans to shipping companies at favourable rates for Overseas expansion. It will interest you to know that the Company will have acquired 24 ships at a total cost of approximately Rs. 25 crores in a span of 5½ years between January 1955 and June 1960. All these vessels with 2 or 3 exceptions are engaged in our Overseas services. In fact, most of our operations in U.K. Continent, U. S. A. and West African trades are covered by vessels built after 1955. As I mentioned last year, our recent building has been of the fast type of vessels and also providing modern machinery and equipment.

The investment in the above tonnage is of the order of Rs. 25 crores. Of this, 13 vessels costing over Rs. 9½ crores are from our own resources and we have contributed, in the acquisition of other 11 vessels, to the extent of over Rs. 4½ crores. The balance amount of over Rs. 11 crores represents Government loan.

I am glad to say that since we sent you the Directors' 40th Annual Report the Government have agreed to release the required Yen credit for placing an order for a second vessel in Japan with delivery in March 1961.

OPERATING EXPENSES

Our Wage Bill especially for the floating staff has shown a steep rise in the year under review. In our new Agreement with the Maritime Union of India covering terms and conditions of service for Officers employed on foreign-going vessels, there has been a 10% increase from 1-7-58 being the date of its revision. During the current year, seamen of all categories (excluding Officers) have been granted an individual increase of Rs. 13.50 nP. in their basic monthly wages under the new Agreement effective from 1st January 1960 with the National Maritime Board. It has further been agreed to regulate the hours of work of ratings in all Departments and to pay overtime for hours of work in excess of normal time. Similarly, fuel and stevedoring costs, marine dues and Canal dues have shown a sharp increase because of the larger number of voyages performed and also, in some cases, because of the increased element of cost. These expenses have been somewhat offset by lesser costs in annual and special survey expenses. In the aggregate, however, the upward trend is noticeable and can only be compensated by restoration of freight rates to economic level.

PROSPECTS FOR THE CURRENT YEAR

The trading position this year continues to be affected, somewhat more adversely than before, by the spiral of increasing costs and comparatively lower and, in many cases, uneconomic rates of freight in the Overseas trade and lack of adequate quantities of cargoes in the Coastal trade. Export cargoes have shown an increase, especially from Bombay, but the rates have dropped to uneconomic levels which make their carriage hardly remunerative. It is hoped that restoration of economic rates in both directions, when the

international competition does not have its strong impact as now, will assist the Company in improving its working results. Meantime, for the first half of 1959-60 they cannot be regarded as satisfactory, and it looks as if the current year will be worse than the year under review.

GOVERNMENT AND SHIPPING

I take this opportunity of welcoming the target of 1.60 million G.R.T. recommended by the National Shipping Board for attainment in Third Five Year Plan. This policy-making body came into being in the year under review. Enjoying, as it does, a representative character of various interests of shipowners, seafarers, businessmen and legislators, the Board is headed by Shri G. L. Mehta in whom the shipping industry has great faith. I trust shipping would be accorded a very high priority under the Third Five Year Plan and that requisite foreign exchange would be made available for its advancement.

The Shipping Co-ordination Committee, I am glad to say, is to function with renewed vigour for an appropriate allocation of cargoes to Indian Shipping. We are deeply grateful to Shri Morarji Desai, our Finance Minister, for the keen interest he has taken in the working of this Committee. I do hope that its deliberations will become more dynamic and fruitful than in the recent past so that our own resources for creating foreign exchange are utilised most profitably.

Development Rebate: Until the passing of the Finance Act of 1958, there was no condition attached to the allowance of the Development Rebate, which is presently 25% for new Plant and Machinery and 40% for ships. The grant of the allowance is now conditional on a provision of 75% of the rebate to be allowed being debited to the Profit & Loss Account and carried to a Reserve Account. It was the Government's contention that Companies should also contribute something towards expansion and replacement when Government were foregoing tax on the amount of the rebate allowed for the same purpose.

In practice, it is found that this statutory obligation has cast a heavy burden on special types of Industries which have a continuous programme, either of expansion and/or replacement, particularly like the shipping industry. We are, therefore,

actively pursuing this matter with the Government and are suggesting that the amount to be set aside as Reserve for claiming the Development Rebate should be reduced and should be provided over a reasonable period instead of in one year as at present.

Capital Gains Tax: Our efforts to convince the Government that the operation of the Capital Gains Tax as also the operation of Section 10(2) (vii) of the Indian Income-tax Act, deplete heavily the meagre resources available to the shipowners for replacement of old tonnage have met with little success. We are, however, pursuing the matter further and hope they will appreciate the predicament in which the shipping industry finds itself especially when Plan targets have yet to be achieved.

War Risk Insurance Scheme: Shipowners have been in correspondence with the Government of India through the INSOA for some time past on the need to establish a War Risk Insurance Scheme in India on the lines similar to those of the War Risk Insurance Scheme in the U.K. The nature of the risks covered by the War Risks Insurance is such that shipowners need the cover for their vessels not only against risks arising out of war but also against other eventualities in times of peace. Some of the Indian ships have been covered for war risks with the War Risk Insurance Association in the U.K. and some of them with the Indian Underwriters who retain a portion of the risks with themselves and obtain a re-insurance cover abroad with Lloyds and Company Underwriters for the balance. Premium rates of the Underwriters are high, compared with those of the War Risk Associations, but certain conditions in the cover of the War Risk Insurance Association are unsuitable for Indian ships in the context of our independent status as a country. Ships would thus stand exposed to risk even while on the high seas in the event of outbreak of hostilities anywhere in the world. If such an eventuality arises Indian shipowners would find it extremely difficult to keep their ships engaged in their existing trades or in any of the trades which the Government of India may wish these ships to be engaged in. In order, therefore, to enable Indian ships to be fully covered in all emergencies, the INSOA

has forwarded their proposals to the Government of India, but the Government of India have not yet come to a decision. I would earnestly request the Government to consider this matter as very urgent and take an early decision.

SUBSIDIARY COMPANIES

Bombay Steam Navigation Co. (1953) Private Ltd.: As will have been observed from a study of the statement of accounts with you, this Company has again made a loss of Rs. 5.15 lakh inspite of the best efforts to exercise as much effective control on expenditure as possible and the Company having earned an amount of Rs. 3,05,000 on account of Karwar passenger traffic. These continuous losses which have accumulated to Rs. 21.67 lakhs are constantly before us. I may add that during the current year the passenger traffic to Karwar has considerably reduced and as a result the Company is not likely to have the same earnings on this account.

As you are aware, the Government of India have appointed an ad hoc Committee with Shri P. S. Rau, I.C.S. (Retd.) as Chairman, to examine and report on immediate and long term problems connected with maintenance of Konkan services. I hope that this Committee will arrive at a reasonable and equitable solution of the problems at an early date and the Government of India will give their decision on the matter, so that these services can be maintained uninterrupted during the next season and thereafter.

Scindia Workshop Private Ltd.: This Company has earned a small profit of Rs. 2,280/- after providing for normal depreciation, Development Rebate, Reserve and taxation. During the year under review, the value of shiprepair work executed is more or less the same as that of the previous year, a good portion of which is accounted for by work secured from other shipping companies and outside firms. This has resulted in reducing the incidence of overheads which has benefited the Workshop customers.

We understand that the Ship Repairs Committee has submitted its report to the Government and we await the outcome with interest.

During the year under review, several new projects were examined with a view to utilising the present Workshop capacity to its fullest extent and every effort is being made

to enhance the turnover of the Workshop in that direction.

Jalanath Insurance Limited: As mentioned last year, this Company has now a direct share in the Marine and War Risk Insurances of all the important Indian Shipping Companies' fleets and is making slow but steady progress. Out of its earnings for the Calendar year 1958, it has been possible to augment the total funds by over Rs. 3 lakhs which should be considered satisfactory. Efforts are now being made to secure more reciprocal business in India and abroad with a view to have a wider base as also a better spread of risks.

Kamal Shipping Co. Private Ltd.: This Company has done well during the year under review. Owing, however, to the depressed international freight market, this Company has not been able to advance towards its objective.

GENERAL

Shri K. R. P. Shroff was your Director for over 10 years until his recent retirement from our Board and I am happy to record that during this period his colleagues and myself had the benefit of his valuable advice and guidance. I wish him long life and happiness.

One of our good Officers, Shri S. M. Kapadia, passed away suddenly on the 26th of last month. He had served the Company loyally for over 25 years and was in charge of our Central Stores Organization in recent years. I wish to record our grief at his sudden and untimely demise.

It was unfortunate that the shipping industry lost the inspiring leadership of Shri S. K. Patil who had to take over another Cabinet portfolio in national interests. I am grateful to him for his valuable guidance.

I also welcome the appointment of Dr. P. Subbaroyan as the Minister of Transport and I am glad that Shri Raj Bahadurji continues to be in direct charge of shipping as the Minister of State. Our thanks are due to both of them, to the Secretary of the Ministry of Transport and to the Director General of Shipping and his officers for doing their best to assist the cause of Indian shipping.

At this opportunity, I would like to express my sincere thanks to all our patrons, shippers in the public

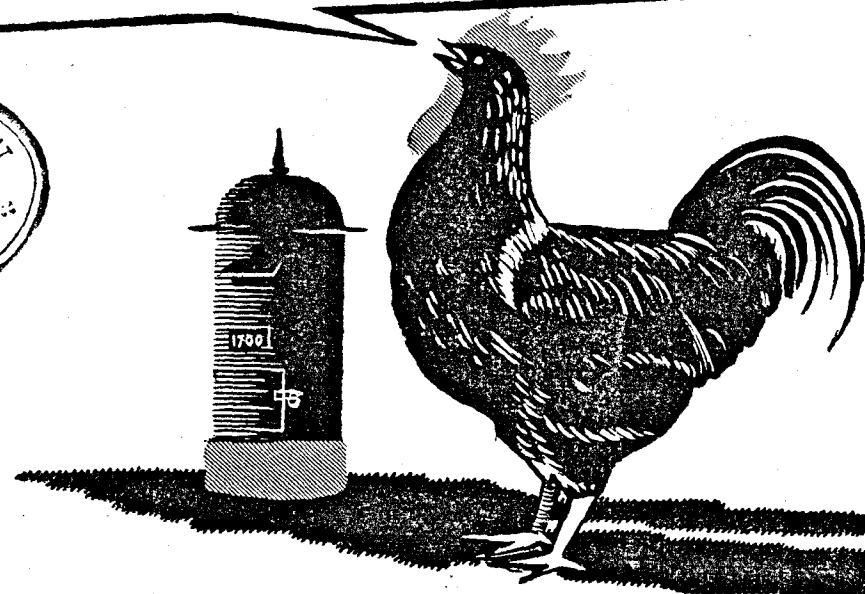
and private sectors and the consignees at home and abroad for the support they have extended to our services. I need hardly add that our efforts could not have had results without their co-operation, and I am confident that it will always be forthcoming.

I am sure the Shareholders and Directors would like me to convey their thanks to the Management, Officers and staff, both ashore and afloat, and to the Company's Agents at various ports without whose active assistance and efforts we would not have made the progress in our various activities.

Advertising Convention

AN Indian Advertising Convention, the first of its kind in India, will be held at Calcutta for three days from March 29 to 31, 1960. Shri B V Keskar, Union Minister for Information and Broadcasting, will inaugurate it.

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Company Notes

VOLTAS

ONE of the largest trading concerns in the country, Voltas, a Tata concern, has decided to enter the manufacturing business on a massive scale. Import restrictions in recent years have curtailed its import business considerably, during the latest year alone it declined by Rs 4 crores from the previous years' level. Sales of indigenously manufactured goods rose from Rs 3.1 crores to Rs 4.6 crores, of which Rs 1.1 crore worth of goods were manufactured by the company itself, while an equal amount was manufactured by an associated company, presumably, Roche. The company's new manufacturing unit will concentrate on the production of bullock-drawn agricultural implements, core drills, diamond drill bits for the mining industry, electric starters and tungsten carbide tipped tools, apart from air conditioners, water coolers and electric switchboards it is manufacturing already. It also continues to promote technical collaboration between its foreign principals and local parties, after ensuring that distribution rights remain with it. Voltas has, however, no intention of giving up its import business, which it will continue to cultivate along with manufacturing.

During the year ended August 31, 1959, the company's sales and service fetched Rs 17.22 crores against Rs 19.66 crores. Gross profits, however, went up from Rs 76 lakhs to Rs 1.03 crores, raising gross profit margin from 3.9 per cent to 6 per cent. Net earnings were also substantially higher at Rs 46.31 lakhs against Rs 28.75 lakhs, giving a net earning on capital invested of 10.3 per cent against 5.1 per cent, on net worth of 16.5 per cent against 10.6 per cent, and on share capital of 18.16 per cent against 11.27 per cent. Dividend has been raised from Rs 9 net to Rs 13 gross. The company is no longer subject to Section 23A of the Income Tax Act and is therefore in a position to build up its reserves.

Since the end of its accounting year, Voltas has become a shareholder in Anglo-French Drugs and Merck Sharp and Dohme.

Investment Corporation of India

THE Investment Corporation of India, a Tata concern, and one

of the few genuine investment trusts in the country, expanded its business substantially during the year ended June 30, 1959. Its investments went up by Rs 44 lakhs to Rs 3.96 crores. Dividends and interest, less tax, averaged 5.1 per cent against 4.9 per cent in the previous year. Net profits went up substantially from Rs. 10.63 lakhs to Rs 14.79 lakhs, giving a net earning on net worth of 4.6 per cent against 4.5 per cent in the previous year.

Net earning per ordinary share thus works out to Rs 6.70 against Rs 3.90; and dividend at Rs 9.25 gross against Rs 6.50 net. The excess of distribution over earnings, however, is wholly notional since the withdrawal from reserves is more than made up by appropriation of capital gains and adding back of provision for doubtful debts to reserves which have increased, as a matter of fact, by more than Rs 9 lakhs. This prudence is healthy but it makes the accounts and tax positions more complex.

The increase of Rs 75 lakhs in share capital on account of Oriental Life amalgamation has been used to expand investments by Rs 44 lakhs and to reduce loan liabilities by an equal amount; the remaining funds were drawn from realisation of capital gains and reduction of cash.

The interest liability is now covered 4.2 times by profits before tax, against 2.6 times in the previous year, while secured loans are covered 4.7 times against 2.8 times by investments. Loans considered doubtful have declined by Rs 10 lakhs during the year, while interest-free loans have come down from Rs 34 lakhs to Rs 14 lakhs. A "Budli Settlement Account (Secured)" for nearly Rs 10 lakhs has, however, made its appearance in the company's balance sheet, perhaps for the first time.

Of the company's investments, nearly 90 per cent are in ordinary and 10 per cent in preference shares, with Government securities and debentures claiming negligible amounts. More than 91 per cent of the investments are in rupee securities, 8 per cent in sterling securities, and the small balance in dollar and Australian securities.

During the year, the company continued to be subject to Section 23-A of the Income Tax Act, which required it to distribute nearly 100

per cent of its profits as dividend. Since it has now ceased to be a subsidiary of Tata Sons, it will no longer be subject to this Section.

Bank of Rajasthan

THE working results of the Bank of Rajasthan for the year ended 31st December 1959 show an improvement over the past year. Deposits have gone up by Rs 38 lakhs to Rs 4.92 crores. Working funds of the Bank have risen to Rs 5.96 crores from Rs 5.36 crores in 1958. Profit including amount brought forward from the previous year is Rs 2.61 lakhs and has been appropriated as follows: Rs 53,000 to Reserve Fund to raise it to Rs 5.45 lakhs making the percentage to paid-up capital as 58.98 per cent; Rs 96,000 have been provided for Income Tax and Rs 37,000 for Bonus to staff.

The directors have recommended a dividend of 8 per cent subject to tax against 6 per free of tax last year. It will absorb a sum of Rs 73,864 leaving a balance of Rs 1,571 to be carried forward.

Bombay Investor's Guide

IT is not a little surprising that the Bombay Stock Exchange, believed to be the most active in the country, has not published an official year book so far, though it is compiling one now, which is expected to be out next year. Leading stock brokers in Bombay did not take any initiative in publishing an investor's guide, as their contemporaries in Calcutta and Madras have done. The publication of *Investor's Guide* 1960 by Chimanlal J Dalal and Company, Bombay, a firm of stock brokers, is, therefore, welcome.

This 'pioneer' publication gives information for over five hundred companies whose scrips are active in Bombay, Calcutta, Madras, Ahmedabad, Delhi and Hyderabad stock exchanges. It is divided industry-wise into 15 parts. Each part begins with an analysis of a specific industry—tracing its growth, its position in the economy today and its future prospects—and is followed by case histories and statistical information of companies in that industry.

The 750 page *Guide* is priced at Rs 15.

Budget Will Decide the Trend

Thursday, Morning

EQUITIES continue to drift. Excepting Wednesday when the market showed a fair amount of buoyancy, the volume of business throughout the week was at a low ebb. All eyes are now on the Budget, which holds the key both to the short-term and the underlying trend in equities. When one thinks of the increased defence expenditure, the enhanced salaries bill and the need to fulfil the targets set for development expenditure under the Plan, one wonders how the Finance Minister will be able to manage the show without calling upon the nation to make larger sacrifices. His task is made by all the more difficult, by the need to keep under check inflationary pressures which are threatening to undermine economic stability. But hope still persists that Shri Morarji Desai will take every possible care to ensure that his tax measures do not harm the climate for investment, which has contributed not a little to the improvement in the economic tempo in 1959. While the stock market seems to be reconciled to a fair amount of additional tax burden—Rs 25 crores to Rs 35 crores—the general atmosphere is one of cautious optimism. Although the market is still undecided about the near-term outlook, it seems more bullish than bearish. The coming week will be critical and it should remove uncertainty about the trend.

STOCK MARKETS ABROAD

Interesting developments have taken place in world stock markets since the turn of the year. Equities have suffered a sizable decline all-round. The Financial Times Industrial Ordinary share index which had touched a record high of 342.9 on January 4 was marked down to 319.8 on February 17. This fall of nearly 6.7 per cent in the index is well within the limit of what is commonly regarded as a secondary reaction. It has raised the index yield from 3.7 per cent to 4.1 per cent. With the trend of corporate profits and dividends still showing an upward trend, few observers are inclined to take a pessimistic view of the outlook for equities in London.

The stock market in Germany, too, has not been in good shape for some months. Equities have declin-

ed heavily from their 1959 highs due to the credit squeeze to fight inflationary trends. The economy has been showing some symptoms of over-full employment. The German discount rate was raised twice in 1959 and, recently, the reserve requirements of commercial banks were raised for the third time in less than six months. That a recent Government issue yielding over six per cent should not have been fully taken up by the public is an indication of the depressed mood of the stock market.

UNCERTAINTY IN WALL STREET

But it is the behaviour of Wall Street which has been the most disturbing. The Dow-Jones Industrial average which had touched a record high of 685.47 on January 5 was quoted as low as 605.32 on February 17, the lowest mark since last April. This brings it within striking distance of the 1959 low of 574.48. Over the last few days, however, the average has recovered to 628.45. The sharp decline in Wall Street since January 5 has caused serious suspicions about the reversal of the primary upward trend. It is interesting to note that equities have dropped, despite a record industrial production in January and the rise in personal incomes to a record high. The market's behaviour seems to reflect doubts about the economic prospect. Many eminent economists and Administration experts have argued that these doubts are unjustified, but the mere fact that two opposite views are now possible among serious students of the U S economy has made for uncertainty in Wall Street.

A number of recent reports have suggested that the Federal Reserve Board, after pursuing a rigorous anti-inflationary policy for the past 18 months, might change its emphasis. The Board's progressive tightening of credit and raising of interest rates had been motivated primarily by the orthodox aim of leaning against the prevailing economic wind—which from summer 1959 onwards was strongly expansive. But official thinking was also influenced by the stock market boom and other evidence that continued inflation was being taken for granted. The January collapse in stock

prices and the allied revival of demand for fixed interest securities has been taken as one sign of a reversal of public thinking. But the Federal Reserve is also closely watching the general trend of economic activity on the assumption that the economy may prove less strong than expected this year—in other words, that there may be a tendency to level off. It remains to be seen whether spring will bring a great rush for durable consumer goods, and for materials stocks by producers. If it does not, the Board may well decide to make cautious reflationary moves on its own account. This would involve reversing the policy of credit restraint to some extent.

Oilseeds

PRICES EASE FURTHER

OILSEEDS last week suffered an all-round sharp decline, wiping out in most cases gains accumulated over several weeks. Castor May which had been bid up to Rs 189.12 per candy in the preceding week was sold down to Rs 175.75 on February 24 and the closing rate of Rs 177.37 showed a net loss of Rs 5.25 per candy over the week. Groundnut May was marked down from Rs 210.50 to Rs 204.50 and cottonseed May from Rs 150.50 to Rs 146.50. Linseed suffered the worst with the May contract down from Rs 34.31 to Rs 32.12 per cwt.

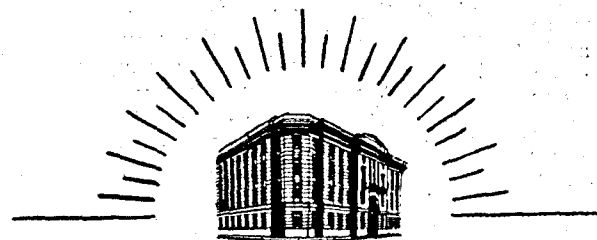
The decline was steep enough to cause suspicions about the underlying trend. And yet, excepting linseed, the setback in other seeds was no more than a strong technical correction of the preceding advance. Prices had risen rather too fast. No market could do that for very long. A pause was needed and it came. Wednesday's panicky sell-off followed by a good recovery near the close suggests that the process of technical adjustment is almost complete.

Although essentially technical, the reactionary trend in castor futures was accelerated by the satisfactory flow of new crop arrivals, temporary lull in export business in castor oil, and the existence of a large volume of option business.

Arrivals were large but not abnormal for the season. Even in

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the off-season, spot castor could often be had at a discount of about Rs 7 per candy below the hedge contract rates but, last week, the discount seldom exceeded Rs 5.50. That exporters should not have been able to put through any important business in oil last week was not surprising. For it is very common for buyers to keep off the market when it is drifting lower.

Few export houses share the pessimism of speculators. To emphasise the promising outlook for Indian castor oil, at least for the few coming months, is to repeat the obvious. Shipments from Bombay since the turn of the year have already exceeded 6,500 tons. The US has a large unsatisfied demand, with India as the only source of supply till August when Brazil will again be in the market. The Communist countries, which have become important customers, should be in the market soon. Then there is the normal U K demand. And this year there are also talks of a likely big barter deal in castor oil with certain West European countries.

OIL EXPORT QUOTA

Last week's sharp decline took linseed to the lowest level since about the middle of September. Upcountry figured as a persistent seller, presumably because of the movement of the new crop. There was nothing in the overseas news to enthuse bulls. Export business in linseed oil and linseed cake continues to be at a complete standstill. The disparity between Indian and world prices is too wide to hold out any prospect of export business in oil in the near future. New Delhi would perhaps be well-advised to devise some incentive scheme for exporting linseed oil, particularly when there already exists such a scheme for groundnut oil. Linseed prices might ease further under the pressure of arrivals. But that alone might not be enough to make export remunerative.

Groundnut eased mainly in sympathy with castor and linseed. Selling was seldom heavy but fresh support was lacking. Technical considerations favoured a sizable setback and the turn in the general trading sentiment discouraged prospective buyers of spot material. Both oil and seed suffered from lack of fresh inquiry. But the decline in prices failed to quicken the tempo of arrivals as is often the case.

The announcement about the release of an export quota for 10,000 tons of groundnut oil along with the incentive scheme of 3-1/4 tons of expellers for each ton of oil evoked little interest or comment. This was partly due to the reactionary mood of the market and partly because the immediate outlook for export of oil is far from encouraging. The current U K quotation of £124/125 per ton is nearly £14/15 per ton below the Indian parity. The export of expellers is not unremunerative but the margin is much too small to reduce the disparity in oil prices. But since the shipment period is valid up to September-end, there should be little difficulty in utilising the entire quota. Demand for oilcake usually picks up appreciably after May and there is a chance of getting oil cheaply here after June if the weather is obliging.

But unlike groundnut oil, the unused quota for expellers against oil sales made in October-November will be used up fairly quickly. The total quantity of this quota is estimated around 8,000 tons. Export business in groundnut extractions has continued to be extremely restricted. Most exporters expect fairly large buying by the Communist bloc once stability returns to the domestic market.

Cotton

SUSTAINED STRENGTH

SHRI Nityanand Kanungo was reported to have stated in the Lok Sabha on February 22 that it was not true that the cotton ceilings fixed by the Government had been exceeded. This is grossly incorrect. Hardly any cotton is available at the ceiling and several qualities are com-

manding fancy premiums. The enforcement of quality control has yielded no useful results. But the Commerce Minister could scarcely have made any other statement. To concede that there exists a black market in cotton would be a serious reflection on the authorities entrusted with the task of administering price control.

Cotton prices recorded further sizable improvement last week. The Jarilla March contract was all the time quoted substantially above its effective ceiling of Rs 790, the premium rising up to Rs 22 per candy which gives a price of Rs 812 against the official ceiling rate of Rs 820. With spot Moglai fine 25/32—the basis of the hedge contract—fetching an exorbitant premium, bears had no alternative but to cover their sales before the start of the delivery contract. They could scarcely hope for any relief from the tendering differentials for March since nearly all the varieties are quoted above the ceiling in the spot market. Bulls tightened their hold. The August contract also advanced to a new high of Rs 762 but later receded to around Rs. 755 on corrective profit-taking. The heavier margin at above Rs 750 could not prevent the contracts from crossing that level.

But speculators could hardly be blamed for pushing up prices. The strength in the spot section was even more marked. Traders reported sustained keen mill demand for 197/3, Berar, Khandesh, Laxmi, Jayadhar, Western Farm CO2, Vijay and Digvijay—in fact anything that could be had. Ahmedabad and Southern mills figured as prominent buyers, particularly in Laxmi, which recorded a steep rise of nearly Rs 20 per candy. Some of the regular consumers of Bengal Deshi were reported to have requested the Textile Commissioner to intervene and help them secure their requirements at the ceiling rates. Among imported cottons, fair interest was evinced in the lower grade Sudanese varieties. East African cottons also attracted good attention. Egyptian cotton prices were reported to have suffered a moderate setback.

Money

BORROWINGS UP

THE busy season is in full swing. Acute stringency prevails in the short-term money market. There is little activity in the inter-bank call

money section because of the scarcity of loanable funds. Banks are being obliged to borrow more and more funds from the Reserve Bank and also liquidate their investments in Government Securities and/or treasury bills. The treasury bill rate last week rose further to a new high of 2.750 per cent.

Banking returns fully reflect the increasing tempo of the busy season. Scheduled Bank advances have increased further by Rs 16.85 crores in the week to February 12. Deposits are down, though only by Rs 1.93 crores. Borrowings from the Reserve Bank are up by Rs 9.89 crores at Rs. 49.33 crores. Cash and balances with the Reserve Bank, however, have recorded a rise of Rs 11.36 crores. Investments are down by as much as Rs 24.24 crores, which, however, is due entirely on account of the State Bank. The heavy decline of Rs 24.60 crores in the State Bank's investments presumably in treasury bills, may be attributable to the pressure of trade demand for funds or it may be due to disinvestment of P L 480 funds.

The gilt-edged market continued to show an easier tendency but the volume of business was limited. The easier tone was due more to lack of fresh buying inquiry than to any important selling. Some selling is, however, only to be expected during the busy season. The Conversion Loan held steady because of the approaching voucher. The Life Insurance Corporation was reported a buyer in State Loans but business was small.

Bullion

HOLDING FIRM

BULLION prices continue to hold remarkably firm at higher levels. A few prominent bulls are known to have a virtual control over the bulk of floating stocks of gold. The seasonal factor is in their favour. Demand is fair while fresh arrivals are limited. In silver, too, bulls have a firm grip. Stiffer margins have only reduced the volume of speculative activity. They have had no noticeable effect on the trend of prices. Of course, it is arguable that, but for the margin, prices might have recorded a further big rise. After rising from Rs. 131-3 1/2 to Rs 131-14 Gold Phagan moved irregularly lower to finish at Rs 130-8. Silver Phagan was marked up from Rs 214-7 to Rs 215-7 but receded to close at Rs 214-11.

Reports that trading in Chaitra and Vaisakh deliveries might soon be allowed, without the special margins which are in force in respect of the current Phagan delivery, have provoked a section of the trade to oppose the move on the ground that the removal of margin will embolden bulls to rig up prices because demand is likely to remain on the high side for another month or two. Five directors and 51 members are reported to have represented to the Board that trading in new contracts should be permitted with the same margins as are in force in respect of Phagan delivery. The Board is expected to take an early decision on this issue because the Phagan contract is approaching its maturity.

Japanese Machinery on Show

LATEST types of Japanese machinery will be on show for the first time in India in an exhibition to be held at Bangalore between March 6 to 20, 1960.

Among the important machinery on display will be some of Japanese machine tools:

The Tread Rolling Machine—This produces highly precise bolts and other parts for machines with very little skill by the operator.

The Automatic Screw Machine which manufactures more than 50 different articles ranging from small screws suitable for watch and clock making, to cycle valve caps and fuel injection components.

The Universal Machine which is capable of four different operations viz, milling, drilling, shaping, and turning.

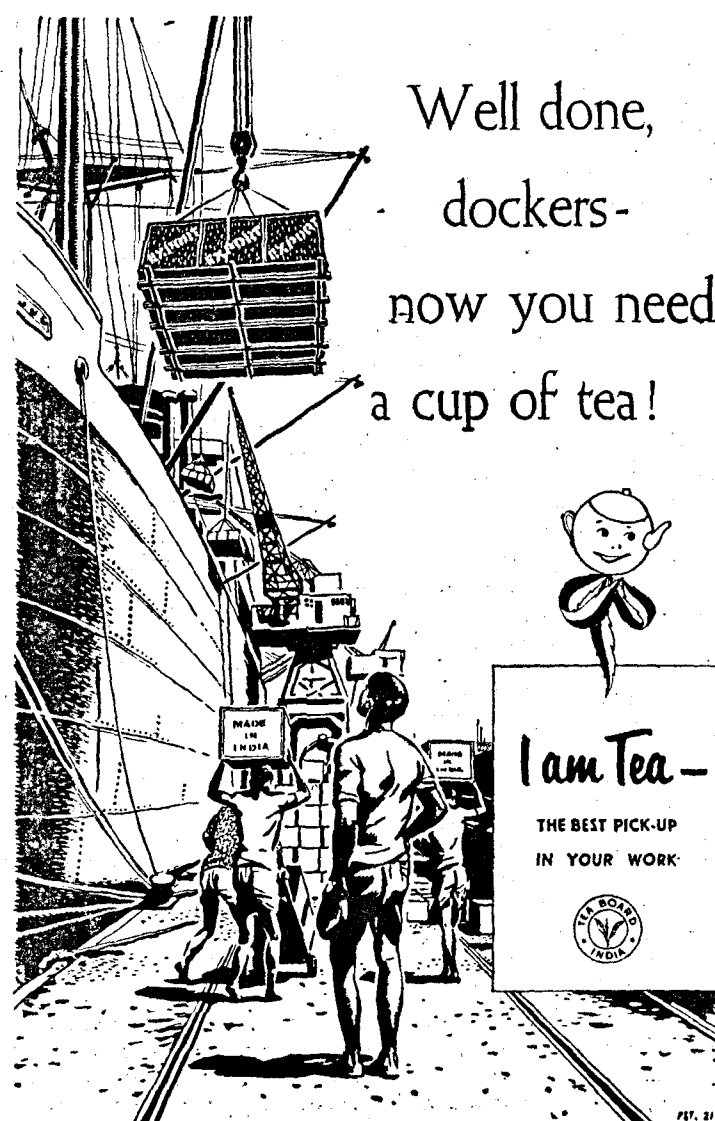
The Surface Grinder which does high precision work up to 1/1000 of an inch.

The Exhibition is being organised by the Japan Machinery Centre, Bombay, which is the first overseas branch of the Japan Export Trade Promotion Organisation (Jetro) and the Japan Industrial Consultants in Mysore.

Drum-Making Plant for Mettur Chemicals

A DRUM-MAKING plant is being installed at Mettur Dam by Mettur Chemicals and Industrial Corporation Ltd for the manufacture of 280 mm, 355 mm, and 500 mm drums for chemicals. It will have a capacity of 900 drums per day.

Moon Brothers Ltd of Birkenhead, U-K, have supplied the plant which is worth about £ 22,000/-.



CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note Circulation	1806.55	1811.94	1767.32	1659.49
2. Rupee Coin	126.55	126.29	129.81	132.28
3. Deposits				
(a) Central Govt	50.75	66.96	52.20	61.44
(b) Other Govts	26.47	20.85	24.76	19.31
(c) Banks	75.59	81.20	78.36	71.42
(d) Others	108.52	108.51	123.40	114.77
4. Foreign Securities	163.01	163.01	163.01	178.01
5. Balances abroad	39.84	44.34	44.02	33.47
6. Rupee Securities	1417.29	1417.32	1377.42	1251.45
7. Investments	202.80	192.99	212.83	260.04
8. Loans and advances to Govts	24.63	23.50	22.12	21.90
9. Other Loans and Advances	121.23	130.25	104.94	84.38
Scheduled Banks				
1. Demand Liabilities (net)	728.01	729.97	728.51	695.05
2. Time Liabilities (net)	1122.86	1120.83	1107.69	897.03
3. Cash	120.83	109.48	113.79	112.39
4. Borrowings from Reserve Bank of which Usance Bills	49.33	39.44	22.21	42.27
5. Advances of which State Bank's	889.20	873.90	836.87	811.61
6. Bills Discounted Inland Foreign Total of which State Bank's	172.25	164.61	157.41	180.23
7. Invest in Govt Sec of which State Bank's	112.98	112.15	113.75	98.52
Cheque Clearance	46.84	46.10	46.56	36.22
	159.82	158.25	160.31	134.74
	17.14	16.86	16.05	13.13
	759.43	783.67	775.83	617.25
	369.28	393.88	373.25	265.01
	198.52	187.40	210.52	177.47

† For Reserve Bank and Cheque Clearance Week ended 19-2-1960. Scheduled Banks week ended 12-2-1960.

Bombay Money Rates				
(Selected Scheduled Banks other than State Bank)				
(per cent per annum)				
5-2-1960	Week Ago	Month Ago	Year Ago	
Call Money				
From Banks	3½	3½	3½	3½-3½
Deposits				
Seven Days	8-8½	8-8½	8½	8-8½
Three Months	8½	8-8½	2½-3½	3½-4
Six Months	2½-3½	2½-3½	2½-3½	3-4

Bombay Bullion				
(In Rupees and nP)				
23-2-1960	Week Ago	Month Ago	Year Ago	
Gold (per fine tola)				
Spot	132.06	132.72	132.84	118.28
Forward	131.50	131.11	132.67	117.28
Silver (per 100 tolas)				
Spot	215.56	215.50	214.00	194.31
Forward	215.25	215.25	214.31	195.00

INDEX NUMBER OF WHOLESALE PRICES				
(Base: 1952-53 = 100)				
Group and sub-group	Week Ended			
	6-2-60	30-1-60	9-1-60	7-2-59
Food Articles	118.3	117.7	116.8	117.3
Cereals	105.2	103.5	100.5	107.2
Pulses	96.3	93.2	91.6	127.3
Fruits & Vegetables	108.6	107.6	112.1	114.3
Milk & Ghee	108.3	106.2	104.9	103.8
Edible oils	138.6	135.5	128.1	123.5
Fish, Eggs & Meat	112.9	113.2	115.0	108.6
Sugar & Gur	144.2	143.2	143.1	131.2
Others	166.8	176.5	186.9	155.8
Liquor & Tobacco	96.4	98.2	102.5	105.9
Tobacco	94.6	96.6	101.1	104.9
Fuel, Power, Light & Lubricants	117.3	117.3	117.0	115.9
Industrial Raw Materials	132.3	132.7	129.9	116.9
Fibres	124.0	126.0	127.2	108.5
Oilseeds	141.8	140.9	132.8	129.2
Minerals	95.2	95.2	95.2	103.6
Others	132.6	132.7	131.9	110.6
Manufactures	116.2	116.4	115.4	108.7
Intermediate Products	120.2	121.0	121.3	110.6
Finished Products	115.6	115.6	114.5	108.4
Textiles	115.0	115.0	113.2	102.0
Cotton	125.0	125.0	121.3	110.8
Jute	95.8	95.4	97.8	84.4
Woollen	104.2	104.2	104.2	105.9
Silk & Rayon	103.8	105.2	104.4	91.5
Metal Products	145.1	145.1	145.1	143.3
Chemicals	106.5	106.5	107.0	111.0
Oil cakes	147.0	147.5	145.2	149.7
Machinery & Transport Equipment	106.1	106.1	106.0	105.4
Others	112.6	112.6	112.3	113.8
All Commodities	119.4	119.2	118.1	114.5

COAL PRODUCTION AND DISTRIBUTION			
(Monthly Average or Calendar Months) ('000 tons)			
	Raisings	Despatches	Stock at Pit heads*
1956	3,286	2,913	2,766
1957	3,625	3,140	3,279
1958	3,778	3,362	2,764
1957: 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	3,523
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	2,922
Sept	3,848	3,475	2,885
Oct	3,747	3,474	2,682
Nov	3,688	3,374	2,572
Dec	4,149	3,506	2,764
1959: Jan	4,086	3,436	2,905
Feb	3,939	3,112	3,238
Mar	3,955	3,487	3,195
April	3,984	3,529	3,153
May	4,015	3,396	3,281
June	3,815	3,356	3,279
July	3,860	3,594	3,083
Aug	3,750	3,609	2,805
Sept	3,936	3,584	2,694
Oct	3,608	3,426	2,427
Nov	3,787	3,467	—

*At or about the end of each period.
Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

INDUSTRIAL DISPUTES IN INDIA				INDUSTRIAL DISPUTES IN BOMBAY STATE			
(Numbers)				(Numbers)			
Year/Month	Disputes	Workers involved	Working days lost	Year/Month	Disputes	Workers involved	Working days lost
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	192,233	867,311
1958	1,784	908,722	6,406,566	1958	245	216,105	1,261,770
1957: Aug	205	146,511	821,211	1957: 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: Jan	31	14,946	69,955
Dec	155	84,881	512,831	Feb	25	11,475	27,114
1958: 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	530,162	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	5,824	10,709
July	164	112,060	464,165	Sept	21	5,802	11,209
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: Jan	21	14,449	27,814
Dec	139	48,526	199,012	Feb	20	5,231	15,371
1959: Jan	152	55,291	306,998	Mar	17	4,583	6,276
Feb	93	35,141	271,253	April	33	9,187	47,545
Mar	134	56,019	279,346	May	44	31,335	105,951
Apr	158	44,834	383,741	June	37	22,089	80,508
May	131	59,764	354,517	July	31	14,839	81,871
June	154	78,244	788,798	Aug	34	21,162	78,187
July	142	62,407	745,436	Sept	21	2,969	20,758
Aug	141	66,437	396,789	Oct	28	24,576	29,087
Sept	71	26,822	94,190	Nov	35	22,938	34,840

Source: Deputy Commissioner of Labour, Government of Bombay.

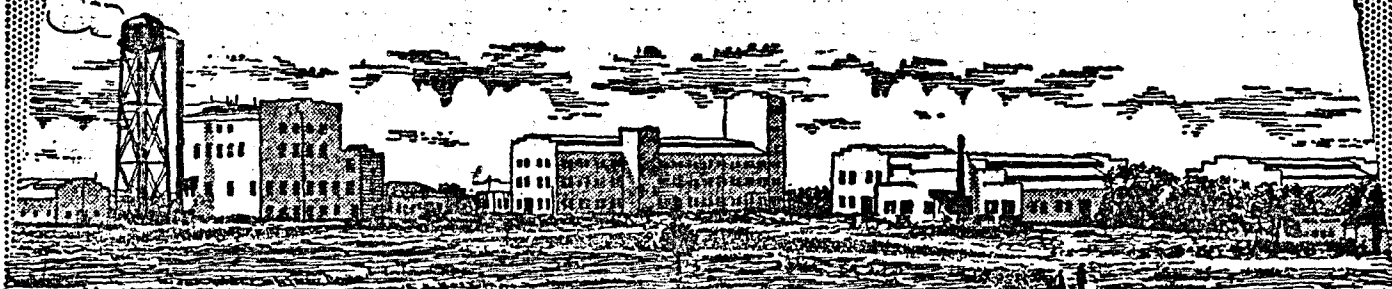
Source: Deputy Commissioner of Labour, Government of Bombay.

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	98	98	124	124	118	116
1957 :												
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	130	126	106	106	110	108	87	93	117	120	113	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	126	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	119	117
Feb	133	130	102	104	136	126	102	103	127	127	120	118
Mar	134	131	102	104	137	126	96	99	125	127	118	117
Apr	134	130	103	104	124	119	91	95	128	128	119	117
May	137	132	104	106	120	116	91	95	132	131	121	119
June	140	135	110	110	121	117	93	97	135	134	126	122
July	142	136	118	114	122	117	93	97	137	134	128	124*
Aug	143	137	120	116	122	118	94	98	136	134	129*	125*
Sept	145	137	117	111	122	118	93	97	135	134	129*	125*
Oct	147	139	120	116	124	120	94	98	139	137	131*	136*
Nov	145	138	117	114	123	120	95	99	144	139	130*	126*
Dec	—	137	—	111	—	119	—	96	—	137	—	—

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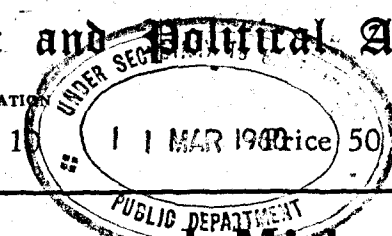
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Pretentious and Misleading

"THE stage that has been reached in the implementation of the Plan," Shri Morarji had said at the conclusion of his first budget speech last year, "conditions this budget." Does it, really? For, one year leads to another and every Plan slides into the next. The discontinuity is purely notional, the segments into which time is divided either for budgeting or for drawing up plans is only for the convenience of accounting. The Second Plan has also to take note of the Third and the Fourth and whatever decisions are taken for the last year of this Plan will not only have an important bearing on the next, the decisions will be irreversible and project themselves into the future irrevocably. We have been hearing all these months that the Third Plan is going to be a big one and that the Planning Commission—as also the Finance Ministry, we presume—have been taxing their brains how to find resources for it and are baffled in their quest. Surely the Plan has not reached a stage in its implementation today or that stage is not likely to be reached in the next 12 months, which can constrict the perspective for the budget? Of course, a caveat may be entered that it depends on the role one assigns to the budget. That the accountant will look at the budget in a different way from the politician or that the mere politician's view will be different from that of the statesman, goes without saying.

The Finance Minister cannot afford to have the blinkers which are perhaps an essential equipment for the accountant nor can any one conscious of national development as a continuing process and with an understanding of its tempo take so limited a view of the situation as to regard the budget as essentially concerning the accounts of the year, with little thought of what is to follow. There is the larger question of perspective and within it, of course, room for predilections and idiosyncrasies of the individual. One would not expect from Morarji an imaginative approach nor a follow up to the changes in the tax system introduced piecemeal but not carried through by a dynamic predecessor.

But one could legitimately expect him to tidy up things a bit, aim at a better order within a narrow compass and lend a touch of the "Holier than Thou" even in such mundane affairs as the budget has to deal with. To take the last first, there is this shining clause inserted in the Finance Bill against the marginal heading 'Discontinuance of Salt Duty': "For the year beginning on the 1st day of April, 1960, no duty under the Central Excises and Salt Act, 1944, or the Tariff Act shall be levied in respect of salt manufactured in, or imported into, India." The shine of it is slightly dimmed, however, by the Finance Minister yielding to the importunities of experts who are amoral by conviction, profession and their training and stooping to appeal to the lower instincts of men—what else is prize money drawn by lottery?—to attract savings of the low income groups. The only tidying up that Morarji has done to the loose ends in the tax-system left by his predecessor is to remove the wealth-tax on companies. All the rest remain with all their loopholes, making a mockery of the miscellany of new taxes—on expenditure, wealth, gift and capital gains—which add up to little in terms of revenue and continue to miss their central purpose which is that of securing from the assessee a consolidated statement which would prevent the evasion by supplying counter-checks.

Narrowly conceived, looking at the finances of the last year of the Second Plan alone, the Finance Minister's problem was comparatively so simple, despite the increased bill of Defence that he had to meet and the payments for implementation of the Pay Commission's recommendations. This was because revenues were still buoyant and the borrowing programme more than a success—why should they not be, when inflationary pressures are there? Increases on account of Defence and Pay Commission leave a sizeable deficit under revenue expenditure which, going by the rule of thumb formula of his adoption, the Finance Minister is called upon to meet only to the extent of a quarter. This he proposes to do by indirect taxation. Morarji is lucky, since he can make sufficient provision for Plan expenditure to bring up the total for the Second Plan period to 100 crores above Rs 4,500, to which it had been reduced earlier by the National Development Council.

And this he can do without exceeding deficit financing at the end of the Plan beyond the safe limit of 1,200 crores. The year is to close with a deficit of 153 crores which has been left uncovered. But if one makes allowance for the short-fall of expenditure which is normal and also for the under-estimation of revenue which is habitual, the year may end without any sizeable addition to deficit financing at all. This would be a creditable achievement, indeed, if one were to forget that the fulfilment of the Plan claims more than it can achieve because the target which had been set before the country was in terms of 1952-53 prices, a minor detail which the Planning Commission and the Government choose to forget. If allowance were made for price changes, fulfilment would not exceed 4,200 crores against 4,800 crores original and 4,500 revised target.

But more important than the financial figures targeted and realised is the situation in which the country finds itself and the impact of the budget on the economy. The Finance Minister is concerned that "the expansionary impulse in the economy has been fairly strong", "that the stock markets have been buoyant throughout the year" and feels the need for "active vigilance in regard to domestic price trends in the coming year". But what does he propose to do about it?

Leaving aside this wider perspective, even within the stage set by Plan fulfilment, an extraneous but formidable factor has butted in — Defence. True, the budget for 1960-61 provides for an increase in defence expenditure of Rs 28.6 crores and the Finance Minister assured the Lok Sabha that "the estimates of Defence services have been prepared against the background of the present threat to our borders". The break-down of this increased allocation, however, leaves one guessing whether the threat to our territorial integrity has really and properly been provided against or not.

Most of the increase is for the Pay Commission's recommendations for the Defence Services and the expansion of the Territorial Army, and National Cadet Corps. How has it been possible for the Defence Ministry at the present juncture to reduce its expenditure on Air Force? The budget provision for the Air Force is actually lower by Rs 2.94 crores from what it was in the Revised Estimates. One would have thought that in the present situation, it was precisely the Air Force which would need the heaviest reinforcement. There is something incredible about the Defence estimates and one wonders if the Finance Minister was himself conscious of it when he warned the House that "it may be that later in the year, if circum-

stances necessitate it, I may have to come before this House for additional funds."

The Finance Minister's proposals for additional taxation are supposed to broaden the tax-base. Presumably what he means by broadening the tax-base is to impose duties on commodities which are not already subject to taxation. This, incidentally, is a very narrow meaning of 'broadening the tax-base'. In fact, by assuming that there was no scope for raising more from direct taxation, the Finance Minister has narrowed down the tax-base rather than broadened it. When one examines his proposals, of the 24 crores that he hopes to collect from additional taxation, nearly 16 crores are expected from commodities already subject to taxation!

To sum up, it would be charitable to call the budget just misleading. It is much more than that. In regard to defence, it seems to create the unwarranted impression that the Government is doing all that is necessary to meet the present situation. In the context of the Third Plan, it is pretentious because it claims credit for what it does not do. The moral that one can draw from this is that in emergencies or for bold programmes, it is very necessary to have a bold and capable Finance Minister. The fate of Third Plan is unsafe in the present hands.

Welcoming Mr Chou

THE Chinese Prime Minister has accepted Pandit Nehru's invitation to New Delhi in what can only be described as a surprisingly good spirit. Of course, a Prime Ministers' meeting has always been close to Mr. Chou En-Lai's mind and heart; but it is well to recall that when he himself had made the suggestion sometime ago, it was accompanied by the firm condition that the meeting should take place in a friendly or neutral country, but certainly not in India.

Why has the Chinese Premier quietly dropped his earlier condition and accepted a meeting in Delhi? After all, it is not as if Pandit Nehru's invitation itself had carried any indication that we were stepping down from our original stand on the border issue. The Prime Minister's letter to Peking was firm on that point, and there

could have been no ambiguity about it.

The temptation to believe that all this has been quietly and efficiently arranged by Mr Khrushchev between New Delhi and Peking has been destroyed by the fact, pointed out by Pandit Nehru in the Lok Sabha, that both our invitation and note were sent to Mr. Chou En-lai before the Russian Premier set foot on Indian soil. This does, in no way of course, rule out the possibility of friendly persuasion and pressure through normal diplomatic channels behind the scenes; and it may well be that both the tone and nature of Mr. Chou En-lai's reply owe something to the influence of Mr Khrushchev. But this does not look like being the whole explanation. It is at least tempting to believe that the conspicuously friendly acceptance of

the invitation by China may mean that the Chinese leader has some helpful suggestions to make at the meeting—suggestions which may not entirely dispose of the dispute, but which may advance it materially towards an ultimate solution. Perhaps that is Pandit Nehru's expectation also. In any case, this is the only assumption on the basis of which we can proceed from this point onwards; it would be absurd to be totally pessimistic about the outcome of the Prime Ministers' meeting and insist on holding it at the same time.

There remains the question of the type of welcome Mr. Chou En-lai is to be given when he arrives in this country next month. Obviously, it would be unbecoming as well as unwise to stage noisy or vulgar demonstrations against him. However strong the provocation some people might feel for doing so, these could serve no purpose. Any discourtesy shown to Mr. Chou En-lai would in fact be discourtesy (if not worse) to Pandit Nehru and the Government of India, whose guest the Chinese Premier will be.

While saying all this, it is equally necessary to advise the Government to resist the temptation to go to the other extreme and require the people to give an active or positive demonstration of their joy on seeing Mr. Chou En-lai arrive. We need neither to put up the flags for him nor wave them belligerently in his face. The occasion had best be a kept a quiet, unostentatious one. After all, this will not be a ceremonial visit. The accent of all we do in the way of reception of the visitor should be on the gravity of the objective which has made his arrival necessary. Quiet courtesy should be the key-note. If the talks are to fail on any unreasonable grounds, we ought to leave it to China to provide those grounds. Our own best policy in the circumstances is to treat as sincere the Chinese Prime Minister's optimistic note about the coming talks. Until the contrary has been established, it might be helpful to believe Mr. Chou En-lai when he says that it is his intention to see that "the dark clouds hovering between our two countries (should) disperse through our joint efforts, so that the long-standing friendly relations between the two countries may be consolidated and may develop."

We should accept this statement of hope and promise from Peking, if for no better reason, at least because we have no alternative to doing so. Just as the only alternative to continue the *status quo* of our violated border with China was to end the long and (often) acrimonious exchange of letters with Peking and agree to a meeting, the alternative now is either to reconcile ourselves to the unhappy position which has already been brought about or to see what we, on our part, can do to avoid making the Delhi meeting an uncordial affair.

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Weekly Notes

Valedictory Session

THE Bombay Legislature is now in its last session before its final breakup. Though it may retain its historical continuity in the future as the legislature of the reconstituted Bombay (Maharashtra) State, its composition if not also the motivation will be very much different from what it is now.

The current session of the Legislature has begun in a hopeful atmosphere. Despite the ill-mannered shoutings of a few Members who, in a moment of exuberant joy, forgot the utter incongruity of mob behaviour within the precincts of the legislature, which is reserved for discussions in a rather more serious vein, there could be no mistake about the changed mood of the majority of the Members. This mood was strikingly evidenced by the absence of an established ritual. For the first time since the formation of the bilingual Bombay State three years ago, there was no walk-out by the Opposition Members at the time of the delivery of the Governor's address.

The main business before the Legislature is short and simple — to give its opinion on the Bill for the Bifurcation of Bombay which has been prepared at the instance of the Union Cabinet. Each House of the Legislature will consider the Bill separately which will thereafter be sent to the Central Government along with a transcript of the proceedings in the Assembly and Council to be approved by Parliament. It will then go up for the President's signature.

As matters stand, there is to be some unavoidable delay in the creation of the new States due to the emergence of some particular difficulty in the way of an agreement over the financial allocation between Maharashtra and Gujerat. The broad principles of the division of administrative and financial resources have already been agreed upon between the principal representatives of the two sides and only minor adjustments can be made in the forthcoming discussions in the State Legislature and Parliament. It would be well for every one concerned to remember that in the friendly breakup of a joint household, it is never

felt necessary to decide upon a minute apportionment of every single asset. Not infrequently one party voluntarily foregoes some privileges in the interest of the other. The division of Bombay is also nothing but a friendly family parting necessitated by the growth and multifarious interest of the household making a unified management rather difficult and trying. Both the Maharashtrians and the Gujeratis will be living in much the same way as they are doing now. If there has been some strain due to the prolongation of the process of separation, it obviously cannot last very long.

Finance for Small Industries

THE scheme of co-ordinated finance for small-scale industries was introduced by the State Bank as a pilot project in 1956. The objectives were two-fold: first, to provide working capital to small-scale units and, second, to create an atmosphere, by precept and practice, of liberalised credit for other commercial banks to emulate, liberalised, both in regard to criteria of credit worthiness, as well as types of securities and commodities acceptable for granting loans. These were laudable objectives, indeed, and the progress of the scheme has, therefore, been watched with considerable interest.

For the fulfilment of these objectives, two pre-conditions had to be met. First, existing rules and procedure had to be changed and, second, the outlook of those responsible for the implementation of this scheme had to be reoriented. It has taken quite some time to introduce these changes. The scheme has now been in operation for nearly four years, during which it has been extended to all branches of the State Bank. Of late, a few important branches of the Bank have been made into 'Intensive Centres' where special staff and facilities have been provided to deal exclusively with the working of this scheme.

Progress had been tardy but the performance appears to have greatly improved last year. According to the latest Annual Report of the State Bank, the total credit limits sanctioned under the scheme at the

end of 1959 amounted to Rs 462 lakhs distributed over 1,496 accounts of which the 'Intensive Centres' alone were responsible for Rs 358 lakhs and 1,116 accounts.

The total amounts sanctioned and the number of accounts opened may not be significant, compared with the resources of the State Bank and its net-work of branches or the demand for short-term accommodation from small-scale units. What is significant in assessing the progress of the scheme, however, is the share of 'Intensive Centres' in what little has been achieved. These centres handled as much as 77.5 per cent of the total sanctioned limit of loans and nearly 75 per cent of the accounts. This, coupled with the rate of increase in these two sets of figures during 1959 over those of the preceding year, indicates that significant strides are being made; but only in the 'Intensive Centres'. This applies to liberalisation of lending procedures and practices of the bank as well as the changes in the attitude of the personnel responsible for implementing the scheme.

The Annual Report mentions that several new commodities have been added to the list of 'acceptable securities' and a number of additions have been made to the list of commodities against which Branch Agents are now permitted to advance money at their discretion.

The efficacy of the scheme as an instrument for institutionalising financing of small scale industries will be assessed by the extent to which their financial requirements are met and the speed with which their applications are handled. The State Bank would have to bear both these factors in mind while extending the experience gathered at 'Intensive Centres' to the rest of the country.

The liberalized credit Scheme, together with the Credit Guarantee Scheme introduced by the Reserve Bank, is expected to cover fresh ground in providing finance to small-scale industries. How the State Bank and Reserve Bank schemes would be integrated, and how and when other commercial banks would join them, are still unknown. Their progress will be watched with considerable interest.

Five Years of ICICI

THE Industrial Credit and Investment Corporation of India Ltd can look upon 1959, the fifth year of its operations and the first under Shri G L Mehta's full time chairmanship, with justifiable pride. For in 1959, industrial assistance sanctioned by ICICI reached a new high at Rs 20.40 lakhs. In 1959 alone, the Board sanctioned Rs 8.40 lakhs, nearly three times the amount sanctioned in 1958, according to the Chairman's statement circulated to the share-holders. Adding this figure to Rs 13.37 lakhs sanctioned till the end of 1958, the total assistance should come to Rs 21.77 lakhs. But the actual figure is only Rs 20.40 lakhs. The balance of Rs 1.37 lakhs must have been withdrawn or not availed of during the year and presumably form part of the 'more than Rs 4 crores' which the Chairman says 'have fallen by the wayside'. Though lapses and withdrawals are not unlikely in the case of financial institutions (IFC reported unusually large withdrawals in the year to June 1959 of nearly Rs 10 crores), Rs 4 crores in five years appears rather large for the ICICI which has received high commendation from Boskey in her recent book on Development Banks, for examining the proposals received by it with meticulous care and thoroughness.

An analysis of the various forms of assistance sanctioned by ICICI also shows similar gaps. An amount of Rs 10.16 lakhs is reported to have been sanctioned for underwriting and direct subscription up to end of 1959. Actually only Rs 3.22 lakhs are shown as invested in the shares of companies by way of industrial assistance. May be some of the investments taken up have been sold subsequently (Rs 42 lakhs worth of shares were sold in 1959), but even if allowance is made for such sales, the total investments come nowhere near Rs 10.16 lakhs. Thus nearly Rs 6 crores out of the sanctioned amount exceeding 10 crores has not been invested by ICICI either because the underwritten issues were subscribed by the public or the companies did not fully avail of the assistance sanctioned. The effective assistance as measured by the amount of actual investment comes to only about Rs 4 crores.

In the short life of five years, as Shri Mehta rightly claims, ICICI

has emerged as the most important underwriting institution in India. Indeed it has and, therefore, it is in a position to throw a flood of light on this strategic sector of the capital market. The report, however, does not publish the details of its operation in this field of pioneering activity. The names of the issues, the amounts offered for public subscription, the amounts taken up by the public, the time of the year when the issues were placed on the market,—all these details would be of great interest and they could easily be compiled in a table and inserted in the Annual Reports. Surely underwriting does not need a cloud of secrecy for its success; why, then, this reticence?

Uneven Development

TODAY, ICICI has the monopoly of lending in foreign currency thanks to World Bank lines of credit, and the scarcity of foreign exchange has put it in a dominant position. It has been further strengthened by the fresh lines of credit for dollar 10 million granted by the World Bank which became effective from last December. While it is the only institution lending in foreign currency and it has been remarkably active in this field, its assistance in the form of rupee loans seems to have remained stationary at around Rupees 3½ crores over the last two years, while loans in foreign currencies have gone up by leaps and bounds. True, such loans being also subject to subsequent approval by the World Bank—for the ICICI has got only a line of credit from the latter and not outright loan—the amount of loans sanctioned, the amount approved by the World Bank, and the amount actually disbursed come in descending orders of magnitude, being Rs 6.74 lakhs, Rs 3.57 lakhs and Rs 2.28 lakhs respectively. The gap between the sanctions and disbursements is wider in the case of foreign currency loans than in that of rupee loans and is perhaps explained by the procedural difficulties and delays in getting the O K from the World Bank.

As mentioned earlier, in the rupee loans, ICICI has not made much progress in the last two years. This indicates a somewhat uneven development on the two fronts which might put the ICICI in an awkward position if the Industrial Finance Corporation, which does so much more rupee lending, also gets a dollar line of credit either from the

World Bank or the Development Loan Fund.

The schedule of investments throws interesting sidelights on the assistance granted by ICICI. It shows a preponderance of companies in the Bombay State among the recipients. This may well be due to the high level of industrial activity in this State and not due to any bias—conscious or unconscious—but it does show how passively finance follows the existing locational pattern. Secondly, none of the seven companies listed in the schedule which have received foreign currency loans could have used these loans for purchasing equipment and machinery from the United States. Two of the companies listed have German collaborators; one has Swiss; one is the associate of the British Oxygen. Assuming that companies normally get their plant and machinery from their foreign collaborators, it would be unlikely for the companies assisted by ICICI to have spent much of the proceeds of their loans on American goods.

The accounts for 1959 show an increase in profits, but dividend at 5 per cent, taxable, as against 4 per cent tax free in the previous year will not be an improvement because of the new system of company taxation. The General Reserve has claimed Rs 4 lakhs, one lakh less than last year. Capital Gains Reserve have increased by Rs 17 lakhs, but this is subject to the outcome of the Income-tax appeal on the disputed question whether these amounts are part of the regular income of the Corporation or not. The year has been one of progress for ICICI, and progress at a faster rate. The appointment of a full-time Chairman and the reorganisation of the Board has produced results.

Scindia's Troubles

DESPITE the record prosperity in the western countries, the last two years have been black for shipping companies all over the world. Though freight rates picked up a little from the bottom touched in April last year, the outlook is still depressed and is likely to remain so for quite some time to come. What snapped the relationship between prosperity in general and prosperity in shipping, which operates through the connecting link of trade, was largely the excessive shipbuilding which followed the short spell of acute shortage of tonnage at the

time of the Suez crisis three years ago. Shipping freights of late have been running at a level of only 50 per cent of what they were during 1955 and 1956. They have to rise some 20 to 30 per cent before they can reach the level at which the tramp ships are able to earn an operating profit. Though the position of cargo liners which are members of Conference Lines is a little better, they, too, still suffer from low rates and intense competition from tramps which have been cutting into what is normally liner-type cargo, by the offer of rates considerably below those of the Conference lines. And no substantial improvement is expected until ageing ships are scrapped, particularly ships of the Liberty type.

Apart from continuing pressure of idle tonnage, another factor which is keeping down the freight rates appears to be the direct off-shoot of prosperity. This is the success of the Western European countries in increasing their agricultural and coal production, which has meant less work for world shipping.

While we in this country suffer from inadequacy of shipping and continue to pay out foreign exchange, year by year, for freights which could be saved, none of our shipping companies has been doing well and the biggest of them all, Scindia Steam, has perhaps been faring worse than most. Scindia has suffered from the steep decline in overseas freight rates like the others. It has suffered even more perhaps in coastal traffic and it has its own domestic problems. The latter erupted in a most ugly form at the last Annual General Meeting which happily terminated in an overwhelming support to the existing management from the large body of shareholders. That so foolhardy a move should have been

launched to unseat the management is regrettable in the extreme.

All our shipping companies have been adversely affected by the steep decline in overseas freight rates. Those which have a large interest in coastal traffic have suffered even more due to competition offered by railways in carrying bulk cargoes like coal and salt. Scindia Steam, being a relatively older company, has a higher proportion of over-age ships, which impose a heavier burden of expenses on repair, maintenance and replacement.

According to the Chairman, Shri Dharamsey Khatau, coastal shipping is facing "almost a crisis of existence". The lower rates on freights allowed by Government for the carriage of rice from Burma, progressive deterioration in the draft of the River Hooghly which forces ships to carry much below capacity loads, and delays and detentions at Madras and Cuddalore, together with the diversion of salt and coal cargoes to railways, are the factors listed by Shri Khatau as responsible for this situation. This also explains why coastal tonnage at present aggregates only 265,000 G R T against the target of 412,000 G R T laid down by the Rail-Sea Co-ordination Committee.

Even if the situation were not so serious, attention to the problems of coastal shipping would be an urgent necessity. Since the investment and foreign exchange cost of coastal shipping are significantly lower than those of railways, shipping rather than railways should carry bulk cargoes which can be transported by sea. It may be too late to alter the investment programme of railways for the coming year to suit the requirements of coastal shipping, but during the Third Plan, this aspect of the transport problem definitely needs investigation. In the meanwhile, coastal shipping will have to derive what little satisfaction it can from the proposed surcharge on railways freights.

War Risk Insurance

INDIAN companies are taking concerted action, in co-operation with Government, to meet competition in the overseas trade. They are rationalising services to various parts of the world, replacing older by faster vessels, and opening up new trade routes. One can sympathise with the Scindia management on the adverse effect of the freight slump

on their trading results, but it would be regrettable indeed if the company looked for salvation only to the restoration of freight to an 'economic level'. The Chairman's speech does not refer to attempts or proposals to effect maximum economies in operational expenses. The international freight market is in for a long spell of decline and no shipping company can afford to wait for freight rates to come up to 'economic levels' for putting up a satisfactory performance.

One of the interesting points raised by Shri Khatau relates to insurance against war risks. Some Indian ships have been insured against war risks with the U K Association, and some with Indian underwriters which, in turn, have reinsured themselves with Lloyds's. Some of the conditions in the cover provided by the U K Association are unsuitable for ships of neutral countries, since they expose the latter to risks on the high seas in the event of hostilities breaking out in any part of the world. If such an eventuality arises, Indian shipowners would find it extremely difficult to keep their ships engaged in existing trades or any others which the Government of India may like them to take up.

Without Comment

Excommunication of Catholics
TRIVANDRUM, Feb 28—Dr Vincent Derera, Bishop of Trivandrum, has ordered excommunication of the Catholics who are members of the Communist or the Revolutionary Socialist Parties.

In a pastoral letter issued to the churches in his Diocese, the Bishop has also directed that those who worked openly for the Communist or Revolutionary Socialist Party candidates in the recent elections or voted for them, should be denied sacraments.

He has also directed that the names of such persons be declared openly. Such persons, who happen to be members of any church committees or prayer groups, will be suspended for one year.—PTI

Idle Capacity in Railways

CORRECTION

IN the Weekly Note under the above caption in the issue of February 20 (p 332), the balance of the freight target has been wrongly printed as 11 million tons. The correct figure is 17 million tons.

The misprint is regretted—Ed.

Expansionary Forces in the Economy

Do They Need Credit Curb?

(Contributed)

THE budget for the last year of the Second Plan has been presented and it provides an opportunity to make an assessment of the performance of the economy during the Second Plan period.

It appears from available official and non-official data and estimates that investment during the Second Plan would turn out to be about 10.11 per cent of national income, while the saving-income ratio would be 7.8 per cent; investment to the extent of about 3 per cent of national income would thus be probably financed by external assistance and the draft on foreign exchange reserves.

National income has so far increased at the rate of about 3.5 per cent per annum and this rate is not likely to be improved upon during the last two years of the Plan, as agricultural output is not likely to show any increase during 1959-60 and only some increase during 1960-61. Per capita income, however, would not have increased by the end of the Second Plan by more than 8-10 per cent.

RISE IN SAVING-INCOME RATIO

To be able to invest about 11 per cent of national income is quite an impressive performance; in fact, the investment-income ratio increased by the Second Plan to 11 per cent from about 9 per cent during 1955-56. Even domestic savings have been maintained at a fairly high rate; the saving-income ratio increased from about 6 per cent during the First Plan to about 8 per cent during the Second Plan.

It should, however, be realised that this rise in the saving-income ratio was brought about more as a result of rising investment-income ratio than as a result of voluntary decisions to save. Prior savings are a myth; savings are generated in the process of rising investment and incomes and that is what has happened during the Second Plan period also.

Of course, a high rate of investment put considerable strain on the domestic resources and the foreign exchange reserves; prices, as a result, have risen so far by about 20 per cent and foreign ex-

change reserves declined by about Rs 550 crores. The rise in prices has forced people to save and to the extent to which it raised profit-incomes in relation to other incomes, it increased the propensity to save of the economy as a whole.

Because of the pattern of investment, the demand for imports of capital goods and raw materials also increased and since external assistance was not available in adequate amount during the first two years of the Plan, this increase in imports had to be financed by a draft on the foreign exchange reserves.

Of course, as the experience during the latter years of the Plan show, some non-essential imports could have been prevented even in the first two years, if the import control machinery had functioned efficiently. Any way, import controls have now been strengthened and only the essential commodities, by and large, are permitted to be imported.

RISE OF PRICES

The price rise during the first three years of the Plan was mainly due to food articles and industrial raw materials; the prices of food articles rose by more than 40 per cent and those of industrial raw materials, by more than 20 per cent during 1955-59. The prices of other goods increased by about 10 per cent. The sustained rise in food prices was mainly due to an inadequate increase in food output during 1955-56 and a significant decline in 1957-58; alternate bad years generally account for the high prices. The 1958-59 crop was quite good but it showed an increase of only 6 per cent over the 1956-57 output; further, the stocking by producers and traders partly to replenish their depleted stocks and partly in anticipation of the State-purchase of foodgrains cut into the marketed surplus.

In fact, for food prices to fall, there must be two consecutive good seasons. A good buffer-stock policy could help in reversing the expectations of producers and traders; but for that, apart from adequate stocks, a skilful handling of such stocks is

also necessary. The 1959-60 crop probably would be as good as that of the previous year and if the 1960-61 crop shows some rise, food prices may fall somewhat.

The industrial raw material prices rose by about 18 per cent during 1957 as compared to 1955, fell by about 3 per cent during 1958 and again started rising during 1959. Here again, it is largely the failure of agricultural output to rise at an adequate rate that is responsible for this rise in prices; it is largely the prices of cotton and oilseeds which have risen.

Thus it appears that the price-rises were due, by and large, to the failure of the agricultural sector to respond to the requirements of planned development. Both food and industrial raw material prices rose because of this reason.

INFLATIONARY PRESSURES

Now it is argued by the Finance Minister in his Economic Survey that since the price-trends show the existence of inflationary pressures. "A high degree of discipline both in fiscal and in monetary policies is essential not only for averting further increases in prices in the immediate future but also for maintaining conditions in which the larger task of resource mobilisation connected with the Third Plan can confidently be taken in hand". (P 15).

This means that the deficit financing during the last year of the Plan would be restricted to the figure of Rs 153 crores mentioned in the Budget and that the Reserve Bank's monetary policy would be tightened.

To take up deficit financing, first: With the last year's budgeted figure of deficit at Rs 153 crores, the total deficit financing during the Second Plan would be a little over Rs 1200 crores. Could it not be increased further? In fact, during 1958-59 and 1959-60, private investment declined significantly partly because of import controls and partly because the investment-boom had subsided; according to unofficial estimates, private investment declined from about Rs 850 crores

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during 1956-57 to Rs 580 crores and to Rs 500 crores during 1958-59 and 1959-60. On the other hand, development outlay in the public sector increased from Rs 860 crores during 1957-58 to only Rs 960 crores during 1958-59 and to about Rs 1000 crores (allowing for probable shortfalls) during 1959-60. The increase in the public sector outlay did not offset the fall in the private sector investment. These two years were good for some further increase in deficit financing.

In fact, as it happened, it was during 1958 that the Planning Commission decided to reduce the total Plan outlay from Rs 4800 crores to Rs 4500 crores. And surprisingly enough, the reduction was made under irrigation and social services. The expenditure on irrigation and particularly minor irrigation would have increased agricultural output, an inadequate increase in which was in fact responsible for price-rises. Thus though deficit financing for irrigation would have been justified, expenditure under that item was cut. Minor irrigation would not have increased the demand for food or foreign exchange and would have in fact increased agricultural output; but the rules of 'sound finance' did not permit the authorities to do so. Again, a large part of the expenditure on social services do not generate demand for imports or even for food and agricultural raw materials; deficit financing for such expenditure too would have been justified as such expenditure would have contributed towards improving the working efficiency of the people.

These arguments hold good for the last year of the Plan also.

NEED FOR INVENTORIES

During 1960-61, it appears from the available indications, that private investment would slightly increase; however, it would be still lower than what it was during the first two years of the Plan. Further, a large part of the increased private sector investment would be in inventories and not in fixed capital as most of the earlier investment in fixed capital has now passed through the construction stage and the installed plants are beginning to produce output. This would not be a speculative increase in inventories; but a necessary addition to inventories needed for producing full-capacity output. The public

sector development outlay according to the Budget would be Rs 1,174 crores; allowing for shortfalls, this outlay would come to only about Rs 1,100 crores. This development outlay together with private-sector investment would mean an expenditure of only Rs 1,700 crores, which would be about Rs 300 crores more than in the previous year.

Do these trends indicate the desirability of tightening monetary policy? The Government probably is worried about the increase in bank-credit to the private sector and the rise in the prices of industrial raw materials. Both these factors in fact reflect the increased need for inventories for working the installed capacity of the industries to the full. Any deliberate restriction of bank-credit to the private sector would adversely affect industrial output and result in unutilised capacity. This move, therefore, would be self-defeating. The private sector investment in fixed capital during the first two years of the Plan has now matured and hence inventories of raw materials are needed for operating this fixed capital to the full; bank-credit, therefore, should facilitate this process rather than halt it. Restriction of bank-credit would hardly help.

MONETARY RESTRAINT NOT CALLED FOR

What about a rise in bank-rate? Any rise in the bank-rate would hardly affect the demand for bank-credit, which arises because of the need for inventories. And even if it does, it would merely mean an increase in velocity of circulation of money and demand deposits. Reserve Bank should realise that a decline in money supply can be offset and in fact would be offset by a rise in velocity. As far as private sector investment in fixed capital is concerned, it is already restricted because of import controls, controls over capital issues, etc. The rise in the private sector investment is likely to be mostly in the form of inventories and not fixed capital.

Government has various instruments to control private sector fixed investment; bank-rate change is hardly the instrument for that. If at all the Reserve Bank raises the bank-rate, it would succeed in doing one thing and that is raising the

interest-cost of Government borrowing; would not this rise in interest cost to Government mean more deficit financing? Then what is the purpose served?

What is necessary at the moment is a correct understanding of the trends in the economy. These trends do not call for a positively restrictive monetary policy. On the contrary, they suggest that if measures are taken to increase agricultural output and/or to import more food and raw cotton, under PL 480 a little larger dose of deficit-financing would be justified.

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Cinematographic Films

IT is heartening indeed to read your valuable comments on the manufacture of raw films in India in the latest issue of your esteemed journal (February 27).

People in the industry who have to discharge their responsibilities in what is by any standard a vast national enterprise, would surely feel one with you when you say, "there is no such thing as poor quality" in motion picture raw films. Apart from uncertainties that would haunt the film maker on this score, consequences of undependable quality would be far reaching and will not be limited to entertainment and Government propaganda fields alone. Defence and health requirements, for example, should not be put into jeopardy through inept decisions on photo-sensitised materials at this stage. In any case, once a plant is set up, it cannot be easily abandoned or remodelled at a later stage except at the cost of heavy losses. Tax payers are certainly entitled to demand that possible wastage of funds is prevented and that the very best possible results are achieved by giving due consideration to all the factors at the initiating stages.

As it is, people in the industry have been perturbed at the hasty and half-hearted manner of implementation of the recommendations of the Patil Committee on Film Inquiry, which had put particular stress on the periodic re-examination of the industry. But by and large, the Indian Film industry has been able to make a place for itself in the esteem of the people and is even striving for improving its foreign exchange earnings through its own efforts to an extent, in spite of a host of impediments both within and without.

An additional worry has just been sprung on us. The latest Budget proposals for levying Central Excise Duty on Exposed Cinematographic Films at the rate of 15 nP to 50 nP per metre for 35 mm films will not only impose a financial burden of an unprecedented severity on non-Hindi films but will also, in all likelihood, create bewildering confusion in studios and laboratories at every stage of technical operations, unless some method is devised for collection at the source.

Though the present correspondent would await the views and comments of the organised sections of the Trade on the matter, he would, however, in his personal capacity, venture to submit that the financial burden from this levy would deal a severe blow to the Bengali feature productions which the latter may not be able to withstand. The cost of an average Bengali feature film of about 12 reels with 12 copies and normal publicity expenses should not ordinarily exceed Rs 1.25 lakhs, if the producer is to be reasonably assured of his returns for the investment. Apparently, all the raw films that are necessary to complete and exploit the picture is to be taxed, because all of it is exposed cinematographic films. According to the current allocation permits for an average feature the quantity of exposable film comes to 2,00,000 ft or more in picture and sound negatives, rush, re-recording and release positives, Dup negatives and master positives taken together. At the feature rate of 50 nP Excise Duty per metre, the duty on the foregoing quantity would come to about Rs 33,000 to 35,000 and it is obvious that this new taxation will probably knock Bengali features out of business altogether. It is difficult to imagine that producers of Bengali, Marathi, Gujarati or any other non-Hindi films with a limited market will accept annihilation without a protest.

For shorts and documentaries, the rate is lower, 15 nP per metre for films not exceeding 500 metres, i.e., approximately 1600 ft. Beyond this length, the rate will automatically rise to that applying to features, i.e., 50 nP per metre. Many State Governments make a number of shorts (documentary and others) both through officially appointed contractors and independent private producers. Usually these pictures are of 1,000 ft length, though some run up to 2,000 ft. The total footage of all raw films for such a short of 1,000 ft comes to about 30,000 whereas that for a short of about 2,000 ft would be very near to 50,000 or more. For the former, the total tax would be Rs 150 or so, while in the case of the latter, it will be nothing less than Rs 8,000 for each production. To say the least, the

magnitude of the levy slashes right across Government's professions of general encouragement to the production of documentaries and educative shorts by private producers, which are not in any case commercially profitable. If these professions are to ring true, then such documentaries should be given the benefit of the lower rates upto a minimum length of 1,500 metres, if not exempted from taxation altogether. The production of shorts will suffer very badly from the proposals unless consideration is given to the problem as a whole.

It is not clear whether the films produced by the Films Division of the Government of India will be subjected to these levies or the contractors and private producers who make films for the Government will alone bear the burden. According to normal practice, Government films produced departmentally are likely to be exempted. If this be so, then a very unequal burden has been imposed on the private producers. We live in that hope that wisdom will yet prevail and that just encouragement will be given to those who try to serve their people by a specialised craft that they have acquired.

SUDHYS C GHATAK,
President,
Press Photographers'
Association of India, and
Joint Secretary,
The Cine Technicians'
Association of Bengal.

24, Ballygunge Place,
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Vigil

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Why is Indian food 'hot'?

YOU: Why is our cooking 'hot'? Because we like it that way, I suppose.

WE: There are other reasons, too. People who know about food will tell you...

NUTRITIONIST: A lot of what we like or don't like in food is governed by factors that would seem to have little to do with cooking. Climate, for instance.

YOU: But what does climate have to do with spices in our food?

NUTRITIONIST: In hot countries like ours, food deteriorates faster on keeping. This is because the climate encourages bacterial and enzyme action in food. So, food goes bad quicker and more easily than in cooler climates. To check this, food has to be preserved—spices in food act as preservatives because, amongst other things, they check bacterial action.

YOU: I didn't know that...

NUTRITIONIST: And not just that. Spices tend to stimulate the appetite—a very necessary thing in hot climates like ours.

YOU: A good thing, too. Look how good they make food taste! Imagine eating bland food without any spices at all. Awful!

WE: This leads us to another point. It's not just blandness that we dislike—it's a lack of variety in flavours, whether or not the food is spiced.

NUTRITIONIST: We cannot eat food that tastes the same, day after day. That's why we vary our food. This helps us get the proteins, carbohydrates, fats, minerals and vitamins that we need.

YOU: All this is very well, but the taste of food hardly seems to change sometimes, however varied our diet.

NUTRITIONIST: But this has to do with

cooking methods: How we cook our food and what we use for cooking.

WE: Take fats. They are essential for most cooking operations. A lot depends on the kind of fat you use...

YOU: Well...but I don't understand.

WE: The point is, a fat can make or mar a meal. It can help bring out the natural flavour of food or impose its own taste. Therefore, the choice of a cooking fat is as important as the choice of the things it cooks.

NUTRITIONIST: Besides, a good cooking fat adds extra food value to cooking. Essential Vitamins A and D, for instance.

WE: That brings us to DALDA Vanaspati, which meets all the requirements of an ideal cooking fat.

YOU: Surely, one only uses DALDA for frying.

WE: That is needlessly restricting its use. DALDA is good for all cooking. It helps bring out the natural flavour of food—and does not add its own. What's more, it contains Vitamins A and D. Seven hundred International Units of Vitamin A and 56 I.U. of Vitamin D are added to every ounce.

YOU: How do these vitamins help?

WE: They don't make any difference to the taste of food, if that's what you mean. But they are essential for health. And DALDA comes to you in hygienically sealed tins, so you can be sure of its goodness.

YOU: Interesting...never thought that the choice of fat had so much to do with the taste of food. Mind you, we've used DALDA for years, but now I can see it being used for all our cooking.

WE: Millions of people are doing so today—why not you?

A HINDUSTAN LEVER PRODUCT

Dark Horse in Raw Film
YOUR Weekly Note 'The Dark Horse in Raw Film' is in keeping with your tradition of pointing out to the generally neglected but important topics. More strength to your pen!

By now you must be aware that our experts in Delhi have a knack of contracting such alliances with foreign firms, the case of Bharat Electronics Ltd, being an instance of the same kind. Curiously, here

also a French manufacturer was chosen and now the mistake seems to have been realised. New contracts with other and better known manufacturers of radio components are being entered into after many years! Not for nothing has the Estimates Committee been asked to look into the affairs of the Bharat Electronics Ltd., three times so far. Most of the trouble was due to the wrong choice of the collaborating firm.

Here, regarding the manufacture of cinema raw stock, Government of India is perhaps repeating the same performance. Your Note was quite timely and you have rendered a distinct service by drawing pointed attention to the glaring fault.

S R TIKEKAR

Saraswat Bank Building,
Bombay 4.
March 1.

Long Delayed Publication Reply to Rejoinder

'STATISTICIAN'S' rejoinder published in the issue of February 13 (pp 295-6), in spite of its emotive content, really resolves the present debate to centre around 'reference period'. Consequently, I shall explain the position now that we have the preliminary information.

I agree with 'Statistician' that the capital structure figures referred to a point of time while the rest of the data referred to a period of time, but the two sets of figures were not unrelated as he maintains. This is because (i) the net results of revenue items are transmitted to capital account and (ii) certain adjustments are to be made in the revenue account on account of changes in the value of assets which are reflected in the capital account. In so far as there is a gap between the last day of the period, chosen as the reference period, and the points of time, chosen conveniently from the respondent's accounting years, there is no meaningful link between the revenue and capital accounts. It is in this sense that the revenue and capital structure figures were not coincidental as I have maintained. Relationships such as capital-output or input-output ratios by definition assume away such a gap; because these involve calculation of depreciation and inventory valuation which affect both the revenue as well as the capital accounts.

Now the question is, granted that there may be a gap because capital structure figures cannot be supplied in all cases which will refer to the point of time where the period either begins or ends, how to minimize the gap so that any relationship between the revenue and capital structure figures may be meaningful.

The approach of the tax authorities has been to close the gap altogether and accept the accounting year of the assessee which is nearest to the relevant fiscal year of the government. Industrial censuses and surveys, however, stand on a different footing, because, apart from financial figures, certain other information such as total working days, total number of shifts, total man-hours worked, physical quantity of materials consumed and produced etc are also collected. And it is felt that since in these cases capital structure figures are not perhaps as important as in business accounts because the value added by manufacture gross of depreciation can be obtained without referring to the capital account—provided the respondents maintain detailed production account (which the large manufacturing establishments do)—, the enquiry period or the reference period may be chosen as calendar years.

The provisional U N Manual on Industrial Censuses and Related Enquiries (Statistical Papers Series F, No 4, Volume I, p 66) commented on this point, (i.e., about the enquiry period) that "The year utilized is generally the calendar year, although governments permit respondents to utilize their accounting (fiscal) year when it is different from the calendar year, as the use of the calendar year would create reporting difficulties." Since our first SSMI defined value added by manufacture as net of depreciation, following the CMI practice, the revenue structure figures were directly linked to the capital structure to the extent of depreciation provided.

As to the choice of a particular

point of time from the accounting year of the respondents for capital structure figures in cases where the accounting year was different from calendar years, the SSMI in its first survey chose that particular year which ended at any time during the calendar year, the implication being that if the last date of such accounting year fell between January to June the particular accounting year would not reflect the situation of the calendar year to which all the revenue account figures were related. Had the authorities chosen alternatively the accounting year which covered at least six months of the calendar year as the reference period, the gap between the stage where flow ends and a stock is taken would have been smaller.

Subsequent developments in the SSMI have been to get rid of these practices which were largely copied from the CMI by defining the value added by manufacture as gross of depreciation, choosing that accounting year which corresponds to the reference year more closely than any other accounting year and preferring the succeeding accounting year and not the preceding one where the accounting year covers exactly six months of the calendar year which is the reference year.

I hope that 'Statistician' would now appreciate the implications of my stand in my earlier reply published in the issue of January 16.

ABHIJIT DATTA

Passfield Hall,
Endsleigh Place,
London, WC 1.
February 22.

(Correspondence on this subject is now closed.—Ed)

From the London End

The Future of Kenya

THE 1960 Constitutional Conference is over and Kenya now enters a new and possibly decisive stage in its advance to independence and "one man, one vote". Seen in its wider setting, this new stage is but part of a major change that is unfolding in the African continent. The "wind of change" as Mr Macmillan put it recently, is moving at almost gale speed, raising problems of mental adjustment for people who have taken this dark continent for granted for much too long.

For the African, as is now clear, there is no problem of mental adjustment; his ability to be independent of foreign rule is being shown in various regions with a degree of success and failure that would be regarded as common-place in European politics or anywhere else. Those African states which are already free are exercising their sovereignty with considerably greater circumspection and understanding than Spain, Portugal or even France. And while Group-Captain Briggs of the Kenya white settler community, Sir Roy Welensky and Dr Verwoerd, may continue to espouse their un-historical and evil purposes, the African is rapidly unmasking the myths of racial inferiority which for long have been used to exploit him.

'NEXT STEP' & FULL FRANCHISE

The Kenya constitutional discussions in London were not regarded as concerning or involving the grant of independence. It was to work out the "next step in Kenya's constitutional evolution." By contrast the African representatives at the conference were interested in securing what they have succinctly termed "one man, one vote"—the right to equality and the consequences thereof. The conference, therefore, see-sawed between this 'next step' and the full franchise.

The European constituency elected representatives and, to a lesser extent, the Asian representatives, found themselves in the exposed position of having to oppose both. In the event, the Conference verged on breaking-down a number of times. What was, however, patently clear all along was that the British

colonial authorities had committed themselves to making some advance in the grant of greater African representation in the legislative councils of Kenya and that British and, indeed, African opinion would not tolerate the continuance of the previous white-dominated establishment.

'BALANCED REPRESENTATION'

The position in Kenya up to now derives from the Lyttleton Constitution of 1954. Then the constitutional, as indeed the political structure, was devised by the necessity for conducting military operations against the Mau Mau. The constitutional arrangement involved the setting up of a system of what had been called "balanced representation." A Council of Ministers was created composed of the British Governor and deputy Governor, six British civil servants (official members), two nominated members and six unofficial (i.e., elected) members.

These elected members were made up to provide the 'balanced representation'—three whites, two Asians and one African. The Legislative Council was similarly balanced. Of the 91 members of the latter Council only 18 were allotted to Africans. Further, the right to vote on the part of the Kikuyu, Meru and Embu tribes were qualified by their possession of "loyalty certificates" issued by the British authorities.

The Proposals

The proposals finally accepted by the constitutional conference were, of course, worked out long before by the British authorities. In the latter part of 1959 the British Colonial Office had sent a constitutional expert to Kenya to work out constitutional reforms and it was these reforms which were presented finally as the maximum available from Britain. It fell far short of the principle of full and equal franchise which the Africans demanded and still possessed some of the features of "balanced representation". The proposals took the following form:

(a) THE LEGISLATURE

There should be in the Legislative Council 65 elected members. 53 of these would be elected on a common roll and 12 would be National Members.

(i) The position of minority communities on the common roll should be safeguarded by reservation of 20 of the 53 seats, as follows: 10 European, 8 Asian and 2 Arab. There should be communal primary elections for the reserved seats, in order to ensure that the candidates selected commanded the effective and genuine support within their own community.

(ii) For all common roll seats the franchise should be as follows:

- (a) ability to read and write own language (or over 40 years of age); or
- (b) office holder in wide range of scheduled posts at time of registration; or
- (c) Income: £ 75 per annum or more.

(iii) The National Members would be elected by the Elected Members of the Legislative Council using proportional representation (single non-transferable vote) except in contests for single seats. Seats should be reserved as follows: 4 Africans, 4 Europeans, 2 Asian non-Muslims, 1 Asian Muslim and 1 Arab.

(iv) The Governor would retain the right to nominate Members, but if Elected Members becoming Ministers brought with them to the Government benches a substantial number of supporters, the need to exercise this power would be reduced.

(b) THE EXECUTIVE

(i) The Council of Ministers should consist of 12 Ministers, with an Arab representative having the right of attendance.

(ii) There should be an unofficial majority in the Council; an appropriate division might be 4 official and 8 unofficial Ministers.

(iii) The 8 unofficial posts should be filled by 4 Africans, 3 Europeans and 1 Asian.

(iv) The Governor should retain the right to appoint Ministers and distribute portfolios.

The African representatives faced with a "take it or leave it" alternative accepted these proposals as "the next stage in Kenya's constitutional development." They made

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certain reservations but were clearly not prepared to allow these to stand in the way of the advances proposed. By contrast the Kenya United Party—a party of white settlers rejected these proposals; what was interesting to note was the refusal of the Colonial Office to be influenced by this rejection. The Asians, fighting as hard to secure for themselves a special position in Kenya, were forced by the impact of the African demand to accept the more limited proposals. This was also the position of the New Kenya group of Mr Michael Blundell.

TO SAFEGUARD PROPERTY RIGHTS

The constitutional reforms were in a sense not as fundamental as the proposals of the Colonial Office on what was termed "safeguards" or a bill of rights. These safeguards turn out to be no less than a complicated commitment which was to secure the economic and land privileges of the minority racial groups. Under the title of "property rights" a system of protection was proposed which, in effect, would have meant that no Kenya Government would ever be able to dislodge the white monopoly control over the rich and fertile Kenya Highlands and would never be able to solve the ever pressing problem of African land hunger. The Colonial Secretary, in justifying his case for the complicated proposals on the safeguards of property rights used certain well-worn arguments—"only by this means will it be possible to maintain confidence and to encourage development and investment, including the attraction of overseas capital."

The Africans were quick to realize the implications of these safeguards and as the final agreed proposals stand, the vagueness that is apparent is evidently the result of sharp and bitter disagreement. The British Government has agreed to advance £ 5 million to buy up European-held land where the Europeans are prepared to sell and that seems to be all that emerges as a result of the African opposition to the safeguards proposals.

There can, however, be little doubt about the decisiveness of the franchise and representation reforms resulting from this conference. And necessarily all eyes are being directed at the African leadership in Kenya. Your correspondent has had opportunities of discussing

Kenya problems with those present at the London Conference and there is no doubt about the strength of their belief that they are entitled to rule Kenya. They are not racialists and have no designs on the white or Asian minorities in Africa. They look forward to a situation when race will become irrelevant to the politics of Kenya. The impres-

sion is, however, obtained that these leaders have tended to confine their attention to questions of constitutional and franchise advancement and have given much too little thought on the social and economic problems of their country and how they hope to overcome the overwhelming poverty which is the lot of the Kenya African people.

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NEW DELHI.

Professor A C Pigou

A Memoir

I G Patel

"It does not become a Cambridge man to claim too much for his university, nor am I much tempted to do so. But there is, I think, a certain type, rare, like all good things, which seems to be associated in some peculiar way with my alma mater. . . . It is a type unwordly without being saintly, unambitious without being inactive, warmhearted without being sentimental. Through good report and ill such men work on, following the light of truth as they see it; able to be skeptical without being paralyzed; content to know what is knowable and to reserve judgment on what is not. The world could never be driven by such men, for the springs of action lie deep in ignorance and madness. But it is they who are the beacon in the tempest, and they are more, not less, needed now than ever before.

—GOLDSWORTHY LOWES DICKINSON

ON March 7, 1959, there came to an end one of the most active and distinguished careers in the service of our science. From 1902, when he was elected a Fellow of King's College, Cambridge, till death claimed him at the ripe old age of 81 nearly a year ago, Professor Pigou continued to engage the eager expectation of economists all over the world. There has been hardly any aspect of economics on which Professor Pigou has not brought to bear his outstanding powers of sustained analysis and lucid exposition. A proper assessment of the score and more books, both big and small, and the numerous articles that resulted from this intense and devoted activity would require a familiarity with the whole range of these works such as is not possessed by the present writer whose sole justification for attempting this commemorative piece is the desire to discharge a debt of gratitude, however meagrely, for the unstinting kindness and affection he received from Professor Pigou during his undergraduate days at King's.

One had felt, of course, the impact of Professor Pigou's mind and heart even before meeting him. The decision whether to specialise in economics or not had turned largely on the glow one felt on reading *The Economics of Welfare*, more particularly, the earlier pages. "It is not wonder, but rather the social enthusiasm which revolts from the sordidness of mean streets and the joylessness of withered lives, that is the beginning of economic science." (Fourth edition, p 5) In those early days when one's mind began to be troubled for the first time about the larger issues of social order, it was Socialism versus Capitalism which set the matter in a proper perspective by its teaching that the best under one system should not be

compared with the worst or not-so-good under another, that what is not-so-good for the United Kingdom may still be good for Russia, that one can learn in part even from that which one rejects as a whole, that in matters of this kind the economist possesses no special qualifications for pronouncing final judgments, that refusal to decide is itself a decision and that even gradualness requires action—perhaps more sustained, widespread and astute rather than less so for being administered in small doses.

Of the other more weighty of Professor Pigou's books—*The Theory of Unemployment* (1933), *Industrial Fluctuations* (1927), *The Economics of Stationary States* (1935), to name but a few—one had no first-hand knowledge. From a cursory and half-understood reading of Keynes's *General Theory* one had acquired a faint impression that this part of Pigou was a bit out-of-date anyway. On reaching Cambridge and getting drawn avidly into the current Keynesian tide, the image of a "classical" Pigou took a somewhat firmer shape. But between this image and the reality of Professor Pigou's views as one came to know them gradually there was no correspondence. In supervision after supervision one trotted out hundred per cent Keynesian answers to problems of wages, interest and employment and one was met, not by debate and discussion about the "classical" position, but by approval and encouragement. What was even more significant, as one read some of Professor Pigou's own then recent books—*Employment and Equilibrium* (first edition, 1941), *Income* (1945), *Lapses from Full Employment* (1945)—one found one's understanding of Keynes deepened and in some respects fortified by a more rigorous exposition

than what one had encountered before. This was true, for example, of the emphasis on monetary policy or monetary behaviour as the essential link between changes in money wage rates and employment. Consider, for instance, the following passage from *Lapses from Full Employment* (pp 16-17):

"If, however, it (i.e., the rate of interest) does stay put, the contraction in money wage rates not only may, but necessarily will, entail an equi-proportionate contraction in money income and the money demand for labour. There is no reason for the amount of real investment to be altered; therefore no reason for real income to be altered; and, therefore, finally no reason for employment to be altered. Thus the level of employment will be what it will be irrespective of what happens to the money rate of wages."

Could there be a clearer presentation of the Keynesian scheme than this one? And how are we to reconcile the image of a "classical" Pigou with the conclusion in the preface to the *Lapses*, viz that "in the present state of act and opinion", the problem of unemployment should be attacked not by the manipulation of wages but along the lines of approach suggested in the White Paper on Unemployment Policy?

Part of the reason for the divorce between the image one had formed and the reality as one came to know it is undoubtedly to be found in Professor Pigou's own generous words in his memorial piece on Keynes prepared for the British Academy.

"To me personally, if I try to evaluate for myself Keynes's direct contribution to fundamental

economic thought, there is a special difficulty. Those of us who disagree in part with his analysis have, nevertheless, undoubtedly been affected by it in our own thinking; and it is very hard to remember exactly where we stood before. Not a little of what we now believe ourselves to have known all along it may well be we really owe to him." (John Maynard Keynes, Baron Keynes of Tilton, p 17)

In part, no doubt, the answer lies in the fact that the classical and the Keynesian positions were not as far apart as one had imagined and far from being theoretically inconsistent one with the other were only special cases of a more general reality. But be that as it may, it would be hard to find many parallels in the annals of scientific controversies in any field for the selfless devotion to truth and truth alone with which Professor Pigou endeavoured over many years to sift the essential contribution of Keynes.

True, the first reaction to *General Theory* as seen in the review article in the *Economica* (1936) is a trifle

emotional. But the emotion is aroused mainly by the justifiable annoyance at the attempt "to win attention for one's own ideas (by presenting) them in a matrix of sarcastic comment upon other people" and by the desire to defend the Great Master, Marshall, against what seemed to be unjustifiable criticism expressed in a patronizing manner. Even at this early stage, the disarming modesty and scrupulousness of the man are transparent. "I may even have missed, as has happened before now to critics of new work, some vital and path-breaking contribution to thought." The preliminary skirmish over, there is no attempt in subsequent years to hark back to the past—only a systematic and painstaking endeavour in his own way to rebuild the structure of his own thoughts in the light of what he felt was valuable in Keynes. The final assessment when it came after Keynes's death, has the true ring of greatness both of mind and heart.

"After Marshall's main work was finished economic thought on fundamental issues moved little, at all events in this country. We

were pedestrian, perhaps, a little complacent. Keynes's "Treatise on Money" and, later, his "General Theory" broke resoundingly that dogmatic slumber. Whether in agreement or in disagreement with him, discussion and controversy sprang up and spread over the whole world. Economics and economists came alive. The period of tranquility was ended.... For this the credit is almost wholly due to Keynes.... May be too, had he been less ready to hoist the flag of intellectual revolution, stressing agreement more and disagreement less, he would have obviated some misunderstanding and some unfruitful debate, thus freeing himself to produce even more constructive work than he actually did. But there are two sides to this. Had he acted so, in a more Marshallian manner, not only would he have proved a less effective catalyst, but also—and this to him would have meant much—his influence upon immediate public policy in these times of urgency must inevitably have been far smaller than it was." (John Maynard Keynes, p 19)

If it was easy thus to reconcile the image of a "classical" Professor Pigou with the reality one came to know, there was another aspect of his personality which was less easy to comprehend. From a reading of *The Economics of Welfare*, of *Socialism versus Capitalism* and of *The Political Economy of War* (1939) one had expected not only a humane and practical interest in the problems of the day but—should one say it—a measure of passion in regard to these issues as well. Only a few yards away from Professor Pigou lived another great economist, Mr G F Shove, almost equally cloistered and withdrawn from this world. But the glint one saw every now and then in Mr Shove's eyes as one talked of the Soviet Union or of the Labour Party was seldom noticeable in the case of his neighbour. Perhaps one was wrong to expect it—for had not Professor Pigou himself once cautioned in the words of Henry Sidgwick: "Enthusiasm is often a turbid issue of smoke and sparks. Culture must refine it to a steady glow." But around Professor Pigou there was an air of remoteness which seemed to go deeper than mere academic habit. Here was a man who in his own time was the President of the Cambridge Union and who was schooled in the Marshallian tradition of economics being the handmaid to practice. His first two books, written before succeeding Marshall in the Chair of Political Economy at the age of 30, were on import duties and on industrial peace. In the early part of his career, Professor Pigou had been a member of a number of committees such as the Cunliffe Committee (1918-19), the Royal Commission on the Income Tax (1919-20) and the Chamberlin Committee (1924-25). The interest in practical problems continued throughout his life as can be seen, for example, from *Essays in Economics* published in 1952 which reproduces several contributions including those on "The Food Subsidies", "Inflation" and "The Gold and Dollar Reserve" to mention but a few.

But despite this long series of contributions on practical matters, the impression persists of a certain reserve in approaching these problems at least in the latter part of Professor Pigou's career. Somewhere along the line something seems to have changed or developed

—perhaps an increasing awareness of the difficulty of reconciling his own analytical bent of mind with the somewhat diffuse and diverse requirements of a fruit-bearing science, perhaps a growing recognition of the inadequacy of economic analysis *per se* and a humane inclination to turn away from some of the harsher judgments of economic reasoning. Here and there, in Professor Pigou's writings, one gets a glimpse of some such attitude. Thus we read towards the end of his Stamp Memorial Lecture on "Wage Statistics and Wage Policy" (1949):

"In this last sentence I have come, for an academic person, dangerously near to hinting an opinion about what practical men ought to do. It is fitting, therefore, that I should end with a word of caution alike to you and to myself. In this field students of economics, when they have stepped down from their ivory tower, have not always won—or deserved—honour. Not once nor twice in this, our island story, the garment of economic jargon has been used to veil the body of Mephistopheles. Our subject in popular versions of it, sometimes even in the hands of distinguished writers, has furnished forth for the ungodly blunt instruments with which to bludgeon at birth useful projects of social betterment."

On an earlier occasion, in replying to professor Clapham's "Of Empty Economic Boxes" (*Economic Journal*, 1922), Professor Pigou remarks:

"There is, indeed, a lion in the path; the fact that those people—with the towering exception of Jevons—who have the qualities required for conducting a detailed intensive study of particular industries and writing monographs about them, are not usually well versed either in the more intricate parts of economic analysis or in modern statistical technique; while the 'analytics' lack alike capacity and inclination for these detailed studies. For this there is only one remedy. We must endeavour to train up more men of the calibre of Jevons, who are equally at home in both fields."

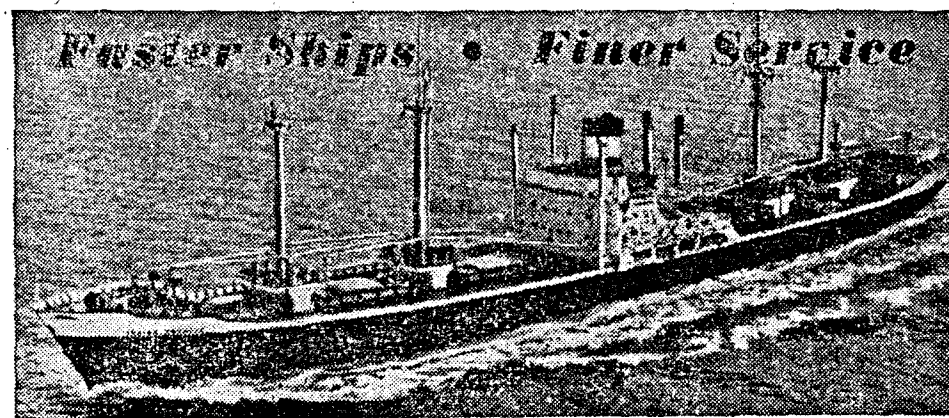
In 1935 (or was it 1934?), while addressing the students of the London School of Economics, we find Professor Pigou saying:

"Now the academic economist discussing economic life often

suffers from the same handicap... He cannot write realistically because he lacks the necessary personal experience: and, if he does not attempt to write realistically, but confines himself to analysis of a general character, from which detail is excluded, his task is only half accomplished. Therefore—I am giving now advice that I myself have notoriously failed to follow—it is up to the economist, when he is young and his mind is plastic, to take whatever opportunities he can find for direct acquaintance with the life of men and women in factory and field; to understand machinery; to see for himself at first hand how businesses are organized and run." (*Economics in Practice*, 1935, p 12)

But whatever view one takes about Professor Pigou's hesitancy in treating matters of practical import and of the struggles that might have lain behind it, what handsome amends has he made not only by the imposing array of his analytical works but also by his incessant effort to bring to the ordinary intelligent reader the substance of economic analysis in a series of superbly lucid monographs! To those which have already been mentioned earlier—such as *Income, Socialism versus Capitalism, The Political Economy of War*—one can add *The Veil of Money* (1949). Whether or not posterity will judge Professor Pigou's contribution to economics as harshly as he himself implicitly did in his assessment of Keynes quoted earlier, one thing is clear. No other Cambridge man has deserved or will deserve more truly Goldsworthy Dickinson's tribute to some of the noblest products of his alma mater. For the light that guided him we can perhaps find no better words than those which he himself used at the conclusion of his lecture to Cambridge students in memory of Marshall.

"Whatever way you choose, choose it with your whole heart. Follow the star that leads you: follow without turning, whatever the toil, whatever the pain. Do not hoard your life: spend it; spend it on an aim outside yourselves, the worth of which you feel. It may be that that way you will save your life, it may be you will lose it. But, save it or lose it, you will have saved or lost it well."



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Education in a Period of Economic Transition

Amlan Datta

SO much has been written in recent months on problems of education in India that one may be excused for adding one more, brief note on this subject.

Attention has come to be focussed on two problems in particular. The first concerns some of our best students, particularly those who study science and technology, travel abroad to perfect their learning, and who then fail to return. The second concerns the wider problem of indiscipline among students.

The first problem has its roots in an objective situation which seems, at least at first sight, extremely difficult to circumvent. The higher types of skill have an international market; the lower down we go, the more is the market for labour a national or local market. The remuneration for ordinary types of labour must be closely related to the national or local average, which in the underdeveloped countries is naturally very low. What about the remuneration for higher types of skill? If we pay them at anything like the international rate—I am not talking of foreign experts, who must be paid at this rate if we are to have them, but of nationals—wage-and-salary differentials will be extremely wide, very much wider, indeed, than what obtains in any developed capitalist country, and this may appear a little intolerable to people who are constantly told of the socialist pattern of society.

HOW TO RAISE THE STANDARD

If, on the other hand, we pay our specialists substantially less than what their services are worth on the world market, they tend to withdraw from the national market and set up elsewhere. I am not really suggesting that relative remunerations determine everything; but they have an influence. This influence can be counteracted in various ways. But patriotic appeals do not quite suffice. Other supporting measures are necessary. I should like to draw attention to one special kind, of which the Japanese practice* in the

early period of industrialisation is a good example.

Japan built up a number of Imperial universities and tried to make them of the highest standard. The best students of Japan joined these universities. Going abroad instead of going to one of these Imperial universities was considered no special qualification. Indeed, a foreign degree, in such circumstances, was considered less creditable than a degree obtained from one of the top Japanese universities. This does not mean, however, that foreign education was discouraged. But one was encouraged to go abroad to complete one's education only after one had already received the highest education that was available at home and established oneself in life, say, as a member of a faculty in one of the leading Japanese universities or as an employee in one of the leading firms. By that time they had presumably struck roots in their own society and could be expected to come back after an enriching experience abroad.

Perhaps we have something to learn from this. There is hardly a surer way of losing our brightest young people than to send them abroad very early in life. But to avoid this it is first necessary to build up in India a few universities of unquestionably high standard. We have some good teachers in this country, and to supplement the number we can invite some from abroad. This will also be the less expensive way of doing the thing. In order to secure the fullest utilisation of the services of our more talented teachers, a system of rotation can be introduced: periodical exchange of teachers among our universities is no less important than international exchange. Indeed, it is one of the obvious things to do if we are to raise the standards of our universities and, at the same time, prevent some of them from sliding back into parochial habits.

spent a number of years in Japan and has made a deep study of the problems of that country. He is not, however, responsible for the significance that I attach to the Japanese practice.

THE WIDER PROBLEM OF STUDENT INDISCIPLINE

The background to the wider problem of student indiscipline is more complex. The influence of political parties on students has been much too exaggerated in this connection. Much more important and more basic are three elements in the situation. First, the supply of qualified teachers is lagging behind the rapid growth in the number of students. Secondly, there is lack of adjustment between the structure of supply of different types of education and training and the structure of demand for the resulting products and this has been steadily undermining faith in the value of the education and training received. Finally, old values are crumbling down faster than new values are being formed.

The first of these is a common experience in developing countries in the early stage of speeding up of economic growth. The point may be driven home with a striking example. The Soviet Union, which has a powerful system of education and technical training today, had to face this same problem in the early 'thirties, when it was officially noted that "abuses" had appeared in the system of education mainly due to "the one-sided attention directed to increasing the network of educational establishments and the number of students, whilst insufficient attention had been given to the quality of teaching". This seems to describe fairly accurately our own situation.

SCHOOLS THE WEAKEST LINKS

Each country must find out for itself the weakest links in its own system. Our schools are perhaps our weakest links. It has not dawned on us for a very long time that the job of a good school teacher is as important and nearly as difficult as that of people teaching in higher educational institutions, and that their relative remunerations should not be too widely apart. This leads on to questions of teachers' training, of suitable curriculum for schools, of a system of expert guidance to young students in choosing their lines and vocations, which will take

* This was pointed out to me by Professor Herbert Passin who

into account individual aptitudes as well as the needs of a growing economy, but such questions are beyond the scope of this brief note.

The place of moral and spiritual teaching in schools has been a subject of some discussion recently. It is thought modern to consider this whole matter with scepticism, to argue that indiscipline and moral failure among students and in society at large are due to material circumstances, that fine precepts will not improve matters until circumstances change. But circumstances do not change independently of human will and action, and discipline is necessary to change circumstances for the better. Japan, faced with the same situation in the early phase of her industrialisation, decided that an emphasis on tradi-

tional virtues should be made a part of the education to be imparted to the youth. The Soviet Union, under similar circumstances, decided to strengthen "ideological" training.

The fact that we do not necessarily approve of the types of society created in these countries does not mean that we can quite dispense with moral and spiritual teaching; in other words, training of the will and education in values. What can be seriously discussed is not whether such education is needed, but how to make it effective. A new age has to create a new language, in which things of value can be communicated meaningfully. This we have to create, or moral and spiritual teaching may be pointless, whether imparted in school or outside.

Iron Ore Production Higher

PRODUCTION of iron ore in 1959 was higher at 79 lakh metric tons as against 61 lakh metric tons in the preceding year,—an increase of about 29 per cent.

All the producing States recorded increase in production. Bihar and Orissa, the two important producing States, reported 32 lakh metric tons and 26 lakh metric tons respectively. Mysore, Madhya Pradesh and Bombay reported 10 lakh metric tons, 414,000 metric tons and 311,000 metric tons respectively.

During the year despatches of iron ore to iron and steel plants totalled 57 lakh metric tons—61 per cent higher than in 1958. Despatches for export amounted to 20 lakh metric tons—9 per cent more than in 1958.

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 Corporation will be held at the Registered Office of the Corporation, Union Bank Building, Apollo Street, Fort, Bombay 1, on April 7, 1960, at 4 P.M. The following is the Statement by the Chairman, Shri G. L. Mehta, circulated to the Shareholders with the Directors' Report and Accounts for the year ended December 31, 1959.

I have the honour to place before the shareholders the Report of the Board of Directors of The Industrial Credit and Investment Corporation of India Limited for the year ending December 31, 1959 — the fifth of the Corporation's life. I take particular pleasure in doing so because last year was a good one for India and hence for your Corporation.

UNUSUALLY GOOD YEAR

By comparison with the year that preceded it, 1959 was a good year for India. All the important sectors of the nation's economy registered substantial increases in output. Favourable weather helped the country to achieve what appears to have been a record production of both foodstuffs and nonfood items. Since agriculture accounts for so large a proportion of the nation's output, this fact alone was sufficient to lift national income by an appreciable percentage. Similarly, industrial production increased almost all along the line despite persistent difficulty in some industries. Both exports and imports rose, the latter much more than the former. While the rapid increase in imports permitted an expansion of both industrial construction and production, too large a proportion of it, unfortunately, was due to wheat imports made necessary by the poor harvest of the preceding year.

The upswing in physical production induced, and was accompanied by a revival in business confidence, evidence of which already existed towards the end of the depressed year 1958. A good harvest, some

improvement in the country's foreign exchange reserves, a more flexible policy of Government towards expansion of the private sector and mounting evidence that friendly countries were willing to assist us to the maximum of their capacity — all this contributed to a growing optimism with respect to our economic future. In addition to this, the cold wind that blew down on India from the Himalayas has been making us more conscious of the need for national security and has brought an air of realism which has not always been evident in national planning.

Against a background of expanding production and rising expectations in the country, it is but natural that the year 1959 was an unusually good one for your Corporation, too.

RESOURCES DOUBLED

On the resources side, in 1959, your Corporation almost doubled the funds it had available for investment in Indian industry. A year ago, I reported that the loan made by the World Bank in 1955 had been nearly committed and that we proposed to apply to the Bank for a new foreign exchange loan as well as to the Government of India for a new loan in rupees. In July, 1959, your Corporation negotiated a second \$ 10 million line of credit from the World Bank; and in October, for a second loan of Rs. 10 crores from the Government of India from funds accumulated out of the sale of surplus United States agricultural commodities in India. The Rs. 17.3 crores we had available for investment in 1955 has thus increased to more than Rs. 32 crores.

I am sure you will agree with me that we have reasons to be gratified by these developments not merely because they augment our financial resources but also because they reflect the continued confidence of the Government of India and the World Bank as also the United States authorities in the manage-

ment, operations and prospects of your Corporation. I should like to take this opportunity of conveying our sense of gratitude to all of them for their co-operation. I might add that during the year under review, we had also the benefit of the association of Mr. William Diamond whose services were generously made available to us by the World Bank and whose assistance was invaluable to this institution.

SHARP RISE IN LOANS APPROVED

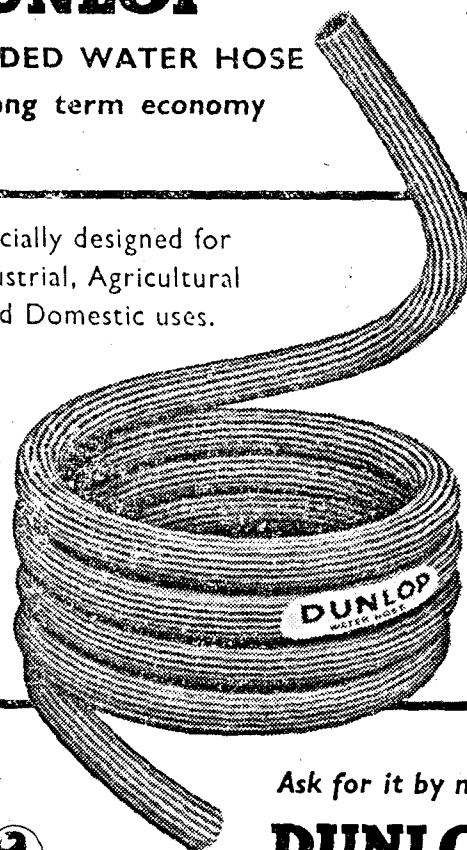
On the other side of our activity, namely lending and investing, 1959 has been a good year. We received more applications, approved more of them, and sanctioned more loans and investments than in any preceding year. Your Board of Directors approved Rs. 840 lacs of new proposals, nearly three times the level of 1958, bringing the total, over our 5-year life, to about Rs. 25 crores. Not all of these have resulted in contractual commitments. More than Rs. 4 crores have fallen by the wayside, mostly in the earlier years, because the applicants subsequently withdrew their requests or reduced the amount sanctioned. And a similar amount is in respect of projects which still await government consents. Nevertheless, contractual commitments in 1959 were higher than before, and so were the actual disbursements.

I hope you will not consider the financial results of 1959 as unsatisfactory. Income and net profits were about the same as in 1958. However, the Corporation, in accordance with its avowed objectives has begun to place some of its investments on the market. Capital gains from these sales amounted to Rs. 24 lacs, nearly half as much as the profits from current income. In accordance with our present practice, these gains from the sale of securities have been placed in Reserve and are not available for distribution as dividends. What is particularly gratifying in this development is the evidence that your Corpora-

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tion's investments are proving sound ones, although I should add that we have also benefited by the upward trend in the stock market. This source of income will, I trust, gradually become an important factor in building up our reserves.

TEETHING TROUBLES OVER

It is particularly gratifying to note the expansion in the Corporation's activity since it reflects the improved climate for private investment which prevailed in 1959. What is more, it is also the result of the efforts we are making to attract more business rather than simply wait for it to come. Our teething troubles such as every new institution faces and particularly a new one of this kind, are, I believe, over. We have made much progress in training our staff and have begun in 1959 to expand it both on engineering and financial side to meet the increasing demands upon us. The experience we have gained in the past has become a valuable foundation for the future. We have learned more about how to appraise a proposal which comes to us, and our clients have become increasingly familiar with the rigorous financial discipline appropriate to modern industry, to which we try to accustom them. This experience coupled with the spirit of optimism prevailing in the industrial community may well give hope in the continued growth of your Corporation and in its ability to make the contribution to development of Indian industry which its promoters and shareholders expect of it.

I would not like to give you the impression, however, that your Corporation does not face some difficult problems. It does do so, and I should like to review them here despite the fact that none is new and all have been referred to frequently in the past. For instance, I have already referred to the fact that there is a substantial backlog of approved proposals which still require a variety of government consents and approvals. The need for these consents and approvals is the principal reason for the long delay, usually of several months, between the time we agree to assist a client and the time we can actually do so. Our relations with Government are close and cordial but we have not yet been able to make much headway in overcoming vari-

ous impediments involved in departmental routines.

RESERVES WOEFULLY INADEQUATE

Another matter of concern is the low level of your Corporation's reserves. In five years, we have been able to set aside only Rs. 24 lacs from net profits. This sum is woefully inadequate for a Corporation which is expected and is, indeed, presumed to take substantial risks in financing and establishment of new enterprises and has been set up not only to make secured loans but to provide risk capital. The situation will be even more difficult from 1960 onwards because we are required, beginning with this year, to set aside 25% of net profits to reserves. The problem of inadequate reserves is common to other similar institutions such as the Industrial Finance Corporation and the State Finance Corporations and deserves the earnest consideration of the authorities.

The shareholders will have noticed that while our profits this year are nearly the same as last year and while we have provided a larger amount for dividend to shareholders, the net dividend in the hands of the shareholders will be less than what they received last year. As a result of the coming into operation of the new scheme of company taxation, the shareholders who received a dividend of 4% tax-free last year will receive this year a taxable dividend of 5%, which is well below the last year's net dividend. This is unsatisfactory to the shareholders but, I regret to say, we can do little in the matter. We on our part do realise how essential it is to pay a modest dividend to our shareholders and at the same time to build up reserves.

BURDEN OF TAX ON CAPITAL GAINS

Yet another problem closely related with the question of reserves concerns capital gains which from 1959 onwards may loom large in the annual accounts of your Corporation. These gains are being directly allocated to reserves. The tax authorities, however, are not treating these as capital gains and are taxing the Corporation at full rates. This imposes an unduly heavy burden on the Corporation and is a matter of serious concern. Necessary representations have been made to appropriate authorities in this connection and no effort is being spared to obtain proper redress.

THE ECONOMIC WEEKLY

I trust Government will see their way to revise the tax policy relating to development banks generally with a view to enable them, by building up adequate reserves, to be increasingly self-reliant. This is essential to enable such institutions to fulfill the purpose of industrial risk-taking for which they have been set up. An objective analysis would show that taxation of development finance corporations which operate on a very narrow margin of profits while assuming large risks should not be on the same level as full corporate taxation applicable to industrial and trading concerns. When new industries are sought to be promoted by means of substantial tax relief, there is surely a case for special consideration of the problems of financing institutions with a view to fostering their rapid and healthy development. Mobilization of resources is a key to the success of all our plans and such mobilization would be possible by encouraging various forms of financing agencies which function in a modern economy. One may turn to the Radcliffe Committee's Report to see the important role such agencies play in resource mobilization in the United Kingdom.

MOST IMPORTANT UNDERWRITER

I am fully aware of the fact that, quantitatively speaking, ICICI has as yet made a small impact on industrial finance in the country. The same might, indeed, be said of other specialized industrial finance institutions. At the same time, however, the importance of these institutions, and their contribution, should not be measured in quantitative terms alone. What is more important is the nature of their operations and whether they fill a need not met by the conventional sources of finance. I should like in this context to call your attention to the underwriting done by your Corporation. In a mere five years of life, ICICI has emerged as the most important underwriting institution in India, and in fact, almost the only underwriter of ordinary shares. Its underwriting operations amount to about Rs. 830 lacs of which nearly half have been in ordinary shares. It will be appreciated that in this sphere, your Corporation has already made a significant contribution.

In this field as also in lending transactions, the policy of this Corporation is to work in co-operation

THE ECONOMIC WEEKLY

with other institutions. I am glad to state that we have been steadily building up close contacts with the Industrial Finance Corporation of India, Commercial Banks, State Bank of India, Life Insurance Corporation, Refinance Corporation as well as the State Finance Corporations. We discuss with them schemes of common interest, we exchange information, we seek their participation in loans and underwritings and are thereby able to assist our borrowers in raising the required capital as well as in distributing a given risk as widely as possible. In addition, we also endeavour to broaden the capital market by encouraging stockbrokers to underwrite or sub-underwrite. We are also building up contacts abroad. We are in continuous touch with the International Finance Corporation in Washington and have been developing closer relations with the Commonwealth Development Finance Company in London, as also with some leading investment concerns and banks in the United States, United Kingdom and West Germany.

We hope to expand and consolidate these activities in future.

THIRD PLAN

Our Government is at the moment in the process of formulating a Third Plan. Although the shape of the Plan is not yet clear, there is little doubt that subject to considerations of national security and within the framework of sound finance, the Plan will be a large one. And it will be large for private as well as for public enterprise. The opportunities for private industrial expansion, stimulated by the growing domestic market and facilitated by governmental activity in essential services and basic industries, will be large. And the demands on the specialized financial institutions will be correspondingly great.

INVESTMENT CENTRE

During the last year, discussions have been going on between Government, officials of the Technical Cooperation Mission of the U.S.A., ourselves and some specialists about the establishment of an institution to promote foreign private invest-

ment. Several countries have set up such Centres and some of them have been remarkably successful in attracting private capital, especially from the United States. These discussions have advanced to a stage where concrete proposals for an Investment Centre have been formulated. This scheme is now under the consideration of the Government. If the responsibility for running such a Centre is entrusted to your Corporation, we would be agreeable to undertake it. It would be a matter of public service which this Corporation would be prepared to render in accordance with the basic objective set forth in its Memorandum of Association: to encourage and promote participation of private capital, both internal and external, in the creation, expansion and modernization of industrial enterprises in the private sector.

I should like to express my sense of appreciation for the Staff for their efficient services. During the last one year of my association with the Corporation, I found that they are discharging their duties with competence and sustained interest.

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The Scientific Instruments Industry

Kamalesh Ray

TO try to develop scientific education and research without a corresponding development of the scientific instruments industry is like trying to nurture a tree without taking care of its roots. The absence of a scientific instruments industry in the country has been a long-standing deficiency which has retarded progress. A genius like the late Jagadish Bose could not be deflected from the pursuit of science by the lack of scientific instruments; he designed his own instruments and had them made with the help of local craftsmen whom he did not find lacking in skill, but others, less resourceful or persevering, had to go abroad to carry on and complete their research, since the necessary scientific apparatus, among other things, was just not available in the country. Gifts of instruments and research apparatus from foreign scientific societies, notably the Royal Society of London, also saved many a scientist of India from frustration.

Though there has been considerable technological progress in India during the past 10 years, the situation has not changed to any appreciable extent in respect of the manufacture of scientific instruments. The demand for such instruments has increased enormously and we have been importing them to the extent of about Rs 10 crores a year. True, a limited number of such instruments are made in the country, the production of a few is of long-standing, while others have started only lately, but the amount of such production is still very small, and the manufacturers are small people who are struggling for survival. They deserve to be congratulated, but that is not the only reward we should offer them. Lack of finance and facilities have hitherto thwarted expansion and they had to stick to the production of simpler apparatus only.

The total value of scientific apparatus produced in India annually is less than a crore of rupees and

cover hardly 10 per cent of our requirements; the rest are imported (see Table I). The imports shown in the table, however, are not complete and do not include chronometers and instrument panel clocks, electronic and radio components, and many other items. When all these are included, the import bill would come to some Rs 10 crores per annum.

India also exports some scientific instruments, but their total value is small. These exports can pay for an extremely small proportion of our imports of such instruments, as will be seen from Table II.

Table II—Export of Scientific Instruments and Parts

	(Rs lakhs)	
	1957	1958
Currency Area		Jan-Sept
Dollar	0.04	0.57
Sterling	6.59	2.31
Other	1.28	0.49
	7.91	3.37

It may be mentioned here that no uniform and comprehensive statistics of the exports and imports of scientific instruments are available for there is no standard classification for such instruments and parts. The statistics given in the two tables can, therefore, give only a general indication. It is understood, however, that a standard classification is now under consideration. The demand for scientific instruments has been increasing with the establishment and expansion of education and research institutions. There is also a large demand for them in industries, Government laboratories and defence establishments.

Scientific instruments are of numerous kinds and they vary a great deal in complexity. Some are simple, others are extremely complex and need specialists in various fields to design and manufacture and assemble them. But a large proportion of our requirement is for either simple or moderately complex instruments, the manufacture of which do not present any serious

difficulty so far as raw materials and technical skills are concerned. With proper organisation and funds — and a little more confidence in our scientists and engineers — there is hardly any scientific instrument which could not be successfully manufactured in the country today.

A notable contribution in this field has been made by the National Instruments Factory in Calcutta and the Ordnance Factory at Dehra Dun. The National Instruments Factory (formerly, the Mathematical Instruments Office, Survey of India) with an investment of a crore of rupees is turning out instruments worth Rs 23 lakhs annually, employing nearly 1,100 persons. The Planning Commission provided Rs 1.8 crores for its expansion in the First Plan. It specialises in optical instruments, precision scales and survey instruments, e.g., prismatic compass, theodolites, levels, prismatic binoculars, telescopes, optical flats (test flats), binoculars, thermometers, hydrometers, excise apparatus, barometers and other meteorological instruments, students' microscopes, drafting machine, precision scales and verniers, etc., and undertakes repair of various types of scientific and aircraft instruments. The factory will now take up the manufacture of special microscopes, medical diagnostic instruments, clinical thermometers, and pressure and vacuum gauges.

The Government Precision Instruments Factory at Lucknow, established in 1950, specialises in water-meters and turns out over 1,600 water-meters per month. It also produces students' microscopes (10-12 per month). The factory is by now self-supporting, and is likely to take up the manufacture of pressure gauges and surgical instruments when its expansion programme is completed.

PRIVATE ENTERPRISE

The production of scientific instruments in the private sector is not yet organised. The manufacture of a few of them is of fairly long standing, Benaras and Roorkee taking the lead. Others have been added in the present decade. Some of them are run on 'hobby lines'; others import vital parts and assemble them.

Scientific instruments can well be manufactured on a small scale with investments between a few thousand and a few lakhs of rupees. The industry does not have to be on a

very large scale. Precision, specialisation and standardization are the *sine qua non* of success in this field.

Private entrepreneurs can get assistance from the Small Industries Corporation of the Government. The Administrative Report (1957-58) of the Corporation, however, lists only five units in scientific and surgical instruments among the 446 small units which received assistance from it during the year. It is to be hoped that this industry will get better encouragement through the Corporation's assistance and market-survey programmes in the future.

TYPES OF ORGANISATION

The manufacture of scientific instruments can be organised on three broad principles: (1) manufacture of all component parts and their assembly; (2) manufacture of major items and their assembly into finished instruments with the help of supplementary indented components (preferably of local manufacture); and (3) manufacture of component parts giving specialized services to feed other manufacturing and assembling factories. All the three types of organisations have their place in the scheme of things.

Whatever the type of scientific instrument, its manufacture cannot be successful when undertaken from a purely commercial motive. It needs the inspiration of science and a research base, none of which can be borrowed from outside. They have to grow from within the country. Research and design are vital for this industry. It is the quality, precision and standard of the product which yields returns, not the tonnage of production.

RAW MATERIAL AND PERSONNEL

Most of the raw materials needed for the manufacture of scientific instruments are of the common type, such as steel, brass, copper, mica, aluminium, light casting metals and the like. These are available locally, and the quantities required are small. A few of the items, however, belong to special categories, e.g., optical glass, phosphorbronze, stainless steel, photographic gelatine, etc. Some of these have already been developed in the research and experiment or pilot plant stage. The processes should be taken up for commercial exploitation. For the manufacture of most kinds of scientific instruments, scarcity of raw materials is not a problem.

Nor is the inadequacy of scienti-

fic personnel for research, design and development work, as also for supervision, testing, quality control and standardization of products, a problem. All qualified scientists and engineers have handled instruments and are conversant with the scientific principles behind them. Most of the research scientists or engineers have also designed and constructed a number of research apparatus at one stage or another. Personnel from these groups may be selected for specific lines of production and put on the job for further developing the techniques in an intensive manner.

TRAINING OF PERSONNEL

Formal training in instrument technology, however, is not very common at the university and college levels in India. It is difficult to say whether this deficiency is due to lack of awareness on the part of the educational authorities, or the lack of interest on the part of students. Interest in training often depends upon employment opportunities. The scientific instruments industry being in an elementary stage, the demand for scientists with training in instrument technology has not developed to any extent. This is true of several fields. Students' readiness to take up such courses depends on the market for employment. An illustration may be given. The Applied Physics Department of the Calcutta University offers advanced courses in 'electrical instruments' as well as 'optical instruments'. While there is a great rush for the 'electrical instruments' course, very few offer to take up the course in 'optical instruments'. This difference is due to the relative employment potentialities at present.

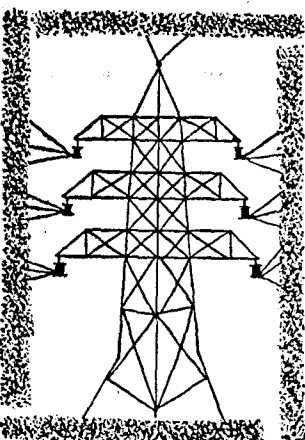
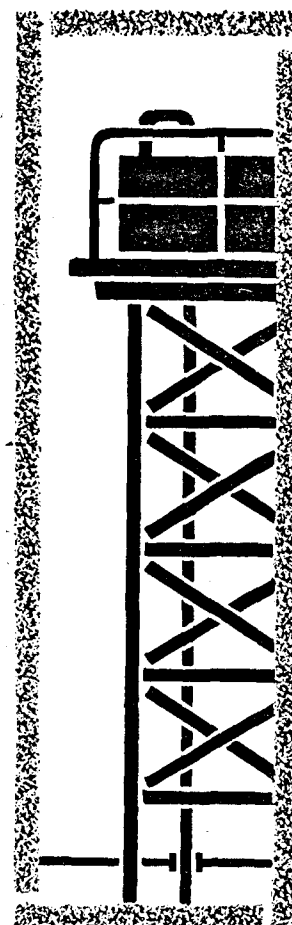
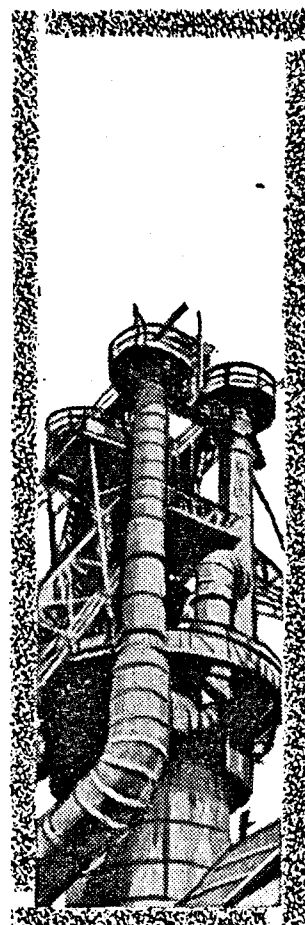
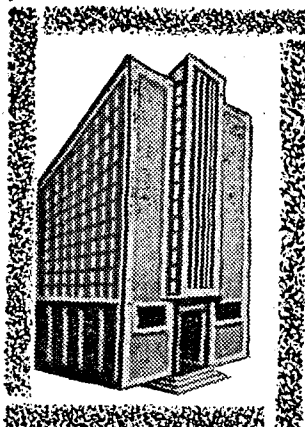
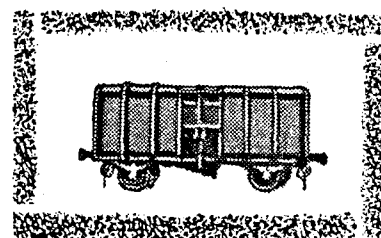
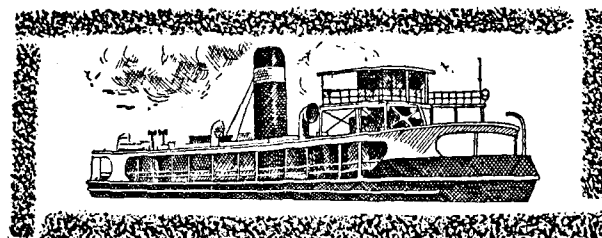
In the initial stages, the industry should not bother about instrument technologists. Many scientists and engineers turn out to be fine instrument designers and constructors without having any formal training in instrument technology. Instrument technology will develop with the growth of the industry.

The question of training, however, is important. Indian mechanics and technicians have the keenest sense of measurement and accuracy that no body can beat. More and more literate and educated young men are coming into the trade. India has been known in the past for the finest handicrafts and the excellent work of her artisans, and when Indian

Table I—Imports of Scientific Instruments, Apparatus, Appliances and Parts

Item and Currency area	(Rs lakhs)	1957	1958
			Jan-Sep
Measuring, Controlling and Scientific Instruments			
Dollar area		61.4	59.3
Sterling area		154.6	84.0
Other area		96.5	143.2
		312.5	286.5
Optical Instruments & Parts			
Dollar area		7.3	4.8
Sterling area		10.9	3.0
Other area		65.8	20.0
		84.0	27.8
Photo, & Cinemat, Instruments & Apparatus			
Dollar area		46.9	18.3
Sterling area		35.1	16.4
Other area		80.0	15.9
		162.0	50.6
Surgical, Medical and Dental Instruments & Appliances (except, electrical, but including those merely actuated by electric motor)			
Dollar area		12.3	7.8
Sterling area		18.3	3.3
Other area		32.0	28.2
		62.6	39.3
Total		621.1	404.2

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workers have gradually switched over to modern machines, their skill has shone equally brightly in the adaptation of new techniques. The lack of skilled mechanics and technicians will not be a handicap in the field of manufacture of scientific instruments.

OPTICAL GLASS

This is one of the most vital and strategic materials used for making scientific instruments for general and special use and for defence. India does not produce optical glass to feed the optical instruments industry. We import optical instruments and parts worth over Rs 80 lakhs annually, or over Rs 2 crores, if photographic and cinematographic equipments are included. We import all the optical glass blanks that are required in the local manufacture of optical parts, and the current consumption is about 5 tons a year. The demand is likely to shoot up greatly as soon as such blanks are made available from local optical glass factory to the instrument manufacturers.

The earlier attempt of the Government to establish an optical glass industry with the help of foreign experts and manufacturers proved unsuccessful. Simultaneously, the arrangement for stimulating research and development activities in this direction was taken up. The Glass and Ceramic Research Institute of the Council of Scientific and Industrial Research at Jadavpur has been able to locate the necessary raw materials and have recently produced optical glass on a laboratory scale. It is now time to put it into semi-commercial production.

Glasses of various optical characteristics are needed for different types of instruments and designs. France, England and the U S A produce over a hundred varieties of optical glass. We need not have an ambitious scheme in the beginning, but we must produce at least a dozen different varieties. The Glass and Ceramic Research Institute has been successful in producing the two basic types (viz, borosilicate crown and flint) of optical glass, and the range can be extended in due course.

With the help of the Russian experts and long-term credit, an optical glass factory is proposed to be established in India shortly. The Rs 2 crore factory will have an annual capacity of 50 tons of optical

glass and 250 tons of ophthalmic glass. This capacity may, it is understood, be scaled down from 50 tons to 10 tons in respect of optical glass. As stated earlier, the demand for optical glass may rise sharply as soon as it is made locally available. The final capacity of the plant should therefore be kept at least at 50 tons.

The cost of optical glass forms only a small part of the cost of optical instruments, but optical glass constitutes the vital part of optical instruments, and we cannot afford to depend upon its import for all time. The optical instrument industry will have no standing, if this vital material is not produced in the country.

On the other hand, production of optical glass does not by itself solve the problem of manufacturing optical instruments. The precision in the mechanical parts which should match the optical precision must also be evolved in the design and construction. Further, the design and fabrication of optical components, apart from its science, is an art in itself. It often emerges as a tradition before it gets recognition for quality.

X-RAY EQUIPMENT

The manufacture of X-ray equipment is another specialised line of scientific instrument. Needed for medical purposes and for scientific research, X-ray equipment forms a priority item of production. The techniques involved are not difficult. Many of our research institutions have successfully designed and constructed X-ray apparatus, and some of them have evolved integrated X-ray vacuum spectrographs of high precision for research work.

The electronic and electrical controls have also been freely designed and constructed in the country both by the university research men and the firms dealing with such items.

Three schemes have been recently approved for establishing X-ray equipment manufacturing in India, one each at Calcutta, Bombay and Delhi, in collaboration with foreign firms. Each will produce Rs 30 lakhs worth of equipment annually. The Calcutta firm will collaborate with a French firm, Bombay with German, and Delhi with an American firm.

The same type of manufacturing establishment can, with some elabo-

ration, manufacture electron microscope and electron diffraction equipment, which should be kept in view.

PHOTOGRAPHIC FILMS, PLATES AND PAPERS

Another vital industry is that of photographic films, plates and papers. We imported these goods in 1957 to the tune of about Rs 2 crores. This figure does not include cinematographic films. The recent import restrictions on these items have resulted in great hardship for scientific research, photographic studio business, and for the professional and amateur photographers. The scarcity of X-ray films has badly hit hospitals and clinics.

India does not produce photographic films, plates and papers. Saving of foreign exchange is by all means welcome. But curtailment in photographic goods virtually means curtailing medical facility, scientific research and artistic and cultural activities in the country. It is high time therefore that India laid out a full programme of manufacture of photographic goods. Researches on photographic films and papers were started in India some 15 or 20 years ago. Preliminary results obtained were satisfactory; the hurdle of gelatine of photographic quality was overcome. It is not known how or why the budding industry of vital national importance was dropped. There is no reason why the work cannot be taken up now from the point at which the earlier investigators left off. A pilot plant should be the starting point, with a view to establishing full-scale manufacturing within two years.

ELECTRONIC VALVES

We are living in an electronic age. Radio and communication, radar, remote control, mathematical computers, signalling and safety devices and in fact almost all the fields of scientific research are dependent on electronic devices. Transistors have also their place.

We import a large variety of electronic equipment requiring thermionic valves, and the valves separately as well for their use in the locally designed circuits and instruments. India imported Rs 1.8 crore of wireless apparatus and components between April and December 1956, indicating an annual import of Rs 2.4 crores including over 15 lakhs number of valves worth about

Rs 34 lakhs. Other types of valves are also imported.

The Bharat Electronic Factory will meet a part of the national requirement but the general consumers' market will still remain neglected. The techniques are not unknown in this country. Many locally made valves of sealed-in or demountable types are in use. Commercial production, however, is a different proposition. Normally, the electronic tubes (valves) are supplied by a few manufacturers of world wide renown, and the wholesale dealers get a substantial discount in price. The specialised technique to make the industry a commercial proposition would discourage most of the new entrepreneurs in this field. Considering, however, the importance of this item, adequate steps should be taken to foster the industry with Government subsidy in the beginning.

SCIENTIFIC MODELS

Call it an 'instrument' or not, scientific model making also occupies an important place in the scientific instrument industry. There is a great potential demand for demonstration models. This industry is in a nascent state and is not organized at all.

Some anatomical and medical models are being made in the country. The standard has to be improved and scope extended so that these become more popular and the cost of production can be kept low. Manufacture of scientific and engineering models should also be started on an industrial and commercial scale.

The models can be made of common materials, such as metal, wood, papier-mache, clay, plaster of paris, glass, plastics, etc. Scientific knowledge and artistic sense are to be blended in organizing a scientific model making industry. It does not require a large investment. Such an industry can feed the schools, colleges, and other educational institutions, and also commercial firms, museums, and the exhibitions held from time to time. Scientific models for government projects and for popularising the Five-Year Plans have assumed great importance recently. Some artists, sculptors, architects and contractors take up such work from time to time. But sporadic attempts can seldom produce the accuracy and refinement required for such work. There is

no organised model making firm in India which employs a group of scientists, engineers, artists and architects. Scientific model making industry can be organised by professional men and women by forming part-time working groups, to begin with.

Two types are needed: static and working models. Working models are more instructive but more expensive. A little ingenuity on the part of the designer can easily transform the static model into an attractive working model.

CONCLUDING REMARKS

Scientific instruments constitute a vital industry for the country. Apart from the question of expenditure in foreign exchange, the deficiencies of India's scientific instruments industry give cause for grave anxiety as regards the technical and industrial base of her new economy. The annual requirements of instruments may increase from 10 to 20 crores of rupees in the next ten years. A large variety of instruments and component parts is involved but each type of instrument or component would require a relatively modest investment. Raw materials and personnel are available. Research, development and

design already carried out or being carried out in these directions will adequately serve the new manufacturing enterprises. The Committees and Associations are doing useful work in bringing out salient points of this hitherto ignored industry. It is now becoming increasingly clear that a broad industrial and technical base for the country cannot be established without developing a scientific instruments industry.

The manufacture of scientific instruments is neither difficult nor financially burdensome. But it is a technically specialised industry in which it is difficult to synchronise the interests of specialists and financiers. Government is now aware of the deficiencies in this industry and is taking steps to remove them. It would be necessary to strengthen the industry by establishing more factories and where necessary, through Small Industries' assistance programme. It would appear advisable to build up a number of small units, each specialising in one specific type or group of allied instruments. To establish reputation through specialization and standardization is the only sure path to success in this field of industry.

GANDHI MARG

Journal of the Gandhi Peace Foundation

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Latin America's Free Trade Plans

(From Our London Correspondent)

THE creation of the European Common Market and the Free Trade Association appear to be merely the beginnings of a general development towards the division of the trading world into a number of preferential trade groupings. There has been active consideration in Cairo for an Arab Common Market and it is reported that Japan has issued feelers for an Asian trade grouping along the lines of the British Free Trade Area proposals. The recent conference in Tunis of African political organisations gave attention, so it appears, to questions of economic and trade co-operation, one of which was an "African area of free trade".

By far the most advanced of these non-European plans is that of the South American republics. Indeed there is every possibility that a treaty of seven of these republics would be signed soon and a Common Market arrangement will commence in July this year. In November last this treaty, in draft form, was presented by Argentina, Bolivia, Paraguay, Peru, Chile, Uruguay and Brazil to the GATT session in Tokyo. Since then negotiations have been taking place among these seven countries and they have now moved to the final stage.

BASED ON THE PREBISCH PLAN

The story behind this move is a long and tortuous one; its culmination in an acceptable trade arrangement for seven of the largest and influential of the Latin American republics is largely the work of the dedicated economist, Dr Paul Prebisch, Executive Director of the U N Economic Commission for Latin America (ECLA). Prebisch has been arguing and writing about the feasibility of a Latin American free trade grouping of twenty countries for some time now. His project, far more extensive than that planned for the seven republics, was adumbrated in the March 1959 issue of the U N Economic Bulletin for Latin America. It was considered by the Organisation of American States but apparently the United States did not give it the degree of encouragement necessary to make it a practical proposition.

According to a report of the Pan-American Union (Development of

Regional Markets in Latin America), the idea of economic integration in Latin America is not new. As early as 1888, the First International Conference of American States discussed the formation of a Customs Union in the Western Hemisphere. At intermittent intervals, thereafter, economists revived and promoted ideas of economic co-operation but for most of the time the national exclusiveness proved much too strong to give these ideas any practical shape.

SOUTHERN SEVEN

The present treaty for the seven republics covers the Southern and South Eastern region of Latin America. It contains about two-thirds of the population on the Continent and is much more developed than other parts. It certainly possesses possibilities considerably more interesting than the two other regions where free trade arrangements are being discussed. Central America is one of these latter regions. Here the five members of the Organisation of Central American States have been working for some time now on a Customs Union and it appears that some progress is being made. Their economies are however relatively small and specialised and their total population amounts to about 10 million. Hence the project is not particularly interesting in its possibilities, either for trade or for economic development. The other region, commonly called the "Gran Colombia" and made up of Colombia, Venezuela and Ecuador, has made no progress whatsoever.

It is well to examine some of the characteristics of the economies of the Southern Seven before giving consideration to the treaty that is now about to be accepted. This group of Latin American states accounts for as much as 80 to 90 per cent of intra-Latin American trade (which represents about 10 per cent of Latin America's total trade). Hence the inducements for increased economic co-operation and indeed for integration among these Seven are more numerous and attractive. This region has a population of 106 million with incomes per head greater than in any other part of South America.

ADVANTAGES OF COMPLEMENTARITY

The inducements for a free trade or common market arrangement for the Southern Seven have been extensively analysed in the publications of ECLA since as early as 1948. There exists a surprising degree of complementarity in the economies of the Seven. Will this fact make a free trade area of the region trade diverting or trade creating? The ECLA has appropriately handled this otherwise highly academic problem by making an intensive study of the trade and production potentialities of this region. The area of the Southern Seven stretches from the Equator down to the Antarctic. There is thus virtually no agricultural product of any importance that cannot be produced. Indeed the range of agricultural production is already sufficiently wide to make this region of great significance. The Amazon yield the best rubber; towards the South, Patagonian wool is still to find a rival. The range of fruit and vegetables is all-embracing.

Up to the present, the extent of the intercourse in these products among the Seven has been restricted largely by administrative and political difficulties and restrictions. The trade potentialities here are great. Apart from the agricultural trading possibilities, there is, of equal significance, the mineral wealth and output of Chile, Peru and Bolivia which is already entering in increasing quantities in the trade of this region. The only limitation to this trade is the relative industrial backwardness of this region. There can be no doubt that countries like Chile, Peru and Bolivia would solve their not inconsiderable food supply problems by an intensification of their exports of minerals to Brazil and the Argentine who are major producers of foodstuffs.

FILLIP TO INDUSTRIALISATION

The extent to which this complementarity possesses opportunities for trade creation is shown by the analysis of the ECLA. The two industrialised countries, Argentina and Brazil, will necessarily find an increased market for their manufactures as a result of a free trade area of the Southern Seven, and will re-

quire larger quantities of base metals and other raw materials. The possibility of a wider market will therefore encourage Chile, Peru and Bolivia (the metal exporters) to establish fabricating industries complementary to the metal-using industries of Argentina and Brazil. Thus the Huachipato steel mill in Chile produces sheets suitable for making tinplate; Bolivia produces tin-ore and the Argentine uses vast quantities of tin-plate in its considerable food-processing industry. Chile produces newsprint which can satisfy the needs of the whole Southern Seven and the Argentine has successfully developed its petroleum production to meet the growing requirements of Brazil.

The results from economic integration of the Southern Seven through a free trade arrangement is self evident here. It will decidedly help to solve the intractable problems of stagnation of production and export earning. It will increase per capita incomes and importing capacity. The co-ordination of resources is certain to reduce waste and should lead to the development of more balanced economies. The trade of the Southern Seven will move increasingly in favour of processed and semi-processed commodities and so engender industrialisation.

PAYMENTS UNION

One central feature of the payments mechanism in Latin America as in the Southern Seven, is the multitudinous and tangled system of bilateral payment relationships. Balance of payments problem and currency instability are almost characteristic of Latin American economies. These problems emerged soon after the last war and gained in magnitude with the collapse of commodity prices after Korea. It was as a result of the post-Korean experience, that the bilateral trade and payments agreement, usually with compensation arrangements and credit swings, came into increasing use. The Southern Seven were particularly prone to bilateral agreements and up until now their economic relations with each other are a tangled web of such agreements.

Dr Prebisch recently recommended to Latin American central bankers the establishment of a payments union as a prelude to the formation of a Common Market. Since much of the protective barriers presently administered by each of the Latin

American countries and particularly the Southern Seven are aimed at protecting the balance of payment as well as shielding local industry, Dr Prebisch's thesis is relevant to any plan for a Common market. In these circumstances the Southern Seven have accepted the idea of a payments union to replace bilateral payment agreements.

The draft treaty establishing a Common Market was formulated last September by representatives of the Southern Seven. In January a meeting of Central Bank officials met in Montevideo to work-out a mechanism for the payments union. During the past week the final touches to the Common Market treaty were being made. The treaty is partly inspired by the Rome Treaty that created the European Common Market, and calls for the liberalisation of trade in commodities within the area. The commodities concerned are designated as "essentials", i.e., agricultural products, but other commodities will be gradually introduced into the liberalisation code.

The Common Market or free trade area (the Southern Seven have conveniently used both these terms for their Customs and Economic Union) of the countries concerned is therefore based on the reciprocal reduction of tariffs on essential goods—at the rate of 8 per cent per year over the next 12 years. The Treaty, next incorporates the idea that special concessions should be given to those members who are in a less advanced state of development as a means of helping them to secure a more rapid rate of economic growth. The particular countries likely to secure

such concessions are Bolivia and Paraguay. Finally, the Treaty provides for the entry of new members.

MERGER POSSIBLE

The Southern Seven treaty is considerably more significant than the progress made towards a Customs union of the three central American republics — Guatemala, Honduras and El Salvador. It may however be possible for the two groups to merge some time in the future. This is a possibility largely because of the spirit of economic co-operation shown last December when the Inter-American Development Bank was set up. The United States and all the Latin American countries except Cuba have pledged to subscribe 88 per cent of the \$ 1,000 million capital fund of the bank.

The move towards Customs unions in Latin America is part of a vaster and more significant process — there is for once a growing Latin Americanism in the mood and outlook of the South American people. The old divisions which have bedevilled the politics and life of this continent are being pushed further into the background with the growth of the recognition that the problems before the Latin American people are of a continental dimension. The Southern Seven Common Market opens the way to the growth of this broader outlook. In the more immediate future it will create larger outlets in the sense of regional markets. It brings the prospect of industrialisation that much nearer and opens the way to economic independence.

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Dalal Street Celebrates the Budget

Thursday, Morning

EQUITIES had staged an impressive rise during the three sessions preceding the Budget. During the Budget session they simply soared and sky-rocketed the following day. Buying during the pre-Budget sessions had been influential and heavy which led market men to think that it was of an 'informed' nature. Anyway the Budget more than fulfilled the market's most optimistic expectations. The market had been prepared for a heavier tax load than Rs 23.5 crores proposed by the Finance Minister. And even this amount is to be collected through indirect taxes which are of no great consequence to the stock market.

Personal and corporate taxation has been left untouched. The small disappointment caused by the absence of any relief in the tax on bonus share issue and in the incidence of corporate taxation was more than offset by the concessions in other directions. The tax holiday for new industries has been extended from five years to ten years. Companies giving dividends out of past taxed reserves will get a rebate of ten per cent. The rate of tax deduction at the source has been made uniform at 30 per cent, both for individuals and companies. Of course this is only a facility and not a concession.

The table alongside shows the staggering rise in equity prices (Rs) over the week-ended March 2:

That Rayon shares should have recorded the most spectacular rise was not the least surprising. The industry has been enjoying a very prosperous time and it was widely believed that it would be the first to attract an additional excise duty. These fears did not materialise. Bears who had sold on ideas of a higher excise levy rushed to cover their sales and the market experienced an acute scarcity of contracts. Prices soared.

Rayons led to be followed by Textiles, Miscellaneous counters and Steels. Automobile shares fluctuated rather erratically because of the uneasiness following the new excise duties on vehicles and spares and an increase in excise duty on diesel oil.

But the market did not take long to realise that in a sellers' market the manufacturers had little to bother about the excise levy. New issues like Colour Chem and Baroda Rayon responded well to the extension of the tax holiday by five years.

CURRENCY EXPANSION AND CREDIT RESTRAINT?

Last week's spurt in equities has lifted the market to a new high in the primary upward trend. The rise in equities reflects the strong expansionary impulse in the economy. Inflationary pressures continue to gather force. Shri Morarji Desai's Budget contains nothing to ease these pressures. Only one-fourth of the revenue deficit is being covered by additional taxation and deficit financing has been kept as high as Rs 153 crores. And so long as inflationary trends persist in the economy, equities will continue to retain their popularity as a hedge. This is the main basis of the recent boom in equities. The Economic Survey for 1959-60 itself expresses the view that possible gains from capital appreciation rather than yields as such have been the more dominant consideration affecting stock market trends.

	Feb 24	Subsequent
Shares:	Lows	Highs
National Rayon	373.50	476 (kerb)
Century	437.25	492
Standard Mill	873	995
Bombay Dyeing	67.40	71.50
Swadeshi	258	280
Kohinoor	311	342
Voltas	205	235 (kerb)
Bombay Burmah	530.50	579
Premier Construction	327	357
ACC	142.75	149
Belapur	318	342
Tata Locomotive	201	223 (kerb)
Hindustan Motors	16.36	17.64
Tata Steel	148.75	159.75 (kerb)
Indian Iron	22.16	23.92 (kerb)

But the Economic Survey stresses the need for a high degree of discipline in fiscal and monetary policies in the coming year for averting further increase in prices in the immediate future. Shri Morarji Desai's defence of deficit financing in his Budget speech and his concern over additional credit creation at the same time sound rather illogical. But this has led to strong rumours about an imminent increase in the Bank Rate. Whether the Bank Rate should be stepped up is a highly debatable point. But if it were to be raised by one per cent, as is widely thought to be likely, it is bound to have a pronounced effect on the trend in equities. This would make the yield on equities look much too small compared with the interest rates prevailing in the money market.

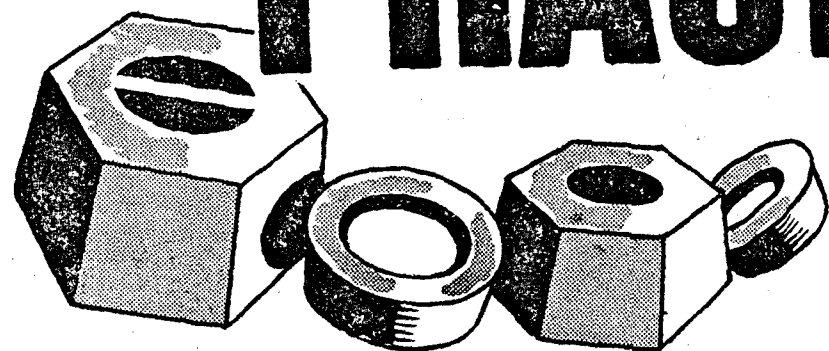
Cotton

JARILLA MARCH AT Rs 820

COTTON futures struck new highs last week. The March contract hit the ceiling rate of Rs 820 per candy and the August contract was marked up from Rs 754.50 to Rs 766.50. With spot Moglai fine 25/32" — the basis of the hedge contract — commanding a fancy premium it was only natural that the March contract should hit the ceiling during the delivery period. Tenders issued on the first notice day totalled 550 bales of Laxmi A. Bears who had sold August on ideas of improved overall supply position with the utilisation of liberal import quotas had to cover their sales because of the acute shortage of indigenous cottons which is bound to become more acute with the progress of the season. The Textile Commissioner's directive asking mills to restrict their purchases of Kalyan, Kalagin and Wagad to 55 per cent of their previous season's consumption has turned mills' attention to other varieties. The drastic curb on consumption only indicates the likely shortfall in the output of Kalyan, Wagad and Kalagin. Reports from Kathiawar and Kalyan regions suggest a marked decline in yield.

The Textile Commissioner has also asked mills to utilise their import

SECOND PHASE



On October 1, 1958, Metric weights were introduced in selected areas and regulated markets in all States and Union Territories with a two-year time-limit for complete change-over.

THIS TWO-YEAR PERIOD WILL END ON SEPTEMBER 30, 1960, AFTER WHICH USE OF METRIC WEIGHTS WILL BE COMPULSORY IN THESE AREAS.

Plans are under way to launch the second phase of the reform and extend the use of Metric weights to the remaining areas in the country. Already Metric weights have been introduced in the whole of Kerala. Other States will follow suit soon.

CHANGE TO

METRIC SYSTEM

FOR SIMPLICITY & UNIFORMITY
ISSUED BY GOVERNMENT OF INDIA

quotas expeditiously, before the end of the season. The warning is timely that if any mill does not apply for an import licence by the end of March in respect of the quantity allotted to it, the Government will be compelled to withhold additions to quota of Indian cotton. Certainly, liberal import quotas have little sense if they are not to be utilized to make good the shortfall in indigenous supply. Besides, the carry-over of Indian cotton at the end of the current season cannot be allowed to fall appreciably.

The Indian Central Cotton Committee which recently met in Bombay did not accept the plea for decontrol of cotton. It was decided to recommend to the Government that the floor and ceiling prices be revised upward commensurate with the overall rise to cover costs of the cultivator. It was also mentioned that the study of the economics of cotton growing should be undertaken before the price policy was considered. The Committee favoured the idea of building up buffer stocks out of indigenous production to ensure stability in prices.

Oilseeds

STILL UNSETTLED

THE oilseeds market is still struggling to regain stability. Fluctuations last week were irregular and excepting castor which suffered a further sizable setback, net changes over the week were small. Groundnut and cottonseed recorded slight gains while linseed were fractionally lower. After rallying from Rs 177.37 to Rs 179.50 castor May moved irregularly down to Rs 172.50 and wound up the week at Rs 174.12 per candy. Groundnut May recovered from Rs 205.50 to Rs 208.25, reacted to Rs 204 but steadied again to Rs 206.75. Cottonseed May drifted idly between Rs 148.5 and Rs 146. Linseed May which had been sold down to Rs 32 per cwt in the preceding week recovered to Rs 32.75 but declined again to Rs 32 before closing at Rs 32.19.

With the pressure of arrivals continuing and export activity in castor oil limited, bears continued to dominate the castorseed market. Options accelerated the pace of the decline. The downward trend in prices discouraged prospective buyers of oil abroad. It was only near the week-

end that the U.S. was reported to have purchased some 500 tons of castor oil Commercial at around 14.90 cents a pound. Exporters do not share speculators' pessimism. Shipments of castor oil from Bombay since the beginning of the year have already exceeded 8,500 tons and another 4,500 tons are likely to go in March against previous sales. This is a reasonably good showing. Once stability returns to the market here, overseas business in oil should pick up appreciably, India being the only important source of supply at

present. Exporters expect Communist inquiries soon.

POPULAR WITH BEARS

Linseeds continue to be popular with bears. Export business in linseed oil and cake is at a standstill with little hope of an early revival. The stock position is comfortable and the movement of the new crop is steadily increasing. The latest U.K. quotations for linseed oil and linseed cake are mentioned around £ 100 and £ 32.10 respectively and business at these prices is not at all

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remunerative. Reports that the Argentine linseed crop will turn out to be smaller than forecast earlier might impart a steadier tendency to linseed oil abroad.

Groundnut were irregular but offerings dried up appreciably at lower levels. Few observers expect local prices to record any big decline from the current levels. The recent lows might hold well, notwithstanding the performance on the export front. Exporters of groundnut oil and oilcakes had a dull time last week. The recent decline in domestic prices has improved chances of business in oil, which, however, is still unremunerative. The State Trading Corporation was reported to have sold nearly 5,000 tons of groundnut oil to Burma under some barter arrangement, presumably against teak wood. Some business was also reported in groundnut H P S with some Communist countries. The trade is anxiously awaiting the release of an export quota for H P S which is readily saleable. Hardly any important fresh business was reported in groundnut extractions last week.

Bullion

SILVER AT NEW PEAK

BULLION prices continue to hold remarkably firm. Silver last week rose to a new all-time high of Rs 216.14, Phagan delivery. This was Rs 2.3 higher than the previous week-end closing rate. Gold Phagan delivery improved from Rs 130.8 to Rs 131.12. Chaitra delivery quotations for both gold and silver were at a discount of 4 to 6 annas, indicating a tight bull grip and the shortage of floating supplies due to steady demand and poor arrivals. With the seasonal factor against them, bears are in no mood to be aggressive. Reports about the sale of about 400 silver bars out of the Dalai Lama's treasure have failed to produce any effect on the market.

Business in bullion futures has dwindled appreciably as a result of stiffer margins. The Board therefore approved of some relaxation both in regard to the size of the margin and its operational limit. But this did not find favour with the Bombay Government which argued that with floating stocks further down there was no case for relaxing margins. The Bullion Board is expected to take a fresh decision soon.

Conditions in the short-term money market did not show any noticeable change last week. Funds continued to be in tight supply and money rates held their previous levels. The Gilt-edged market was distinctly subdued. Banks appeared to be eager sellers. Rumours about an early increase in the Bank Rate are gaining currency. Any rise in the Bank Rate will give a sharp jolt to the Gilt-edged market.

Lead-Zinc Ores

THE production of lead-zinc ores in India during the year 1959 was 162,000 metric tons, according to the Indian Bureau of Mines.

This represents an increase of about 38 per cent as compared to the production in the preceding year.

The recovery of lead and zinc concentrates in 1959 was also substantially higher being 6,488 metric tons and 9,978 metric tons respectively as compared to 5,341 metric tons and 7,391 metric tons in the preceding year.

THE ECONOMIC WEEKLY

Lead concentrates are sent to the smelter at Tundoo in Bihar State for extraction of lead while the zinc concentrates are shipped to Japan for smelting of zinc, as there is no zinc smelter in India at present.

The production of refined lead during 1959 was 3,958 metric tons as against 3,387 metric tons in 1958, representing an increase of nearly 17 per cent.

Rourkela Iron Foundry

THE iron foundry of the Rourkela steel plant is likely to be completed ahead of schedule, according to Messrs Fried Krupp, the West German firm which is erecting the foundry. The foundry, work on which started last October, was originally scheduled to be completed on July 1, 1960, but "it will now be possible to put part of the plant into operation on April 1, 1960, and the rest of the works are likely to be completed much before July."

The annual output of the iron foundry is expected to be 40,000 tons of cast iron ingot moulds, 4,000 tons into basic plates and 6,000 tons into parts which are to be used for repair work of the steel works.

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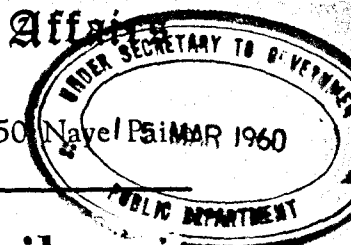
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The State Bank Strike

WAGE disputes of bank employees have not only been an all-India affair; they have acquired the status of national issues which have been reviewed by many more tribunals than any other industrial dispute. Parliament and the Cabinet also devoted more time to them than to wage grumbles in any other industry even in the years of the worst industrial strife. How did bank employees who number only a few thousands come to hold the centre of the stage when they do not even come under the category of industrial labour proper, and consist largely of white collar workers? How did they, mere quill-drivers, manage to steal the show from the millions who labour with their hands, wield the shovel or the hammer, and run the machines?

For a time, bank employees had been out of the picture but they are staging a come back in a big way. The legal instrument which had ensured three years of limited peace, has now ceased to operate and a fresh bout of negotiations, and the inevitable disagreements, have been in the offing. It is significant, however, that peace has been broken and the first shot has been fired by the employees of a bank which did not strictly come under the jurisdiction of the Sastry Award, but rather inherited it—the State Bank of India. Unwilling to wait for a comprehensive settlement to take the place of the Sastry Award, which is to follow some time when the Finance and the Labour Ministers are able to settle their differences, they have gone on strike.

Even on the question whether the Sastry Award expired on December 31, 1959 or not, there is dispute. It is not that the employees of the State Bank do not want to make common cause with the employees of other banks; they have taken the lead in order that they can set the standard for the others instead of patiently waiting and passively accepting what the others get. After all the State Bank which belongs to the nation should be more squeezable than the others.

Now in every dispute, there is a difference, large or small, between what one of the parties wants and what the other is willing to concede. Unless the difference were wide, there would be no dispute. There is also the natural desire in any bargaining to stake one's demands high. This the State Bank employees have done by presenting a charter of demands, which according to the management, if accepted, will double the present cost per employee, and impose a recurring cost two and half times the amount of profits shown in the balance sheet of the bank. True, bank balance sheets are not easy to read, and let us not anticipate for many committees will go into these things. But the demands are noted, nevertheless, for the orders of magnitude they take as the norm. A minimum pay for messengers of Rs 159 per month, working anywhere in India, a standard grade for clerks from Rs 250 to Rs 750, there are certainly desirable things, provided it is made possible to apply the same standards to school teachers, shop assistants, journalists and the rest. But should we wait until every one can have the good things of life and share them equitably? Or should not one grab what one can and thus set up a standard which can be used as a lever to raise that of others, less fortunately placed? A strategy of concession to pressures can also be rationalised into some sort of a social policy.

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Though the management considered the demands as "fantastic", they had several discussions across the table with the President and other representatives of the Staff Federation and examined threadbare the financial aspects of the various demands. The General Council of the Staff Federation passed a resolution on November 22, 1959 expressing the view that the negotiations had failed and the issue should be submitted to voluntary arbitration. The Federation opposed the dispute being passed on to the Industrial Tri-

bunal on the ground that the decision of the latter was subject to revision by the Supreme Court. The State Bank, however, being a nationalised institution, cannot very well submit to arbitration the decision of which would be binding on it and, therefore, outside the jurisdiction of parliamentary review. Though this point has been muddled up in the Finance Minister's statement in Parliament, it is still valid. Purely from legal and constitutional considerations, therefore, a Commission of Enquiry seems to be the only

course open. The Finance Minister is a strong man and has haughtily refused to make any move in the matter until the strike has been called off. Had he shown the same strength in arriving at a decision and announcing it at the same time, firmness would have been combined with reason and this senseless dislocation in so essential a service as banking over the largest network covering the entire country could have been promptly ended. Instead of that, the dispute rambles along.

Charter for Rural Plutocracy

THE character of a society is not easy to define. Subtle shades of differences in attitudes and values often fix this character much more than what can be learnt from the study of the constitution, political institutions, tax system or even the national income statistics. For forms may be deceptive, the substance behind may be quite different. Royalty may survive and may even be honoured and yet the people may have a fully democratic government; political democracy may exist side by side with an attenuated nobility and the presence of social classes which indicate at least outwardly that the society is not democratic; a democratic society, democratic, that is, as judged by the absence of the traditional forms of differentiation among the classes, may also have the grossest inequalities in wealth and income; and so on.

Most of the criteria that are applied to judge the character of a society are misleading or only of limited value. Equality before law is one such; non-discrimination on grounds of race, religion, caste or social status is another. Both these are vague and equally uncertain as criteria.

There are a few tests, however, which are valid historically and are equally accepted by social sciences which are not vague or inconclusive. These are not open to any doubt and are least likely to deceive in that the substance cannot differ as much from the form.

One such is the personal obligation to serve the State which is imposed upon every able-bodied adult of a certain age-group for military service. There have been times in history when the obligation to bear arms for the King or to fight for the

feudal lord, or the obligation to render personal service differed according to the status of the person concerned. While loyalty to the sovereign imposed the obligation to bear arms even on the mightiest, the obligation for rendering manual services fell only on people of inferior status. That is how the institution of begar originated in this country. Throughout the British period, weight of legislative and administrative measures was in favour of removing these unjust obligations which were frankly based on differentiation of status but they survived.

There was a period in history of every country during which such obligations could be converted into money payment by those who could afford it; thus one could buy oneself out of compulsory military service. History of many countries shows how strong, persistent, and vigorous had been the agitation against such social discrimination. During the American Civil War, ancestors of many of the families which amassed fortunes and established business houses, which continue to the present day, were able to do so by taking advantage of this privilege of buying themselves out of the obligation of rendering compulsory military service. They also took advantage of the situation to engage in trade in arms, among other things, and thus piled up their fortunes.

Recruitment for the army and navy by press gangs was another historical institution. These press gangs raided villages at night and inducted forcibly into the services all the able-bodied men they could lay their hands upon. It is the custom that continued right up to the period of the Kuomintang regime in China. In such recruitment by press gangs, the choice was open to

anyone who was in a position to avail of it, to opt out by paying a fixed sum of money. The social policy behind it, the respect for status which it indicated, and the naked class privilege on which it was based, did not revolt the conscience of the people; on the contrary, poverty was accepted as the natural order and was not a cause for shame.

One is forced to go back into these forgotten chapters of history, which we would like to believe we have left behind in a democratic India in which freedom, equality before law and non-discrimination are guaranteed by the Constitution. Yet one is forced to dig into the past by the amazing provision which the Planning Commission has made in its wisdom in regard to the rendering of compulsory labour or *shramdan* for the upliftment of the villages. It will be recalled that in a paper of the Planning Commission on 'The Utilisation of Manpower in Rural Areas', which was laid on the table of the Rajya Sabha, the works programmes have been divided into five categories of works.

The object of this programme is to enable each village to provide themselves with certain amenities, contribution being made by the local people mainly in the form of labour (*shramdan*) and 'to the extent necessary in the form of money'. This is as it should be, one may well have thought, for nothing can be done by labour alone, without a minimum of materials and equipment which cost money. But this is not what the passage in question means, for subsequently it is explained that the contribution of free labour is only for those who cannot afford to pay. Those who can, are given the alter-

native of buying themselves out of the obligation of supplying labour by cash payment. Thus, while labour contribution is considered essential for building up the villages, such contribution, to quote from the paper, 'may take the form of labour and/or money'.

Between democracy and the outward appearance of a modern society on the one hand and feudal or other primitive orders on the other, the dividing line is this apparently innocuous officialese 'and/or'. There is dignity, a sense of participation and satisfaction of discharging so-

cial responsibility in rendering compulsory service to the State or the community for the achievement of worthwhile objectives. The defence of the country is obviously one such; there can be many others. The rehabilitation of the villages or building up of the rural economy is certainly a laudable objective for which not only the voluntary services of the villagers could be enlisted; such services can well be made compulsory, so long as there is "maximum consent of the community" which the Planning Commission has rightly imposed as a prior condition. But

A Chinese A-Bomb?

NO one at the official level in Delhi or elsewhere has so far been able to confirm Dr Raghu Vira's statement in the Rajya Sabha that China has developed an atom bomb and will explode it near the Tibetan border on the morning of March 28 — as a sort of preliminary to the Nehru-Chou meeting in Delhi. But the implications of this interesting prophecy are worth examining.

What inside information Dr Raghu Vira had for his statement, one does not know; but, of course, the capacity of China to develop (or to have developed) an atomic bomb is not in doubt. It has both the financial and technical resources necessary for the purpose; and it is well known that the Soviet Union has been actively assisting it in setting up atomic reactors, by providing technical know-how, and by giving it uranium, plutonium, thorium and heavy water. Nor is China's eagerness to become an atomic power in any doubt. Chinese Military leaders have been publicly emphasising the importance of atomic armaments for their country. The question that Dr Raghu Vira's statement raises is whether the Chinese ambition in this regard has already been realised and whether the bomb is in fact ready for explosion on any day Mr Chou En-lai considers politically suitable.

On this score, there is certainly room for doubts. China's first atomic reactor was not built until just about a year and half ago; and it is unlikely that in this short period a full-fledged atomic bomb could have been developed without giving the project top-priority and diverting every national resource towards it. There is no clear sign

that this has been done; and the likelihood is that it has not, in fact, been done. China's economic programme has manifestly not been going so smoothly or happily in recent months or years as to enable it to bear this enormous burden in terms of materials, manpower and priority.

The precise date mentioned by Dr Raghu Vira for exploding the Chinese bomb, with its implied motive, is also doubtful. If it should be China's intention to negotiate with India, from "a position of strength", there would be no point from that angle alone to go to all the trouble and expense of staging an A-bomb explosion. Mr Chou En-lai is already in a position to negotiate from strength; his army of ten million and jet force of 3,000 seems in no need of immediate or spectacular augmentation purely for the benefit of India. Moreover, if China really has the bomb now, the prophesied timing of its explosion on the eve of the Nehru-Chou talks goes completely against the friendly tone of the Chinese acceptance of our invitation and would, in fact, make the meeting valueless. In the circumstances it hardly seems sensible to suppose that Mr Chou En-lai would have swallowed his pride and waived his earlier objections and agree to come to Delhi.

China also knows that the firmness of the Indian stand on the border dispute cannot be changed by threats of a military character. If India can stand firmly on its rights without paying any regard to the ten million soldiers of China and their 3,000 jet planes, it would similarly disregard China's possession of a nuclear bomb. Our in-

how can the Planning Commission be a party to giving such recognition to privilege and status while proposing this laudable solution to the problems of the villages? When compulsory labour service can be compounded for cash, does it not amount to a shameless acceptance of the plutocratic order in a democratic garb which does not even veil the naked deceit? The pity of it is that the Planning Commission accepts social differentiation, and a separate standard for the poor and the rich without even suspecting what it is doing. And/or—yes, indeed!

insurance against the physical might of the Chinese is, besides the rightness of our case, the knowledge that Peking could not start anything big against India without taking on the rest of the world as well.

All this does not mean, of course, that China is not anxious (even desperately anxious) to gain an entry into the nuclear club. It certainly is very anxious to do so — but for this it has reasons (and very good reasons) of its own. If Peking could explode an atomic bomb now or in the near future — or, if not a bomb, even a lesser nuclear device — it will have made it clear to the Big Powers that any nuclear or other disarmament treaties they enter into would be worthless unless China was in on them. For a country like China, which has for too long been treated as a virtual outcaste by the United States and the United Nations, this is a supreme consideration. If only it had the bomb, it could enter the nuclear club without bothering to knock. Secondly, it is also possible that a demonstration of nuclear power would do a lot to damage the loss of prestige the Government has suffered at home as a result of its unfulfilled domestic targets.

So, whatever else the truth or significance of Dr Raghu Vira's somewhat sensational declaration in the Rajya Sabha may be, as far as India is concerned, the Chinese possession or non-possession of the bomb has little interest apart from our natural concern with nuclear disarmament. The Nehru-Chou meeting will not take place under the mushroom cloud of a Chinese test explosion, even in the unlikely event of the explosion being held on the date predicted.

Weekly Notes

High Prices and Corruption

HIGH prices and corruption—these are the two issues on which the Government has been taking a lot of beating. Though the two belong to altogether different spheres, there is a striking similarity in the reaction of the Government to the agitation on these two fronts. The question of rise in prices will be looked into by an informal committee of the Congress Parliamentary Party. That is the latest announcement—not more taxation to mop up surplus purchasing power; no changes in the fiscal policy to stimulate production where production can be stimulated and to restrain consumption which is non-essential and thus divert resources to more productive and more desirable uses; no physical controls at any cost; no further expansion, therefore, of food control or State Trading in food grains; instead of all that, more free trade zones until the whole of India becomes one zone and movements of food-grains are completely freed from all controls.

In the confused agitation against corruption, little distinction is made between corruption which is political and can thus be checked only by political action of the right sort and the other or common variety which has to be tackled by tightening up the administration and similar other measures. It is on the question of political corruption that Pandit Nehru has been badly cornered. Curiously enough, where there has been suspicion of filthy lucre being involved, Pandit Nehru has acted with alacrity and done something. In all these twelve years, however, he has never been known to have taken a similar decisive step on any occasion against what could patently be seen as cases of political corruption.

Here again, as in the case of rise in prices, the real problem is to face it, to grasp the nettle firmly by hand and to pull it out. Nehru is sensitive and his inaction, however difficult others may find to explain it, does not arise from lack of understanding or intelligence. He has yielded to the clamant demand within the party and outside and accepted the idea of appointing a Vigilance Committee to scrutinise

cases of corruption. He is even prepared to consider the formulation of a code of conduct which is to be observed by Ministers. That political corruption is different, and that it has to be treated differently, on this fundamental question Pandit Nehru has no vagueness in his mind. This was made crystal clear when he said: "The yardstick observed for the code of conduct in the case of public men is much more strict than in the case of service men. People in service are protected by all kinds of rules while public men have no such protection". Once it is recognised that the code of conduct for public men has to be much more strict, the solution should no longer elude his grasp. It would no longer be necessary to appoint a tribunal or to wait for evidence which would be acceptable to a court of law. And is any committee really necessary to ascertain the broad facts on which party leaders have to act in order to keep the ranks clean? Or is the long arm of the law needed to throw out the black sheep and to keep the others on the strait and narrow path? One hates to bring in Gandhiji into all this; but Gandhiji did not need the help of a Special Police Establishment to deal effectively with those comrades-in-arms who had slipped and slid down the inclined plane.

It would be idle to suggest that prices can ever cease to be a problem in a country launching upon an ambitious programme of economic development. Credit curbs may be necessary to check speculative holding of stock and these should not be difficult to administer if the Reserve Bank does not auto-suggest itself into the belief that selective credit control really performs all that it claims on behalf of its pet child. But this measure of control is no substitute for the continuous effort, which has to be many pronged, to mobilise resources, collar the savings and mop up the excess purchasing power wherever it may tend to accumulate.

While the problem of prices will remain and can perhaps be kept within a reasonable restraint, the snow balling effect of corruption, particularly of political corruption, does not encourage the same comforting belief that something can be

done about it and that corruption, too, can be kept within bounds. Here, it is not the question of arms; it is not a matter of committees or tribunals; the arms are there, it is the man that has so far been wanting.

Clouds over LIC Investments

PASSING clouds have again cast a shadow over the investments of the Life Insurance Corporation. Even before the Mundhra deal could be forgotten, the Corporation appears to have made some investments in 1958 and 1959 which have now been called into question. All the investments that have been thus questioned are fortunately in good and sound scrips. The complaint is that the L I C purchased shares of four companies, Indian Copper, (managed by Gillanders Arbuthnot), Madura Mills (Harvey spinning concern), Ashok Leyland (Mahindra & Mahindra), and Ahmedabad Manufacturing (Calico Mills), a Sarabhai concern, at unduly high prices, at the wrong time, and through a somewhat irregular procedure.

The L I C is an autonomous statutory body that invests, on an average, Rs 10 lakhs per day, which is the excess of its cash receipts over disbursements. It is thus the biggest single investor in the capital market. Its investments have to be sound, but that alone is not enough. They have to be timed appropriately to secure the best advantage out of market situations, and the purchases have to be made in a manner that gives no ground for complaint that the L I C has been influenced by extraneous factors of any kind. Since the jolt following the Mundhra deal, the investments of the L I C have been sound. That is not questioned by anybody. Their timing and the manner of placing, however, continue to give rise to complaint. The L I C cannot, of course, satisfy everybody, nor can it always make a correct guess about market trends. But it can certainly do something to put an end to these complaints about its alleged soft corner for certain brokers and for proposals emanating from Bombay.

Whether actually it has this soft corner or not, or whether there is any foundation in the fact for the

belief which now seems to be fairly widely held that Bombay gets a preference in the choice of its investments—these are not the primary issues. It is essential that its investments, their timing and the manner of their placing should leave no room whatsoever for the slightest doubt that the L I C is swayed by considerations which are not compatible with its status as a public institution. Trite though it may sound, it is nevertheless true that Caesar's wife must be above suspicion.

Unwanted Bank Deposits?

THE strike by its employees is not the only problem facing the State Bank. At its inception, it was under an obligation to open 400 new branches within a period of five years from July 1, 1955. By the end of 1959, it had opened 359 new branches, raising the total number of its branches to 831. Of these, 315 are working at a loss. A large number of these branches have been opened at places where there were no banking facilities of any kind. Nearly all of them are located in small towns. The need to expand banking facilities will not end with the successful discharge of the statutory obligation which is now in sight. It will continue though part of the burden may be transferred to the state-associated banks which the State Bank has taken over as subsidiaries. These will be required to open more branches within their jurisdiction. The loss incurred from new branches may be borne ultimately by the Government, but the organisational and administrative problems have to be faced by the State Bank.

The extension of the banking network is not merely a statutory obligation: it is also needed because there has been no marked increase in the traditional business of the bank since 1956. It has to venture into new ground to secure fresh business. Its deposits have expanded phenomenally by Rs 375 crores since July 1, 1955, but advances have increased by barely Rs 44 crores. The expansion in deposits has been due mostly, but not wholly, to the receipt of counterpart funds under PL 480, which account for about one-half of its total deposits of Rs 600 crores. These have to be maintained in a highly-liquid form since they can be recalled by the U S Government at any time. How much the State Bank earns on these deposits is not known,

since the profits on transactions relating to this business are transferred to undisclosed reserves without passing through the profit and loss account. Liquidity in the money market and the readiness of other banks to offer credit on easier terms, together with the compulsion of investing PL 480 funds in Government securities, make it difficult for the State Bank to expand its credit portfolio. While its deposits are one-third of total scheduled bank deposits, the comparable ratio is only 16 per cent for credit.

The Chairman of the State Bank Shri P C Bhattacharyya, expressed some concern about the great risk the bank has to bear on account of PL 480 deposits. One reason given by him for tucking away the profits on this business in secret reserves is that he would like to hedge against possible losses on the capital values of investments, should the bank rate be raised or should any other contingency arise. There is undoubtedly considerable justification for making adequate provision against possible contingencies relating to the largest item of business.

For contrary to popular supposition, nearly all the investments on account of PL 480 deposits are in

Government and other Trustee Securities, and not in Treasury Bills or other comparable short-term securities, the values of which are more or less insulated against eventualities like a change in the bank rate. Why the State Bank should have got into the predicament of accepting term deposits for such huge amounts and paying interest on them at a rate which compels it to look for investments with a measurable yield—the latter could only be dated securities—is itself an intriguing question. The risk involved, however, must be obvious since yields commensurate with time deposit rates mean locking up the funds in securities which the bank may not and will not in fact be able to hold on till maturity, as the depositor is free to and will withdraw the deposits without waiting that long. The State Bank appears to have realised that the deposits on account of PL 480 are not an unmixed blessing, notwithstanding all the heart-burning that this privilege so far enjoyed by the State Bank has caused to the other banks and that the sooner this incubus is got rid of, the better would it be for the bank's orderly, staid and routine business.

Letter to the Editor

Expansionary Forces in the Economy A Comment

THE article "Expansionary Forces in the Economy — Do They Need Credit Curb?" published in *The Economic Weekly* of March 5, 1960 is important insofar as it stimulates thinking on a vital problem. However, the author fails to convince the reader that a rise in bank-rate is not called for in the present conditions. His main arguments in support of his thesis are the following three:

(1) Rise in bank rate would hardly affect the demand for bank credit, which arises because of the need for inventories;

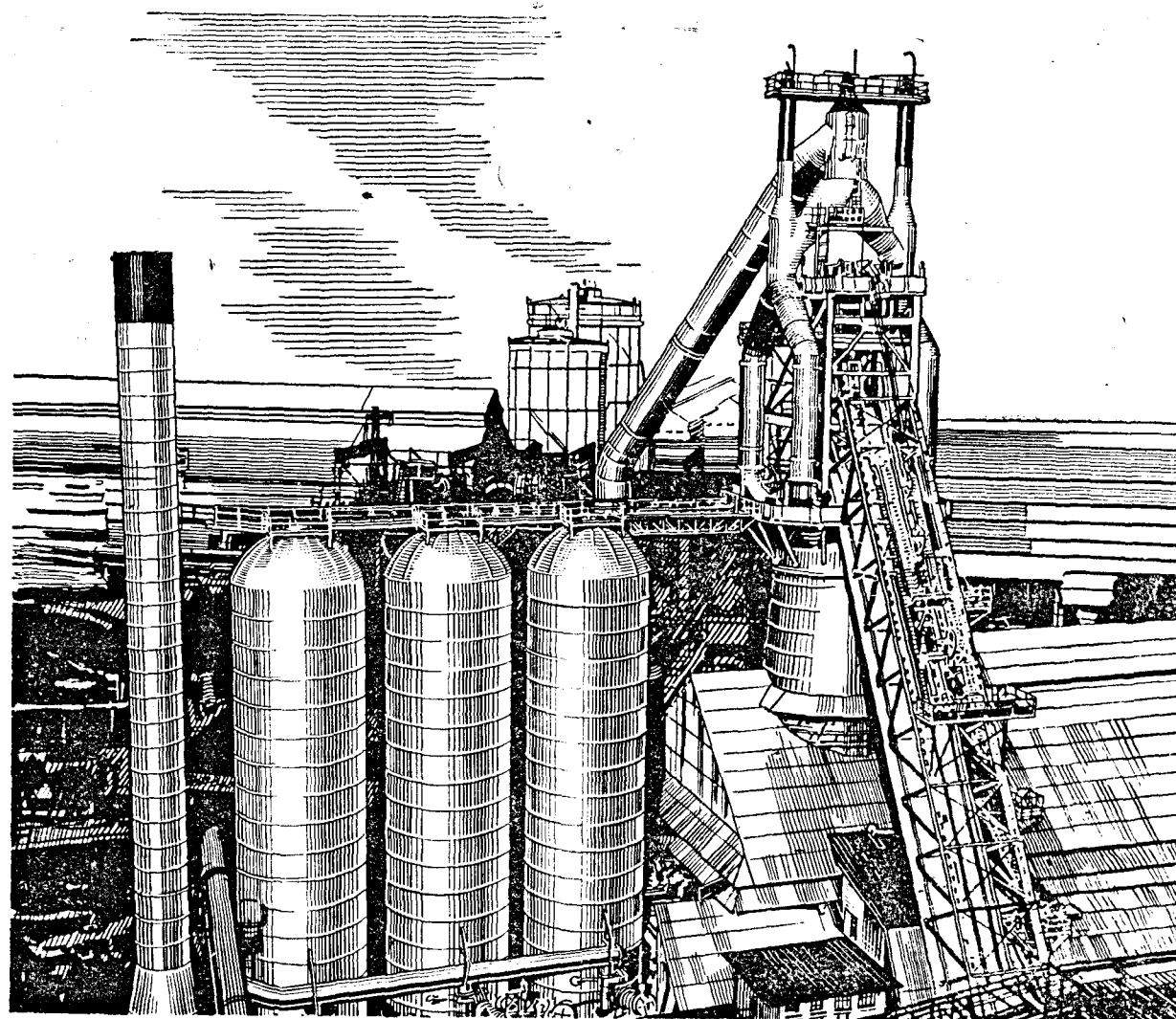
(2) Even if it does, it would be harmful because larger bank credit would be needed for inventories which it is essential to build up in order to work the plants to full capacity; and

(3) If the bank-rate is raised, the interest cost of government borrow-

ing would rise, thereby necessitating more deficit financing.

Now, if we accept the argument that changes in bank-rate have no effect on decisions to invest either in capital projects or inventories, then this is almost the end of the matter from this particular point of view. But if we have doubts about it, then some important things follow.

Although the author has drawn attention to a decline in private investment from 1956-57 to 1958-59 and 1959-60, he has not taken it into consideration that private investment in the Second Plan would far exceed the allocation made to it under the Second Plan. The process of investment has created savings but only at the cost of rising prices. A rise in private investment is expected in the coming year and if a rise in bank-rate can



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help in keeping it to manageable proportions, so that the rise in prices would only be modest, there is a case for raising the bank-rate.

However, there is the argument that investment would mainly be made in inventories which it is necessary to build up to achieve full capacity output. Two points should be remembered in this connection. First, in view of the shortage of certain industrial raw materials, there would be a tendency to build up larger stocks than would actually be needed. Second, it is unlikely that a rise in bank-rate would prevent the flow of credit to industries

for which the only limiting factor to producing full capacity output is insufficient level of inventories; the borrowers affected would rather be those whose prospects are somewhat more uncertain — the marginal borrowers.

As regards the last argument, that a rise in bank-rate would mean more deficit financing, the answer is given by the author himself when he points out that the economy can absorb larger amounts of deficit financing than at present postulated by the authorities. It may be pointed out in the end that, apart from

the arguments given above, we should not lose sight of the fact that bank-rate is already out of touch with other interest rates in the market and the Reserve Bank would lose all initiative if its rate is not raised. Moreover, even if a rise in the bank-rate does not exert much of an effect on the economy, foreign countries would still regard it as a sign of the determination of the authorities to maintain the "health of the domestic economy".

'SHADAN'

Bombay,
March 7.

Letter from Geneva

Banning Nuclear Tests

OVER fifteen months ago, the delegates of the three nuclear powers started the negotiations for banning nuclear tests. The delegates, their technical experts, scientific and political advisers and observers on behalf of the Secretary-General of the United Nations, have held nearly 180 meetings. The ultimate aim of this conference is to draft a treaty for the control, detection and inspection of nuclear explosions. Both sides, USA and UK on the one hand and the USSR on the other, started from fixed positions. But as the seasons progressed, compromises were found possible. Agreement has already been reached on twenty-three articles of the proposed treaty. There seems to be four different ways of exploding nuclear bombs—in the atmosphere, in outer space, under water and under-ground. The first three methods involve danger to human life, though the degree of this danger is still a matter of controversy among the scientists. The last, viz, under-ground explosions are claimed to be harmless.

UNDER-GROUND EXPLOSION

It is with underground explosion that the negotiators are now mainly occupied. The solution does not depend only on political considerations. The conference of experts in 1958 concluded that there was no adequate method yet of distinguishing earth-quakes from under-ground nuclear explosions. Seismology is still "under-developed". Considering the number of earth-quakes that take place every year in all parts of the world, it requires little skill in arithmetic to figure out that the inspection system would be turned

into an international fire-brigade. What should be the minimum number of 'on-site inspections' in order to detect 'under-ground events' is currently the basic problem confronting the members of the conference. There are, of course, other administrative and organisational details which remain to be settled. So, there may well be another 180 meetings, if not more!

What are the broad implications of the Control System which the nuclear powers are trying to establish? To detect an explosion in outer space — and perhaps behind the moon — would require five or six spaceships permanently circling the planets. Under the oceans, there would have to be about a dozen ships probing for violations. Altogether 160 Control Posts with a minimum staff of 30 in each post would have to be set up for the recording of under-ground movements. It is estimated that it would be necessary to establish twenty Control Posts in the territory of each nuclear power. Although Control Posts have not been organised yet, it has been decided that all signals would be channelled to headquarters in Vienna.

POINTS OF AGREEMENT

Who should finance this project? Which States should be members of the Control Commission? Should the despatch of 'Inspection Teams' be by a unanimous vote or should there be a right to veto? Nationals of which country should staff the Control-Posts? These are among the many questions which have been examined, debated and settled. The Control Commission would consist of seven members including the

three original nuclear powers. A conference of all the parties would be held once a year, or more if necessary. The signatories would contribute annually for the maintenance of the organisation. The staff of the Control-Posts would be one-third from the home country, one-third from the other nuclear powers and the rest from a neutral country. The administrator of the Control Commission is also likely to be from a neutral country. Larger representation of neutral countries would seem to be necessary for the smooth working of so formidable an organisation.

INSPECTION IN SOVIET TERRITORY

A great stir was created in the stagnant waters of the nuclear discussions when the Soviet delegate presented the proposal that a limited number of Western teams might be allowed to enter Soviet territory for the purpose of verification. Comrade Tsarapkin, the Soviet delegate, claimed that it was a major technical concession and added that it was designed to 'cut the ground' under the feet of the U S which was favouring a phased ban. A few months ago, when the right to veto and the reluctance of Soviet Russia to allow foreign nationals on her territory was being hotly debated, Comrade Tsarapkin told this correspondent in an interview that the West was distorting Soviet intentions for purposes of propaganda and that their aim was to demonstrate to the world that his country did not desire an agreement.

The Western reaction to the recent Soviet proposal has been milder than one would have expected. The Soviet proposal has been dis-

From the London End

The Balance of Interest in the Sterling Area

MUCH of the interest and discussion on the mechanism, problem and future of the sterling area has waned in recent years. This is possibly a result of the general recovery of sterling and the improvement in the British balance of payments. It may also be a reflection of the relative unimportance of the sterling area to some of the major problems of the international economy at the present time.

But the question of the future of the sterling area is by no means dead. The Oxford Institute of Statistics has just published an illuminating symposium of essays—contributors are from countries in the sterling area—which adds considerably to our knowledge of the sterling monetary system. More significantly, it highlights the delicate balance of interest which has so far held this rather fluid mechanism together. What is equally suggested by these essays is that some of the forces likely to disturb this balance may become more and more important in the future and difficult to control.

UNNECESSARY BURDEN

The symposium is based on an analysis of three possible courses of action which the U K may take in its relations with the overseas sterling area. These policies were put by the Oxford Institute to various contributors resident in the overseas sterling area and in the U K, with a view to eliciting not what might necessarily be the official view (on these policies) but rather the view which would command wide support in each of the countries concerned. The three alternatives put to the contributors were: the "Britain alone" policy, the tighter sterling "club" policy, and the policy of flexible exchange rates.

The first policy has been advocated for sometime now by Mr Alan Day and Mr A Schonfield (the financial journalist). They have argued that the sterling area has become an unnecessary burden on the British economy. Britain, being banker of the area, has had to give primary consideration to problems of external balance and currency stability at the cost of full employment and other forms of domestic balance. They have further argued that a not in-

considerable volume of British resources during the post-war years have had to be given to countries of the sterling area in the form of long-term capital exports. In spite of the fact that British industry was in dire need of capital and reconstruction. The pursuit of capital exports even to the point of injuring the growth of the British economy has not brought any material benefit to Britain.

Both Mr Day and Mr Schonfield have argued that the rate of profit has been higher in the U K than in most of the countries of the overseas sterling area, and further the income from capital exports has not been sufficiently large to justify these capital exports. Mr Day has made various calculations to suggest that the invisible income from the activities of the City of London in the provision of banking, insurance and other services to the overseas sterling area had not been large enough to dictate a British policy consistent with the requirements of the City of London. The outcome of these arguments is naturally one for dissolving the sterling area mechanism and for Britain to "go it alone". The only snag is, what should be done to Britain's sterling liabilities to the overseas sterling area? Mr Day has advised the Radcliffe Committee (which recently examined the British monetary system) that some arrangements should be worked out whereby the I M F could take over these British liabilities to the overseas sterling area.

STERLING CLUB

The second alternative, i.e., to convert the sterling area into a more tightly knit institution practising a greater degree of discrimination in favour of its members and against outsiders, has been propounded and propagated by a variety of people ranging from the far right (the late Mr L S Amery) to the left (by Mr T Balogh). Mr Balogh has for long advocated the view that countries whose Governments uphold a policy of maintaining full employment should be prepared to discriminate in each other's favour by means of quantitative import restrictions in the event of a slump in some other country. He has also stated that British investments in the overseas sterling area should be substantially increased while investments to non-sterling countries should be controlled. This type of club proposal inevitably in-

volves the setting up of rules and a paraphernalia of formalities which may be required to be fulfilled by each of its members.

FLEXIBLE STERLING EXCHANGE

The last of the three alternatives is that which Professor Meade and others have advocated for some years now. This alternative assumes a liberal world setting in which the price mechanism will be given the role to make all the necessary adjustments to the balance of payments. It is not possible here to detail the proposals of this school of thought except to state that one important modification has been made recently by the advocates of this policy. It is that in spite of full and free fluctuating exchange rates the degree of fluctuation may be controlled to something like 3 per cent rather than the present 1 per cent either side of the parity rate. For the sterling area a policy like this would mean that the currencies of the overseas sterling area will no longer be pegged to sterling at a fixed rate; in other words the link with sterling would be abandoned.

These three alternative lines of policy are examined in some detail by the Oxford Economist, M F G Scott in the Oxford Bulletin. He finds that each of these proposals is open to some objection; that they are all associated with an element of risk but that nevertheless they demand some attention. On that basis the views of representatives from the various sterling area countries are invited.

ARGUMENTS FOR STATUS QUO

The general discussion tends to show quite clearly that the whole institution of the sterling area has developed along lines which give Britain more advantages than received by the overseas countries of the sterling area. This balance of advantage which Britain possesses in the sterling area structure arises primarily from the fact that it enables Britain to borrow to the extent to which sterling balances are outstanding in the knowledge that the sterling area countries are most unlikely to demand full payment of these British liabilities, or to convert their sterling assets into gold, or to develop an alternative system of reserve holdings in US dollars or gold.

cussed as a "nibble at the phased approach" or given a lukewarm welcome as "a bit of move forward". There is little doubt however as to which side world opinion would shift, if the Soviet plan is not given careful consideration. To ban some types of tests and not others has the disadvantage of leaving any country free to conduct an explosion whenever it suits its fancy.

FRANCE BUTTS IN

A new comer has already demonstrated its skill in exploding a bomb despite the United Nations Resolution and world opinion and that, too, during the progress of negotiations. "How many bombs should France explode before it is qualified to become a nuclear power?" I asked Mr Wadsworth, the Chief United States delegate to this conference. Restraining a smile, he said that de Gaulle did not intend to join the 'nuclear club'. Earlier the British representative, Sir Michael Wright, had expressed the opinion that France was not invited to participate in the discussions for the simple reason that it was too late. One may well wonder what reason beside prestige did France have in exploding the bomb!

It was the possibility of another country succumbing to the same temptation that made me ask Mr Wadsworth whether he did not consider the problem urgent. He replied that the eventual capability of a country to test nuclear bombs is a long process. In any case, he said that tests in themselves are not dangerous. Recalling Comrade Tsarapkin's grim face when he was asked this question and his warning against playing with bombs, I asked the U S Chief delegate: Did he not think that the radiation effects from tests give cause for alarm? His answer was short: "the average man exaggerates fears".

CAN CHINA BE BROUGHT IN?

From this, we moved on to cost considerations. "Would it not be cheaper to have a Control-System than to manufacture and explode nuclear bombs?" To this, Mr Wadsworth replied that he did not know the cost of a nuclear bomb, but from commonsense, the Control-System would appear to be less expensive. After some reflection he added that the poor nations cannot be expected to contribute towards the maintenance of the System. But poor nations of yesterday may be rich nations of tomorrow. Being an

advanced country also implies the capacity to produce nuclear bombs. "Would China be expected to sign the proposed convention even if it is not 'recognised'?" "There are many instances of non-members of the United Nations", he said, "who are signatories to inter-national conventions". Switzerland was certainly one. That was rather amusing for even if Switzerland had an A-bomb where would it find the space for exploding it?

About the role of neutral countries in this elaborate system of control in the future, the United States representative was very optimistic. The reason why the choice of the Administrator falls on a neutral country was clearly because a member of the NATO or Warsaw Pact cannot be expected to be impartial. A similar view was expressed by the Soviet delegate with this difference that he did not mention the Warsaw Pact.

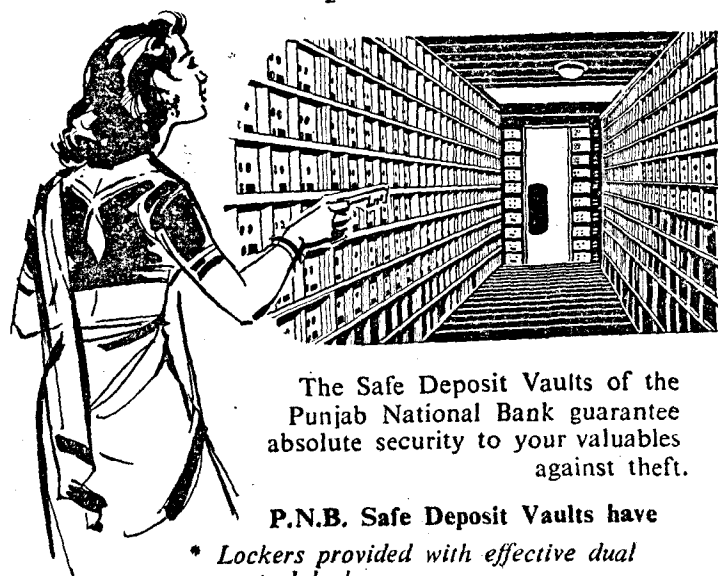
GOOD FAITH

The basic difference between the two sides was and still is the same.

U S and U K contend that only those tests should be banned which can be adequately controlled. U S S R would like to see that all tests are banned, whether there be an effective control system or not. When the British representative was asked why his country did not accept the Soviet proposal to ban all tests, his answer was that there could never be a full-proof system of control; and that 'cheating' was always possible. Ultimately, one comes down to 'good faith' in the conduct of inter-national relations and this hinges mainly on the outcome of Summit Conference. When there are mutual suspicions, the solution depends upon who stops suspecting first. Long-drawn out suspicions give rise to fear and it is this fear that has taken hold of the imagination of enlightened world opinion today.

If and when this treaty is signed, it will be a unique instrument. It will have to be world-wide in its application and there cannot be any escape clauses in it.

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The sterling area structure is seen quite clearly as providing advantages to Britain by making the system of imperial preferences operate in Britain's favour. The maintenance of the overseas sterling area as major market for British exports is paralleled by Britain's interest in seeing that the overseas sterling area maintain a surplus on trade with the non-sterling world. All these advantages, therefore, tend to suggest that Britain will always press for the maintenance of the *status quo* and not consider any of the three alternatives outlined above. The present structure of the sterling area provides just that element of discrimination which can enable Britain to pursue liberal trade policies with the rest of the world.

FREE CAPITAL MOVEMENTS

The overseas sterling area countries, in the light of their response to these alternatives, can be divided into two groups. There is first, the white dominions who find in the sterling area system the advantage of free capital movements and in particular the supply of long-term capital from the U.K. Even this latter point is now being questioned, particularly by the Australians. The second group comprises of India, Pakistan and the African colonies. They have seen little of British capital exports in the post-war years and to them the sterling area system is more important from the point of view of the financing of international trade. Here again developments are taking place, particularly in the case of India, which tend to reduce the calls being made on London banks for their services.

The Australians do not appear to favour any of the alternatives. The Day-Schönfeld line of approach is treated with open hostility, largely because it involves the virtual freezing of their sterling assets in London, and secondly because it may cause some contraction in the supply of long-term capital for what is considered to be necessary in the present phase of Australian development. The latter point is however advanced with a certain degree of equivocation. The view advanced by the Australian contributors to the symposium is that British capital investment in Australia is increasingly becoming marginal to the total volume of the investment effort now being made within that country. On the other hand it is recognised that Australia will be a

net capital importer for some years to come and that the connection with Britain will, to a large extent, be dependent upon this fact. The Australians do not like the club proposals because they feel that it may impinge upon their sovereignty and their independence, especially in the development of third markets for what they regard to be the rising volume of manufactured export goods.

This view is advanced by New Zealand as well. The great problem in New Zealand in much of the post-war years has been its dependence on the British market which takes well over 60 per cent of its exports. New Zealand has been searching for new markets, particularly in Western Europe and the contributor from New Zealand argues convincingly that some club arrangements which could include Western Europe may be a far more attractive proposition than a club comprising the present sterling area members. Both these countries apparently find the proposals for a flexible system for exchange rates unattractive. It would mean, in their view a persistent depreciation in the value of their sterling assets, since, as they understand it, no sterling area country in a world of fluctuating exchange rates can withhold the temptation to speculate against sterling in a falling market.

INDIA INDIFFERENT

The contribution from India is indifferent and not particularly illuminating of the Indian attitude towards these questions. It is clear that the sterling area arrangement is not important to the Indian economy with regard to the supply of capital. Imperial preferences no longer provide the same degree of stimulation to Indian exports as in the past, except possibly for Indian cotton goods to the African colonies. The degree of Indian preference for British goods in India is insignificant. By and large, so the Indian contribution states, the value of the sterling area system is the convenience which it provides for multi-lateral settlement. If the sterling area were to be abandoned by Britain then the only loss which India would experience would be this convenience.

There is little recognition in the Indian contribution to the savings that would arise as a result of the growth of international banking and

financial functions by Indian institutions, but this is certainly not significant. Therefore, from the point of view of India it would so appear that the sterling area occupies a relatively indifferent position in Indian policy. Very little comment is made on the actual proposals though very clearly the proposal for a tighter club is rejected outright.

HIGH INTERNAL COSTS

The cases for Nigeria and Ghana as well as the West Indies are made in the symposium by Oxford economists who are specialists in African and colonial economics. They find that the sterling area system, insofar as these colonies are concerned, has provided for rapid and regular loans to be made to the U.K. and for the maintenance of a structure of high internal costs because of the imperial tariff preferences granted to British goods. Clearly the balance of advantage is not with the colonies, but with Britain.

By far the most instructive of the contributions in the symposium is provided by Mr F. Shehab who writes on the monetary system of Iraq and the factors which contributed towards Iraq's departure from the sterling area. The explanation indicates quite clearly the way in which the sterling area has inhibited Iraq's internal developments and had made Iraqi finance and trade subject wholly to the dictates of British economic and financial policy since the end of the first world war. Even the creation of an Iraq Central Bank did not change this strong element of dictation. For these reasons the writer finds the Iraqi decision to leave the sterling area justifiable and, therefore, states unequivocally that Iraq possesses no interest in the sterling area system except in the stability of sterling, since a fairly substantial proportion of Iraq's foreign exchange assets continues to be tied up in sterling securities.

Clearly the balance of advantage is heavily weighted in favour of the United Kingdom. With the growing interest now taking place in the overseas sterling area for wider markets and development of local financial markets, the links with sterling will loosen and in the process the sterling area structure may very well need revision. The indications however are that the revision is unlikely to follow any of the three alternatives so far canvassed.

Book Reviews

The Great Subversive

F. F. Clairmonte

World without War by J. D. Bernal, with the assistance of F. Aprahamian. Routledge and Kegan Paul, London, 1958. Pp 308. Price 25 s.

THIS work is a vital contribution to contemporary thought by one of the world's top crystallographers and the author of such distinguished works as the *Social Function of Science* and *Science in History*. Professor Bernal's present work is concerned primarily with the scientific, technical and quantitative economic aspects of the process of transforming the world, rather than the political driving forces that will ensure that this transformation is actually carried out.

Writing before the launching of Lunik III, the author pinpoints that war which was always wicked has now lost all sense, and in fact has ceased to be a way of imposing the will of the strong on the weak; it has become suicidal madness. With the ending of arms race and a diversion of funds that are now feeding the arms boom, the underdeveloped regions can fully transform themselves within a generation. With a wealth of historical and statistical data, Bernal shows that the Myrdalian 'moving apart process' can be quickly reversed.

The book does not deal exclusively with the economics of underdevelopment, but encompasses in broad strokes the social and economic implications of automation, economic problems of industrial countries, Britain's position in the new industrial world, the claims of scientific research, education and research for the New World and other related topics that are of planetary significance.

Bernal's analysis of the food and population problem is particularly illuminating, but his position on population policy is not made explicit in this volume, although since then Bernal has defined it. From recent ECAFE data we see that the present rate of population growth in that region is 1.7 per cent per year. Assuming a continuing decline in mortality but no decline in fertility, projections show that the rate of increase in the region will have risen to 2.3 per cent per annum in twenty years time. In a number of countries, the rate of increase will be

above 3 per cent. In about thirty years, the projected population of the region, on these assumptions, will have doubled and will be equal to the whole population of the world today.

Bernal argues that the crux of the food problem does not hinge primarily on the demographic question, but on the extent to which institutional and political changes occur and, inevitably, on the scale and magnitude of the success of socialism. Hence the food-demographic question is basically a political and not an economic or biological one. There are certain passages in this book which his critics have seized upon to level the charges that the author is a peddler of Roman Catholic obscurantism; such sentences that birth control is being foisted on the less developed countries so "that people in wealthy countries would no longer be offended by the knowledge of starving millions and could then feel exempt from doing anything to help or even from letting them help themselves" weakens the work and leads to misunderstanding. They could be omitted in subsequent editions.

I strongly suspect that Bernal has underplayed the potency of the demographic virus in order to focus attention on—given his Marxist propensities—the more glaring social aspects of the real problem. It is hardly open to debate that a fast growing population with a decreasing percentage of the population in the most productive age groups will need to spend a rising proportion of the nation's income on food and other basic necessities, reducing the surplus that could be siphoned into capital formation and other developmental expenditures, including the investment in education. Is it necessary to emphasise that the amount of capital available per worker is inadequate in almost all the underdeveloped countries, given the present rate of savings, to provide jobs for the fast mushrooming labour forces? It is not fortuitous that China and Japan, not to speak of India, have embarked on syste-

matic family planning as a means of meeting this danger.

Birth control, however, does not operate within a social vacuum. Indeed, the same social dynamic driving force or human transmission belt that can be used for pushing through a land reform as in China, can equally be switched for a population cutback policy. In the case of authoritarian China we see a disciplined mass of dedicated rural activists at every level of the commune; in India such a transmission belt is non-existent. This has been proved by the failure—among others—of the community development projects. A population cutback policy can, therefore, be successful only if it is simultaneously wedded to a mass frontal assault against the entrenched forces of reaction. For purely technical reasons, as Bernal points out, the diffusion of birth control will not reduce the population to a stationary state in anything like five years. If, however, it were to do so, then it would result in a critical manpower shortage in two decades, precisely at a time when manpower will be most urgently needed on the labour market. The author, despite his ebullient optimism, does not visualise a transition of any of the present underdeveloped countries to a fully fledged developed economy in less than a generation.

To focus attention uniquely on the demographic indicator while ignoring the non-existence of certain basic institutional changes within many of the underdeveloped countries is disingenuous. Many of these countries since independence have been caught in the whirligig of corruption; land reforms have proved abortive; tenancy legislation remains divorced from practice; in many cases agricultural production is below pre-war and standards of agricultural labourers have not risen appreciably; and the failure of many of their leading political parties to inspire greater confidence and enthusiasm in carrying out the desired social transformation is blatantly evident.

Bernal analyses the question of food production in terms of the irrationalities which he sees in capitalist societies and notes that the crisis that struck the American automobile industry over the last two years would have furnished enough tractors to produce at least 200 million extra tons of foodgrains. Similarly a few million tons of surplus oil would have permitted the people of India to utilize their cowdung for manure instead of for fuel and boost considerably their food output. Chronic excess capacity, in his view, is symptomatic of contemporary capitalism.

The reason why these surpluses are not funnelled rationally into the underdeveloped world is because the laws of the profitariat dictate otherwise. "It is not that malnutrition could not be ended in two or three years; the laws of profit require restriction of food production to keep up prices". What the author envisages as a first stage is an immediate increase of two pounds per head daily of foodgrains divided over the world population. To satisfy the 50 million emergent mouths requires a production boost of three quarters of an ounce per head. With our present tested knowledge and available techniques this is more than feasible. "By all means let us spread birth-control information and encourage research on it, but let us keep our sense of proportion. It is not politics or religion, but the sheer weight of facts that should lead us to see that population pressure is but a small factor in the dangers and miseries of our time."

When Bernal speaks of the wonders of science, he is referring specifically to a given social context—i.e., a socialist order. It is nonsensical to invoke, as certain statesmen in the less developed countries habitually do, science and technology as the great cure-all without relating them to the social revolution which is its generator and conditioner.

"The time-table of transformation" is perhaps one of the most brilliant short essays that this reviewer has read on the economics of growth. He gives us a synoptic picture of these changes. As he notes, the scientist is chary of making forecasts involving rates of change. When indicating which are the stable and unstable arrangements of material systems, thermodynamics postulates that the unstable will of

themselves turn into the stable, but it cannot say at what rate they will do so. Bernal is aware that in charting his map of the future, he is dealing with two of more or less unpredictable unknowns interacting with each other—politics and scientific discovery. Operation Plenty is not a utopian concoction in the grand manner of the Wellsian visionaries, but a realistic extrapolation of discernible contemporary historical forces.

Though he believes firmly that vested interests within capitalism would oppose a policy of general disarmament, he thinks nevertheless that their positions are being undermined by the very forces triggered by modern science. However costly rocket hardware may be, they can be no substitute as profit makers for all the tanks, ships and

aircraft that they have superceded nor do they require the vast hordes of millions of servicemen. As is now generally recognized, military expenditure is notoriously the one in which it is easiest to make profits, because the hardware is usually wanted quickly, and no embarrassing questions about costs are raised; they are used immediately in war or become obsolete. Their traditional value is that they do not compete with new production. If it is true that American capitalism is living off an arms boom, then it is not difficult to see his point that the velocity of scientific advance is also undermining its rationale.

It is impossible for any reviewer to do justice to the extraordinary breadth of this "great subversive" as an American editor called him. This small book, which we hope



Well done,
weaver -
now you need
a cup of tea!

will be revised in the near future, should be obligatory reading for members of the Planning Commission, not to speak of our teachers of economics and our honours students. Compared to much of the humbug and intellectual shadow-boxing of much Indian and American writing on development, this book is in a separate category. I could only think of another writer that could match his performance in terms of analytical virtuosity and human depth: Gunnar Myrdal.

Summarizing the mental anguish that society inflicts on its scientists Bernal writes:

"What we have lost, particularly in the old capitalist countries, and what really gives salt to life is purpose We have almost forgotten the possibility of a real constructive purpose into which we can throw the whole of our energies and intelligence. When I think of myself, after nearly a full lifetime of scientific work, I still resent the fact that I have, never had, at any time

of my life, the possibility of really planning and doing things that would be practical and useful for humanity. The only time I could get my ideas translated in anyway into action in the real world was in the service of war. And though it was a war which I felt then and still feel had to be won, its destructive character clouded and spoiled for me the joy of being an effective human being."

How many of our leading scientific workers are capable of thinking on these lines?

World's Biggest Census

Ranjan Kumar Som

China's Population: Census and Vital Statistics by S Chandrasekhar, Hong Kong University Press, Oxford University Press, Hong Kong 1959. 69 pp. Price H K \$ 4.

IN this book, the author, who visited the People's Republic of China in November-December 1958, has brought together the available information on the Census of 1953 and other official statistics relating to the People's Republic of China. This is a very valuable collection. The author, however, has reserved his comments and comparisons, evaluation and general conclusions for a forthcoming volume in which he intends to discuss the population problems and policy of China. A technically minded reader is thus disappointed in not having any evaluation or analysis along with the factual data. As a matter of fact, especially for a country like China which with its vast size had undertaken a nation-wide Census on scientific basis only in 1953, much of the meaning of the data thrown up would be lost without proper evaluation. The net under-enumeration of population has been estimated to be of the order of 0.12 per cent. This is remarkable and hard to accept at face value in view of the reported under-enumeration of about 2 per cent (obtained on basis of a sample check) in the Russian Census of 1959 and about 1.4 per cent under-enumeration in the U S A Census of 1950.

In discussing rural-urban differences in population, the author says that "nominally" a city in China was a place of more than 1 lakh population. In the official publication, "Collection of Statistical Data on Socialist Construction" by the People's Republic of China, State Statistical Bureau published in 1956 (Chinese original), however, it was

stated that cities with population less than 1 lakh were seen to constitute a high proportion, about one-third of all the cities. The point has been well made that there was no experimental or pilot survey of pretesting of the Census schedule in China. The necessity of pretesting of Census questionnaires is not always realised even in countries with a tradition of Census, but in a country like China, with almost no previous experience of Census, the consequences of this neglect are likely to be much more serious.

The age distribution of China, with about 37 per cent of the population under age 15, has been stated to be a "favourable one in the future growth of Chinese numbers". The implication of this younger age pattern, which is typical of the pre-industrial economies, could be mentioned—namely an unfavourable dependency load and labour supply position, a proportionately bigger investment in and depreciation of human capital (United Nations: "Determinants and Consequences of Population Growth", 1953; National Sample Survey, Report Number 14: "Some Characteristics of the Economically Active Population", Government of India, 1958).

The mention of a "nominal" annual rate of increase of 2.3 per cent has been made in discussing the growth of population: such a rate, it will be noted, is conventionally regarded as being on the high side.

The author plunges into a number of controversial questions in his conclusions. He states, for example, that "in a democracy a large popu-

lation is a liability in an underdeveloped country". Would he suggest that in an underdeveloped country, one has to turn away from democratic methods in order to convert this liability into an asset? As a factor of development, population cannot be related to the level of living by a simple equation. We have no comment to offer on his statements: "In China the huge population may be an asset in the sense that people are expendable in a totalitarian economy" and "On the answers to these questions may well depend the future of the coming generations and the survival of our free way of life."

Iron Ore Export to Czechoslovakia

According to a contract concluded last month between the State Trading Corporation and Metalimex Foreign Trade Corporation, Prague, India will supply 1.2 million tons of iron ore to Czechoslovakia in 1960. Czechoslovakia is the second largest buyer of iron ore from India, being next only to Japan, and the largest buyer of low grade ore.

High grade iron ore from Orissa is exported through Calcutta, while ore from Bellary-Hospet mines is sent through Madras and Bombay. Some minor ports, such as Karwar, Belkery and Mangalore, also have a share in the export of iron ore. Low grade iron ore from Ratnagiri district is loaded entirely through the port of Redi. Czechoslovakia will utilise Indian shipping to the maximum possible extent for the ore cargo.

The Budget 1960-61

An Assessment

R K Hazari

THE accompanying table presents data from 1956-57 to 1960-61 adapted from Explanatory Memoranda issued with the annual Budget. Gross elements have been eliminated from the figures, as far as possible, and all capital receipts, except repayment of loans to Government, have been taken *net*. This separates Government payments which are of a contractual or sporadic nature and, therefore, non-developmental, from development outlays. It also highlights the relative importance of certain sources of finance for meeting capital expenditure. The figures differ from those in Explanatory Memoranda due to the adjustments made for presenting a layman's picture of Central Government finances. This assessment is not concerned with the analysis of Plan finances; it is merely a synoptic view of the ways and means position of the Central Government.

Assuming that budget estimates for 1960-61 are fulfilled, revenue receipts over the five year period will go up by Rs 330 crores, from Rs 590 crores in 1956-57 to Rs 920 crores in 1960-61. The bulk of the revenues accrues from taxes, which have contributed an additional Rs 231 crores, rising from Rs 508 crores to Rs 739 crores. Non-tax revenues, however, have more than doubled from Rs 82 crores to Rs 181 crores. As a result, the share of the latter in total revenue receipts has moved up from 13 per cent to nearly 20 per cent. There is thus a clear and steady trend of relatively larger contributions from non-tax sources. Major heads under this item are interest receipts, dividend from railways, currency and mint, surcharge on iron and steel, and civil administration.

The Central Government's revenue structure, therefore, appears more

broad-based than at the beginning of the Plan, especially since a number of new taxes have also been imposed during the Plan years. This does not seem to be entirely correct, however, on closer analysis. Most of the new taxes have fetched little, while a large part of non-tax receipts are merely revenues that accrue back to Government from inflationary financing, e.g., profits on coinage and from Reserve Bank, and interest on loans advanced to State Governments and others. Additional tax revenue gathered over the four years from 1956-57 to 1959-60 actually amounts to Rs 177 crores only. This is hardly an encouraging performance, against the background of increase in money incomes, industrial production and the new taxes that were imposed during the period as well as immediately before it.

Revenue expenditure over the five year period is expected to rise from

Budget of the Government of India (1956-57 to 1960-61)

		(Rs Crores)						
		1956-57	1957-58	1958-59	1959-60	1959-60	1960-61	1956-57 to 1960-61
		Accts	Accts	Accts	Budget	Revised Budget	Budget	1960-61
I	Revenue Receipts	590	726	758	780	839	920	3833
	(i) Tax Revenue	508	606	615	619	675	739	3143
	(ii) Non-tax Revenue	82	120	143	161	164	181	690
II	Revenue Expenditure	501	684	763	839	854	980	3782
	(i) Defence Expenditure	192	257	251	243	244	272	1216
	(ii) Civil Expenditure	309	427	512	596	610	708	2566
III	Surplus (+) or Deficit (—) (I-II) on Revenue Account	+ 89	+ 42	— 5	— 59	— 15	— 60	+ 51
IV	Capital Receipts	255	253	543	755	706	787	2544
	(i) Long Term Loans (net)	86	94	370	398	330	444	1324
	(ii) Small Savings & Unfunded Debt (net)	78	85	94	213	189	126	572
	(iii) Loans Repaid to Government†	42	61	67	53	94	55	319
	(iv) Addition to Depreciation & Other Reserve Funds (net)	— 7	— 23	— 39	— 16	— 17	— 11	— 83
	(v) Other Deposits & Advances (net)	33	25	42	95	99	161	360
	(vi) Miscellaneous (net)@	9	11	9	12	11	12	52
V	Capital Disbursements	528	754	786	918	867	879	3814
	(i) Development Outlay	231	346	365	256	222	302	1466
	of which (a) Railways	(107)	(152)	(126)	(122)	(85)	(121)	(591)
	(b) Industrial Undertakings	(66)	(148)	(187)	(54)	(64)	(95)	(560)
	(ii) Defence Capital Outlay	20	23	28	33	36	38	145
	(iii) Compensation to Displaced Persons	20	13	5	5	3	5	46
	(iv) Schemes of Government Trading	12	47	23	32	9	27	118
	(v) Loans & Advances (of which to States)	255	334	400	497	505	508	2002
	(vi) Other Expenditure*	(198)	(276)	(294)	(291)	(283)	(332)	(1383)
	(of which to States)	— 10	— 9	— 35	95	92	— 1	37
VI	Surplus (+) or Deficit (—) on Capital Account	—273	—501	—243	—163	—161	—92	—1270
VII	Overall Deficit or Surplus	—184	—459	—248	—222	—176	—152	—1219
VIII	Financing of Deficit							
	(i) Change in Floating Debt**	+240	+459	+230	+222	+192	+152	+1273
	(ii) Change in Cash Balances	+ 56	..	— 18	..	+ 16	..	+ 54

† After deduction of Inter-State Settlement and Transfer of Development Assistance from U.S.A.

@ Appropriation for Reduction or Avoidance of Debts, Discount Sinking Fund (net), and Payment by Reserve Bank for Rupee Coin.

* Commutation of Pensions, Currency, Coinage and Mint.

** Includes funding of Treasury Bills at the Reserve Bank, but excludes sales to the public.

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Rs 501 crores to Rs 980 crores, i.e., by Rs 479 crores. Defence expenditure has increased during this period by Rs 80 crores from Rs 192 crores to Rs 272 crores, but its share in total expenditure has fallen from 40 per cent to 30 per cent. It rose from Rs 192 crores in 1956-57 to Rs 257 crores in 1957-58, but declined thereafter by nearly Rs 13 crores to Rs 243 crores in 1959-60; it is expected to move up to Rs 272 crores in the coming year. Civil expenditure will more than double over the period from Rs 309 crores to Rs 708 crores, an increase of Rs 399 crores. Unlike revenue receipts which tended to be somewhat sticky between 1957-58 and 1958-59, civil expenditure has risen at a fairly steady pace.

REVENUE DEFICITS

Revenue surpluses could be secured only in the first two years of the Plan; since then there have been small deficits every year. The increase in expenditure has outstripped revenue over the period by Rs 149 crores. Despite all the talk about the heavy burdens of taxation, it is clear that Government has not been successful in effecting the maximum economies in expenditure and in maximising its revenue receipts, to finance current expenditure from current revenues. It has preferred to rely increasingly on the capital account for meeting its current expenses. True, the revenue deficits in 1958-59 and 1959-60 have been small and the estimate of the revenue deficit of Rs 60 crores for 1960-61 might turn out to be on the higher side. But Shri Morarji Desai claims that his Budget lays the foundations for a sound resource base for the Third Plan. The Budget provides little justification for this claim. On the contrary, it seems to be based on the belief that, given the current levels of revenue and expenditure, the limit of deficit financing contemplated in the Plan is not likely to be exceeded, and hence no substantial tax effort is needed to maximise tax revenues.

CAPITAL OUTLAY

Over the period as a whole, capital outlay is expected to exceed revenue expenditure which is a measure of the impact of planned development on Government finance, especially when it is remembered that revenue expenditure also contains a fairly large measure of ex-

penditure on development activities. Capital disbursements have risen steadily from Rs 528 crores in 1956-57 to Rs 867 crores in 1959-60 (revised) and are expected to reach Rs 879 crores next year. The increase, however, is actually not so impressive as it appears at first sight. There was no significant change between 1957-58 and 1958-59, while the increase in 1959-60 (revised) over 1958-59 was largely due to the additional contribution paid to the I.M.F. But for this contribution, capital disbursements in the current year would have been lower than in the previous year, despite a significant expansion in loans and advances. This is explained by the fact that development outlay has been tending to decline since the passing of the hump in the second and third years of the Plan. Development outlay rose from Rs 231 crores in 1956-57 to Rs 365 crores in 1958-59 and has declined thereafter to Rs 222 crores in 1959-60 (revised). The Budget estimate for 1960-61 is Rs 302 crores. The fluctuations in development outlay are largely due to fluctuations in its two major components, railways and industrial undertakings. Under both these heads, the investment has varied considerably from year to year. The outlay on railways rose from Rs 107 crores in 1956-57 to Rs 152 crores in 1957-58, fell to Rs 126 crores in 1958-59 and declined further to Rs 85 crores in the current year; the estimate for 1960-61 is Rs 121 crores. Investment in industrial undertakings has been even more wobbly. It shot up from Rs 66 crores in 1956-57 to Rs 143 crores in 1957-58 and Rs 187 crores in 1958-59; the current year has witnessed a steep decline of Rs 64 crores, while outlay next year is estimated at Rs 95 crores. It may be pointed out that development outlay in 1959-60 (revised) is even lower than in 1956-57.

LOANS AND ADVANCES TO STATES

The major part of capital disbursements is actually not developmental outlay on the Central Government's own account but consists of loans and advances, most of which go to the States for financing their capital expenditure. These loans and advances have doubled over the Plan period, from Rs 255 crores in the first year to Rs 508 crores in the last. Unlike direct development outlay, they have risen consistently.

An interesting point in this connection is that the share of States in these loans and advances has tended to decline over the period from about four-fifths to about three-fifths or two-thirds. Other loans and advances are given largely to the Central Government's own undertakings and to steel and shipping companies.

Defence capital outlay is expected to almost double over the Plan period from Rs 20 crores in 1956-57 to Rs 38 crores in 1960-61. Government trading schemes have absorbed a capital outlay of about Rs 118 crores over the five-year period, while compensation to displaced persons has taken up another Rs 46 crores; the latter item is tending to taper off now. Other expenditure is largely on account of additional contribution to the I.M.F.

OVER-ALL ACCOUNTS

The capital account has been in deficit all through the Plan period. Total deficit on capital account is expected to aggregate Rs 1270 crores, inclusive of the funding of Rs 450 crores worth of *ad hoc* Treasury Bills at the Reserve Bank. Most of this deficit was incurred during the first three years, which alone account for Rs 1017 crores. The small revenue surplus of Rs 51 crores over the five-year period will reduce the over-all deficit to Rs 1219 crores. This has been financed wholly by borrowing from the Reserve Bank. Total increase in floating debt over the period will aggregate Rs 1273 crores. On the eve of the Second Plan, Government cash balances had already been reduced to such a low level that deficits could no longer be financed by drawing them down. Borrowing had, therefore, to be resorted to not merely to finance the deficit but also to replenish the cash balances by Rs 54 crores in order to maintain them at a minimum level.

The amount of deficit financing during the Second Plan at Rs 1219 crores will, therefore, not be far outside the Plan estimate of Rs 1200 crores, so far as the Central Government is concerned. The deficit of Rs 152 crores estimated for 1960-61 is actually likely to be smaller than this amount not only because expenditure may as usual fall short of, and revenues exceed expectations, but also because the amount does not take credit for receipts from sales of Treasury Bills to the public.

OF INDIA AS AT 31ST DECEMBER 1959

As at 31st December 1958		PROPERTY AND ASSETS		As at 31st December 1959	
Rs.	nP.	Rs.	nP.	Rs.	nP.
52,73,57,495	82	1. Cash :			
		In hand and with Reserve Bank including foreign currency notes)			60,31,65,943
2,73,52,994	59	2. Balances with other Banks :			
		On current account On deposit			
		(i) In India Rs.		4,52,19,135	53
2,10,66,666	67	†(ii) Outside India Rs. 4,52,19,135.53 Rs.			4,52,19,135
		† Including Rs. 2,04,19,319.64 held abroad under special arrangement			2,46,66,666
		3. Money at Call and Short Notice :			
		4. Investments			
		(Securities valued in accordance with Regulation 73; shares, debentures or bonds at or below cost) :			
		(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments		362,81,44,192	92
		(ii) Shares authorised under the State Bank of India Act, 1955			
		Fully paid-up Rs. 74,24,368.43		1,50,24,368	43
		Partly paid-up Rs. 76,00,000.00		2,80,64,225	50
		(iii) Debentures or Bonds		9,97,37,136	82
284,55,39,287	30	(iv) Other Investments—Pakistan and other Government Securities, etc.			377,12,69,923
		†Of which investments of the face value of India Rs. 11,50,00,000 and Pakistan Rs. 2,37,80,600 are pledged against borrowings from other Banks, Agents, etc., per contra.			
		5. Advances :			
		§(I) Loans, Cash Credits, Overdrafts, etc.—			
		(i) In India Rs. 148,65,45,994.46		152,25,18,737	20
		(ii) Outside India Rs. 3,59,72,742.74			
		§Include medium term advances amounting to Rs. 1,00,53,333.33			
		¶(II) Bills Discounted and Purchased—			
		(i) Payable in India Rs. 10,48,77,233.56		14,62,86,972	26
172,06,19,519	40	(ii) Payable outside India Rs. 4,14,09,738.70			166,88,05,709
		¶Of which bills of the value of India Rs. 1,00,00,000 are held by the Reserve Bank of India and Pakistan Rs. 1,50,00,000 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 :			
		(i) Payable in India		3,07,36,405	25
2,50,43,190	79	(ii) Payable outside India		25,88,096	30
1,18,58,959	83	7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per contra			1,46,42,202
		8. *Premises less Depreciation :			
		Total Cost up to the 31st December 1958		1,32,62,953	72
		Additions (Rs. 2,69,683.85) less Deductions (Rs. 277.69) during the year		2,69,406	16
		Depreciation written off up to the 31st December 1959 less depreciation previously provided on property which has passed out of the Bank's possession		1,35,32,359	88
1,22,30,603	72			13,33,868	00
		9. *Furniture and Fixtures less Depreciation :			
		Total Cost up to the 31st December 1958		1,22,41,085	73
		Additions (Rs. 28,67,254.67) less Deductions (Rs. 27,055.40) during the year		28,40,199	27
				1,50,81,285	00
		Depreciation written off up to the 31st December 1959 less depreciation previously provided on property which has passed out of the Bank's possession.		38,72,475	78
95,65,829	64	10. Other Assets, including Gold and Silver :			1,12,08,809
		Bullion		2,85,09,359	96
		Adjusting Account of interest, commission, etc.		2,48,27,377	22
		Stationery, Stamps, Suspense (including tax recoverable), etc.		80,02,000	00
3,76,04,832	55	Shares in Subsidiaries			6,13,38,737
		11. Non-banking Assets Acquired in Satisfaction of Claims			
		12. Profit and Loss			
523,82,39,380	31	Total		Total	624,58,40,120

* In addition to the credit of Rs. 24,75,000 pertaining to the final dividend for 1958, a sum of Rs. 30,93,750 was credited to this Fund on account of the interim dividend declared in July 1959. A sum of Rs. 35,31,909 was appropriated from this Fund during the year, under the authority of the Reserve Bank of India, in respect of the losses for the years 1957 and 1958 of the new branches established under Section 16 (5) of the State Bank of India Act, 1955, vide item 7 of the Profit & Loss Account.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1959

Year ended 31-12-1958	EXPENDITURE	Year ended 31-12-1959		Year ended 31-12-1958	INCOME (less provision made during the year for bad and doubtful debts and other usual or necessary provisions after taking credit for excess in- come tax deducted at source)	Year ended 31-12-1959	
		Rs.	nP.			Rs.	nP.
6,24,59,623 23	1. Interest paid on Deposits, Borrowings, etc.	7,87,89,963 94		* 12,21,11,007 32	1. Interest and Discount	14,52,93,668 06	
	2. Salaries and Allowances and Provident Fund (including Salaries and Allowances of Chairman Rs. 44,405.76, and Managing Directors Rs. 1,03,285.50 for the year)	6,99,66,433 92		3,53,49,780 09	2. Commission, Exchange and Brokerage	3,60,58,940 07	
6,06,25,866 48				3,36,645 07	3. Rents	3,78,024 20	
1,02,210 00	3. Directors' and Local Board Members' Fees and Allowances	1,02,690 00			4. Net Profit on Sale of Investments, Gold and Silver, Land Premises and other Assets		
32,23,209 53	4. Rent, Taxes, Insurance, Lighting, etc.	37,47,364 34			5. Net profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets		
1,32,041 07	5. Law Charges	1,72,455 82			6. Income from Non-banking Assets, and Profit from Sale of or Dealing with such Assets		
25,94,513 96	6. Postage, Telegrams and Stamps	28,85,396 66			7. Other Receipts—Recoveries from the Integration and Development Fund for the years 1957 and 1958	35,31,909 00	
75,000 00	7. Auditors' Fees	75,000 00			8. Loss		
17,14,457 76	8. Depreciation and Repairs to the Bank's Property	20,47,474 31					
35,20,805 46	9. Stationery, Printing, Advertisement, etc.	36,62,953 08					
	10. Loss from Sale of or Dealing with Non-banking Assets						
43,35,521 97	11. Other Expenditure	51,02,364 03					
1,90,14,183 02	12. Balance of Profit	1,87,10,445 23					
15,77,97,432 48	Total	18,52,62,541 33		15,77,97,432 48	Total	18,52,62,541 33	

As at 31st December 1958	PARTICULARS OF ADVANCES	As at 31st December 1959	
		Rs.	nP.
154,31,57,987 76	(i) Debts considered good in respect of which the Bank is fully secured	150,59,99,960 34	
1,92,66,974 55	(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security	2,31,96,147 45	
15,81,94,557 09	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	13,96,09,601 67	
	(iv) Debts considered doubtful or bad, not provided for		
172,06,19,519 40		166,88,05,709 46	
9,37,494 63	(v) Debts due by Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	9,28,755 88	
51,02,52,674 25	(vi) Debts due by companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	43,78,72,500 68	
9,72,698 45	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	11,91,419 55	
53,23,43,378 61	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or in the case of private companies, as members	60,47,64,641 27	
1,22,11,035 72	(ix) Due from banking companies	8,07,53,498 20	

* Consequent upon the new procedure of deduction of tax at source introduced by the Finance Act, 1959, credit has been taken in the accounts for the year 1959 for anti-deducted tax refunds; previous year's figures are therefore not strictly comparable.

REPORT OF THE AUDITORS

TO THE PRESIDENT OF INDIA,

We, the undersigned Auditors of the State Bank of India, appointed under Section 41(I) of the State Bank of India Act, 1955, do hereby report to the Central Government upon the Balance Sheet and Accounts of the Bank as at the 31st December, 1959.

We have examined the above Balance Sheet and the Profit and Loss Account and the Accounts relating thereto of the Central Office and the Local Head Offices at Bombay and Calcutta and the Returns submitted and certified by the Secretaries and Treasurers of the Local Head Offices at Madras and New Delhi, by the Manager, Pakistan Branches and by Branch Agents, which Returns have been incorporated in the above Balance Sheet and Accounts, and report (i) that, in our opinion, the Balance Sheet is a full and fair one, containing all the necessary particulars and properly drawn up so as to exhibit a true and correct view of the affairs of the Bank, according to the best of our information and the explanations given to us and as shown by the Books of the Bank; (ii) that where we have called for any explanation or information such explanation and information have been given to us and have been satisfactory; (iii) that the transactions of the Bank which have come to our notice have been within the powers of the Bank; (iv) that the Returns received from the Local Head Offices at Madras and New Delhi and from the Branches of the Bank have been found adequate for the purpose of our audit; (v) that the Profit and Loss Account shows a true balance of profit for the period covered by such account; (vi) that, in our opinion, the Balance Sheet and Profit and Loss Account are drawn up in conformity with the law; and (vii) that, in our opinion, Books of Account have been kept by the Bank as required by law.

The audit of the Books and Accounts of the Central Office has been carried out jointly by Messrs. S. B. Billimoria & Co. and Messrs. Ray & Ray. The audit of the Books and Accounts of the Local Head Offices has been carried out at Bombay by Messrs. S. B. Billimoria & Co. and at Calcutta by Messrs. Ray & Ray.

11th February, 1960

S. B. BILLIMORIA & CO.
RAY & RAY } *Auditors.*

P. C. BHATTACHARYYA *Chairman.*

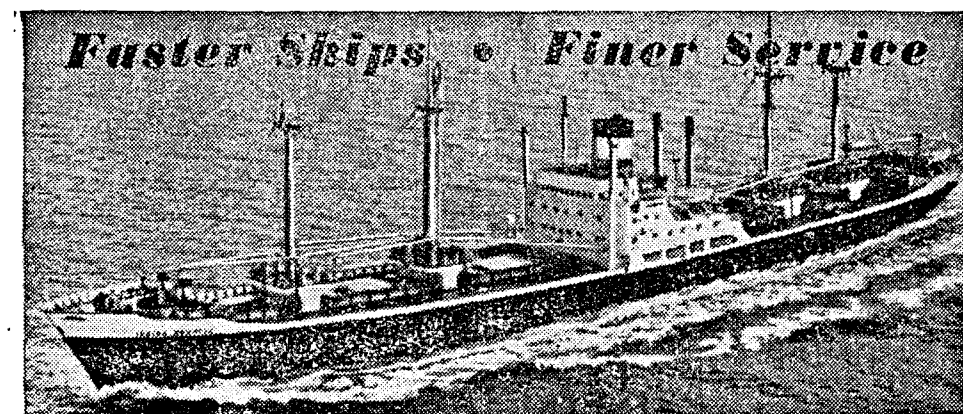
B. P. PATEL
S. P. PURI } *Managing Directors.*

MANGALDAS PAKVASA *Vice-Chairman.*

J. D. CHOKSI
PRATAPSIKH MATHURADAS
M. H. HASHAM PREMJI

RAMNATH A. PODAR
D. R. GADGIL
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ISSUES:

The Prize Bonds (which will be in the form of bearer bonds) will be on sale at:

- the offices of the Reserve Bank of India, Bombay, Calcutta, New Delhi, Madras, Bangalore and Nagpur;
- branches of the State Bank of India, State Bank of Hyderabad and State Bank of Mysore conducting Government Treasury business;
- Treasuries and Sub-treasuries in India other than those at any place referred to in item (i) or at any place where there is a branch of any of the banks referred to in item (ii), and
- all Head Post Offices and Departmental Sub-Post Offices.

Subscriptions will be received in the form of cash only and no written application will be necessary.

PRIZES:

The Bonds will be in the denominations of Rs. 100/- and Rs. 5/- and will *not* bear interest but lots will be drawn quarterly for prizes on the 1st June, 1st September, 1st December and 1st March every year, the first draw being held on the 1st September 1960 and the last draw on the 1st March 1965. Lots will be drawn under the supervision of the Government of India, separately in respect of each series. The total number of prizes to be offered to the holders of winning Bonds each quarter will be 40 of the aggregate value of Rs. 92,000/- and 278 of the aggregate value of Rs. 46,000/- in respect of each series of Rs. 100 and Rs. 5 respectively. Each series of Rs. 100/- will be for Rs. 1 crore (i.e. 1 lakh Bonds of Rs. 100/- each) and each series of Rs. 5 Bonds will be for Rs. 50 lakhs (i.e. 10 lakhs Bonds of Rs. 5 each). Each Bond sold will be eligible for participation in all the draws held after the expiry of two calendar months from the month of its sale. All Bonds pertaining to a series from which any Bonds have been sold will participate in the draw but no prizes will be awarded for unsold Bonds or Bonds sold within two calendar months immediately preceding the month of the draw.

The number and amount of prizes in each series will be as follows:-

Further particulars can be obtained at any of the offices authorised to receive subscriptions.

EACH SERIES OF RS. 100 BONDS

1 Prize of Rs. 25,000	Rs. 25,000
2 Prizes of Rs. 10,000	Rs. 20,000
5 Prizes of Rs. 5,000	Rs. 25,000
12 Prizes of Rs. 1,000	Rs. 12,000
20 Prizes of Rs. 500	Rs. 10,000

Total amount of prize money quarterly
in each series of one lakh pieces Rs. 92,000

EACH SERIES OF RS. 5 BONDS

1 Prize of Rs. 7,500	Rs. 7,500
2 Prizes of Rs. 2,500	Rs. 5,000
10 Prizes of Rs. 1,000	Rs. 10,000
20 Prizes of Rs. 500	Rs. 10,000
25 Prizes of Rs. 100	Rs. 2,500
220 Prizes of Rs. 50	Rs. 11,000

Total amount of prize money quarterly
in each series of ten lakhs pieces Rs. 46,000

All prize-money will be paid in cash and will not be liable to tax under the Indian Income-tax Act, 1922.

PAYMENT OF PRIZE:

The holder of a prize-winning Bond may present his claim *together with the Bond* at any time after the date of the relative draw at any of the following offices:-

- the offices of the Reserve Bank of India, Bombay, Calcutta, New Delhi, Madras, Bangalore and Nagpur;
- branches of the State Bank of India, State Bank of Hyderabad and State Bank of Mysore conducting Government Treasury business;
- Treasuries and Sub-treasuries in India other than those at any place referred to in item (i) or at any place where there is a branch of any of the banks referred to in item (ii); and
- all Head Post Offices.

The prize money will be paid to him at the office at which he has presented the Bond after the claim has been admitted by the Reserve Bank of India.

PUBLICATION OF WINNING NUMBER:

The particulars of the prize winning Bonds will be published in the Gazette of India and the press as soon as possible after the date of the relative draw.

REPAYMENT:

Prize Bonds will be repaid at par on or after the 1st April 1965 on presentation.

Agriculture in a Socialist Economy

A Case Study of Yugoslavia

V S Vyas

RECENT discussion on the pattern of agrarian organization most suited to India has centred on co-operative farming. There are some who believe that co-operative farming is the ultimate solution for a sizable section of agricultural producers. Others doubt the efficacy of this solution. More and more people are now coming round to the view that, at least on a theoretical plane, co-operative farming has distinct advantages. It helps a more economic form of production by enabling the use of progressive techniques of farming. It helps in the mobilization of marketable surplus, which is a factor of key importance in a rapidly industrializing country. By making disguised unemployment overt, it helps in the mobilization of surplus labour for the capital building projects. And it leads to more egalitarian distribution of income in rural areas. On these and several other ancillary advantages of co-operative farming there is a greater unanimity today than there was, say, two years ago when the idea was seriously mooted for the first time.

Despite general agreement about the theoretical superiority of the co-operative form of organization, a number of people remain unconvinced about its practical feasibility in the Indian context. Usually two arguments are advanced. First, it is asserted that the Indian farmer is so deeply attached to his land that no amount of rational explanation will convince him about the desirability of collective ownership. Co-operative farming in our country, according to this view, can succeed only with coercion and State fiat. Secondly, it is maintained that whatever might be the theoretical advantages of co-operative organization, in reality they will be nullified by unavoidable bureaucratization.

These are challenging arguments. Any one who wishes to make co-operative farming a success in this country should find out democratic ways by which the feudal attachment to land gives place to a more rational view—regarding land as an inanimate object meant for the ser-

vice of human beings. Some built-in mechanism has to be devised to assure socialist organization of the countryside without stifling the initiative of the producers. Though the solutions have to be found in the context of the traditions and genius of our own people, the experience of other countries might also be of some help to us.

EXPERIMENTS IN YUGOSLAVIA

The current experiments in Yugoslavia promise a new direction of approaching the problem of agriculture in a socialist society. Yugoslavia was one of the poorest and most underdeveloped countries of Europe. The agrarian sector presented, by every criterion, a picture of a typically backward agriculture. Before the Second World War, more than 76 per cent of the population depended on agriculture for livelihood. Machinery, equipment, fertilisers and irrigation facilities were also meagre. The over-all technical facilities in agriculture, deficient as they were, suffered heavy losses during the War. It is estimated that 56 per cent of inventory, 55 per cent of cattle and 61 per cent of horses were lost. Over 20 per cent of buildings were destroyed and 1.7 million lives lost during the War.

The reorganization of agriculture in the immediate post-war years followed basically the model of Soviet Russia and East European countries. By a decree in 1945, Government sequestered the lands of large landowners, private capitalist enterprises, joint-stock companies, banks, churches, monasteries and all others who owned land which they did not cultivate. A ceiling of 20 to 30 hectares, depending on the quality of land, was imposed on the remaining holdings. These steps provided a state land pool of over 1.5 million hectares. More than half of this land was distributed in small lots to the poor peasantry, thereby setting up about 316,000 poor peasant families on land.

All higher-powered machinery and equipment were mobilised and then dispersed in the countryside by establishing a network of agricultural machinery centres. State

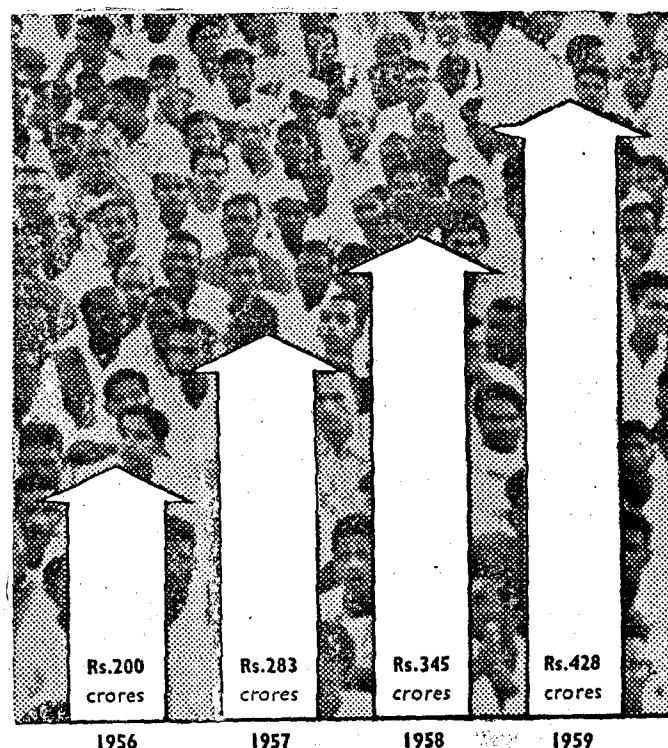
model farms and livestock pools were also set up on a large scale.

Immediately afterwards pressure was brought on the peasantry to join the collective farms. This pressure was more economic than administrative in the beginning. Independent peasants were subjected to a much higher levy of foodgrains compared with their counterparts in collectives. Tax and credit policy also discriminated against the peasant proprietor. Pressure was accentuated and coercion applied after the break from Soviet Russia and the East European block in 1948, when Yugoslav leaders were out to prove that they were as devout Marxists, as communists in other countries.

About 3 to 4 years of working of this collective system however, brought all its defects to the fore. Even after heavy investment in agriculture, agricultural production in 1952 was barely 2 per cent above the pre-war average. Livestock production was actually less, and per capita availability of food declined. The supply of agricultural raw materials was insufficient to satisfy demand from processing industries. From an agricultural exporting country, Yugoslavia turned into an importing country. The imports of food and agricultural raw materials caused a heavy drain on foreign exchange resources.

RE-THINKING

This period also coincided with re-thinking on some of the basic tenets of socialism. Orthodox ideas were gradually discarded and a new approach to problems was tried. Socialism was defined as "a social system based on the socialisation of means of production, in which social production is managed by an association of direct producers, in which distribution is effected in accordance with the principle of 'each according to his work', and in which under the leadership of the working class (which is itself changing as a class) all social relationships are gradually freed from class antagonism and from all elements of exploitation of man by man".



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In 1953 the Yugoslav Government passed the Regulation for the Reorganisation of Peasant Working Cooperatives. The regulation gave an option to the peasants to remain in or leave these cooperatives. Most peasants opted to leave. Only 1,258 cooperatives were left in place of 4,000 which had existed previously. Simultaneously, the big state farms were converted into Socialist Agricultural Estates. These Estates were organised like industries, and Workers' Management was introduced in them.

The reorganization of Peasants' Working Cooperatives (PWC) did not imply that the Yugoslav Government had renounced the building of Socialism in rural areas. It was only a question of finding out the best way. An explicit statement was made that "it was necessary to choose between the economic and administrative ways of achieving collectivisation in the village."

THREE FORCES

Actually, three forces are operating in the countryside in the direction of Socialist transformation of villages. In the first category are a group of regulatory measures. In 1945, as mentioned earlier, a ceiling on land holding was placed at 20 to 30 hectares; it was reduced to 10 to 15 hectares in 1952. Besides, individual owners were prohibited from owning large machines like tractors, power-driven harvesters or threshers, etc. These measures were aimed at restricting the possibility of using hired labour on farms and preventing individual farms from owning the basic assets of large-scale production. These safeguards are considered sufficient for preventing the re-emergence of capitalism in the countryside.

The second force leading to this transformation is the expansion of socialist agricultural organizations. There are three constituents of the Socialist Sector in agriculture. Agricultural Estates (viz, big State farms), Peasant Producers' Cooperatives, and General Agricultural Cooperatives. After the decree of 1953, this sector had shrunk to insignificant proportions but recently there has been a steady expansion of the Socialist Sector, which now embraces more than 10 per cent of arable land. This expansion has taken place by purchase and lease of land, and also to some extent by reclamation of waste lands.

A land market is an anomaly in a Marxian Society, and more so a class of rentiers. In Yugoslavia, both exist and are in fact encouraged. The idea is to separate the question of advancement of agricultural production from the question of land ownership. With its superior means of production, land in the Socialist Sector gives fuller employment to the farmers, who now act as workers. This has a far-reaching consequence. When a high level of production is reached in the Socialist Sector, and the individual producer can get subsistence from his work on the socialist farm, land will not have the same hold over him as in the past, when ownership of land meant life or death to him. In such a situation, the nationalization of land is only a formal question.

The third force in consolidating socialist transformation of agriculture is the productive cooperation of cooperatives and other socialist organizations with peasant farms. This cooperation, which aims primarily at integration of peasant with socialist agriculture, is facilitated by the existence of a more or less free market for agricultural produce and factors. A free market persuades the peasant farmer to produce not merely for subsistence but for the market as well. The existence of the market at the same time makes it clear to the farmer that he stands to lose by sticking exclusively to his own small holding with only primitive tools and equipment. For these reasons, the farmers will sooner or later be compelled to look for a way out of their restricted economy. This they can find in cooperation.

MORE EFFICIENT ORGANISATION

Until 1956, these cooperatives were more or less similar to service cooperatives in our country. They provided producers with better quality seed and artificial fertilizers, and ploughed their land at a cost lower than what the peasants had to pay previously for an ox or a horse. Performance of these tasks gained the peasant's trust, and gradually he took a more active part in the production.

The link with the individual producer is forged in various ways. In some cases, an agreement is made between a cooperative and a producer, whereby the cooperative organizes production and he only provides the manual labour, after

which profits are divided according to a prescribed percentage. Other agreements provide for supply by the cooperative of seed, specialised labour (agronomists, etc), machines, and sometimes even unskilled labour; profits are again divided according to agreement. By these means the peasants are gradually and painlessly linked to the socialist economy.

This form of economic organization is not only socially desirable, but is also proving itself more efficient economically. Agricultural production in 1958, a bad year, was 21 per cent above the pre-war average. The performance of the Socialist Sector was even better. The yield of wheat on agricultural estates rose from 9.6 quintals per hectare in 1954 to 20.3 quintals in 1958, and in farmers working cooperatives from 9.3 to 21.3 quintals. The yield of maize during the same period rose on agricultural estates from 19.2 to 42 quintals and in the cooperatives from 16.7 to 38.7 quintals. Though the progress achieved in livestock breeding in the socialist sector is not markedly superior to that on peasant farms, the latter rely heavily on the services provided by cooperatives.

Undoubtedly, this form of socialist organization of agriculture differs much from the form prevailing in other East European countries, yet the results, tangible and intangible, are outstanding. We can compare the results achieved by socialist sectors in different communist countries. In Bulgaria, the socialist sector embraced over 70 per cent of arable land in 1956, but accounted for only 60 per cent of total production. In Rumania, in 1957, the socialist sector included 51 per cent of arable land, but contributed only 36 per cent of total production. In Hungary, in 1955, the socialist sector possessed 40 per cent of cultivable land, but produced only 27 per cent of total output. Experience in Yugoslavia is much more heartening: in 1958 the socialist sector with 15 per cent of the surface under wheat provided 25 per cent of total production, while 13 per cent of the surface under maize provided 31 per cent of total production.

LESSONS FOR INDIA

If we agree that in India also we are aiming at an economically viable and socially just system in agriculture. Yugoslav experience can help

us in many ways. Some of the lessons can be pinpointed.

(1) There should be a nucleus of socialist sector in agriculture to start with.

(2) The socialist sector should be given first priority in the allocation of resources, so that it becomes an economically viable system.

(3) There should be safeguards against the perpetuation or re-emergence of a capitalist system in peasant proprietary sector, through a ceiling on land ownership.

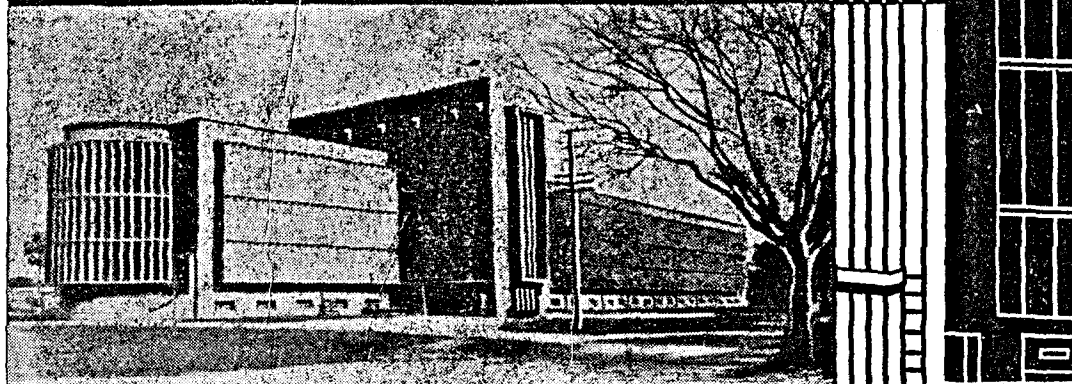
(4) The feudal attachment to land should be broken by making land a means of livelihood rather than a way of living. Small far-

mers should be encouraged to lease out their land, preferably to co-operative societies.

(5) Peasant economy should be progressively integrated with socialist agriculture through provision of services in the first instance and sharing of production efforts later on. Socialisation of processes should be the guiding motto.

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Manufacture of Chemical Plant and Equipment

Accent on Indian Designing

J P de Sousa

AT no time in India was there more urgency for manufacturing plant and machinery than at present. The urgency is all the greater in the fields of manufacturing chemical plant and machinery, for the chemical industry having been accorded a very high priority in the First and Second Plans, will continue to receive similar priority in the Third Plan. The key position this industry holds in supplying innumerable raw materials for other industries of national importance has resulted in the growing demand for chemical plant and machinery. According to one source, the requirement of machines and plant both for installation and replacement in the chemical industry is estimated, during the Third Plan, at over Rs 450 crores. The Development Wing of the Union Ministry of Commerce and Industry, is, however, understood to have fixed a manufacturing target of Rs 50 crores per year during the next plan period and sent this recommendation to the Planning Commission. As against this huge demand, the country's production of chemical plant and machinery is insignificant, present output aggregating in value to Rs 40.76 lakhs in 1957, Rs 70 lakhs in 1958 and Rs 75 lakhs in 1959.

The wide gap between indigenous production of and demand for chemical machinery, brings into sharp focus the country's dependence on imports of machinery and equipment. This is true not only of the

machinery requirements of the chemical industries but of the other manufacturing industries also. This dependence has handicapped in diverse ways the economic progress of the country as a whole. It has been responsible for a heavy drain on our slender foreign exchange resources resulting not only from import cost but also from higher prices, consultation fees, royalties, etc. Besides, the dependence on imports has often exposed indigenous industries to grave delivery risks of uncertainty, irregularity, inadequacy, unsuitability, adverse price fluctuations and delays, despite extra precautions taken by them at the time of placing orders. What is worse, the purchased "know-how" is generally not only out of date but results in denying to our technologists opportunities for widening their experience and new outlets for their inventiveness and skill, which is so necessary for success in competition in foreign markets. It is, therefore, imperative that both the Government and industry should examine the availability of "know-how" within the country and initiate adequate steps to ensure a rapid growth of the manufacture of chemical machinery in the country.

There are at present over 30 concerns in the country engaged in the manufacture of chemical machinery and equipment. The items manufactured are distillation stills, crystallizers, vacuum pans, reaction

stills, evaporators, condensers, agitators, pressure vessels, water purifiers, ball mills, end runners, stirring equipment, driers, kneaders, emulsifiers, filters, autoclaves, rayon plant, sulphuric acid plant, carbon disulphide plant, caustic soda plant, centrifuges, tablet making machines, granulating machines, superphosphate plant, absorption towers, heat exchangers, packing and filling machines, hydro-extractors, bottle filling and washing machines, powder filling machines, etc. The total output of all these, as already stated, does not exceed Rs 75 lakhs in value as against the production target of Rs 50 crores in the Third Plan.

PUBLIC SECTOR PROJECTS

In view of this wide gulf between current production and targetted capacity, it is encouraging to note that the Government is seized of the problem of bridging the gulf. Some of the undertakings in the public sector have already manufactured chemical plant and equipment. Sindri Fertilisers, for instance, have designed and fabricated machinery worth Rs 81.5 lakhs for Rourkela Fertiliser plant. The Durgapur Coal Mining Co has manufactured drills, lathes, petroleum crackers, etc.

During the Third Plan, the Government, it is understood, will take up the manufacture of heavy duty compressors, pumps, valves, boilers and high pressure vessels. It has entered into contract with the Gov-

Industry	Production (1959)	Assessed production target (1966)	Additional production during 3rd plan period	Additional production per year during 3rd plan period	Value of the machinery to be fabricated in India per ton per year	Value of machinery to be produced per year
	(Million tons)	(Million tons)	(Million tons)	('000 tons)	(Rs)	(Rs crores)
Nitrogenous Fertilizer (in terms of N ₂)	0.25	1.20	0.95	190	1,500	28.50
Phosphatic Fertilizer (in terms of P ₂ O ₅)	0.10	0.50	0.40	80	100	0.80
Soda Ash	0.25	0.60	0.35	70	300	2.10
Sulphuric Acid	0.70	1.40	0.70	140	60	0.84
Caustic Soda	0.20	0.40	0.20	40	750	3.00
Petroleum Refining	7.00	14.00	7.00	1,400	80	11.20
Total (with other Miscellaneous requirements, the demand could be taken at Rs. 50 crores):						46.44

ernment of U S S R to start a project at Ranchi in Bihar for the manufacture of heavy duty compressors to be used for carbon dioxide, oxygen, nitrogen, ammonia and acetylene. This project will also manufacture pumps and heavy duty valves and will cost 15 to 20 crores of rupees. Besides, the Government is negotiating with the U S S R for another unit to manufacture bearings, boilers and high pressure vessels. A proposal for the manufacture of instruments and gadgets required for heavy chemical industry is also under contemplation.

PRIVATE SECTOR

The Government appears to be anxious that the private sector, too, should play its role in meeting the plant and machinery requirements of the chemical industry. It has drawn the attention of all those units engaged in the manufacture of chemical plants, and who have been licensed, that they should go ahead with their plans, since the Government does not wish to enter those fields where the private sector is willing to operate. It is learnt that in order to assist private firms, the National Industrial Development Corporation (N I D C) will act as a centre for supplying information on technical know-how and designs. In this context, it is emphasised that Indian firms getting "know-how" from foreign manufacturers should not blindly copy out designs of plants, especially when the designs are out of date. They should strive to develop their own designs for different projects by constantly keeping in touch with all the new developments in processes. If it is not possible for a single firm to develop such designs, it is suggested that three or four firms could combine and organise a common design centre for the projects they propose to undertake; where such combination results in the supply of a complete project, the guarantee for its performance and good workmanship should be given by a firm whose share in the combine is the largest.

While these suggestions are appreciated, the private sector has its own difficulties to overcome if it is to play its role. The fabricators are experiencing difficulty in obtaining regular supply of steel plates, and other raw materials. Since this holds up production, bulk import licences for raw materials and components for six months consumption

should be allowed to the manufacturers. Another difficulty is that of importing technical "know-how", arising from the rigid rules governing the payment to foreigners for its supply. It is suggested that the Government should not fix the percentage royalty paid for "know-how", especially for plants of non-repeat nature, since this rigid rule has resulted in the necessity for importing the costlier complete plant instead of only technical "know-how." Income-tax on royalty, too, has worked adversely and tended to restrict inflow of "know-how". A reduction in the rate is necessary for inducing foreigners to offer the right kind of collaboration in joint manufacturing ventures.

These difficulties of indigenous manufacturers have been discussed at a recent meeting of representatives of Government and manufacturing concerns. The spokesmen of Government are understood to have assured manufacturers that arrangements would be made for the supply of steel and other raw materials, if the manufacturers submitted a carefully worked out schedule of requirements on quarterly, half-yearly, or yearly basis. With regard to payments to foreign collaborators for technical "know-how", it was pointed out that there could be no fixed rule. In certain cases, a percentage on indigenous turnover may be appropriate, in others a lump-sum payment or dividend on foreign capital may be justified while there may be still others where a combination of two or more of these might be feasible. The Government would decide on the merits of each individual case. Further emphasis was laid on standardisation for various chemical plants, so that the manufacturer is not faced with orders for varying sizes and capacities. The Government would appear to have also agreed that the duty on imported components should be at least as favourable as the duty on finished machinery.

It is understood that a number of leading manufacturers in the country would prepare blue-prints, in the next three months, for manufacturing (a) caustic soda plant, (b) sulphuric acid and phosphatic fertiliser plant, (c) pharmaceutical plant, (d) soda ash plant and (e) nitrogenous fertiliser plant. The targets for the Third Five year plan for these are shown in the Table on p 463.

The outlook for the chemical plant industry in India appears to be very bright, for the required technological skill and talents are available in the country. The latter could be supplemented by those of the Indian chemical engineers who are settled abroad but could be induced to come to India. In certain sectors such as solvent extraction plant, paper, etc 50 per cent of the equipment is being supplied indigenously. Raw materials of the industry such as steel, pig-iron, and non-ferrous alloy are available in the country and certain firms have started rubber, P V C and lead lining of important vessels of chemical plants. The Government also is sympathetic towards the rapid development of the industry with a view to making the country self-sufficient in chemical plant and machinery. In the circumstances there should not be serious difficulties in supplying complete plant once technical "know-how" and drawing designs are properly developed. In important cases where these are not easily available, the manufacturers can be expected to try and get good designs from foreign firms of outstanding repute to fabricate the plant in the country.

A recent move initiated by the writer of this article* to form an "Indian Chemical Plant Manufacturers' Association", should, if successful, provide this fledgling industry with a much needed organisation to look after its interests among other things and it is hoped that before the Third Five Year Plan is formally launched, the Chemical Plant Manufacturers in India will be in a position to meet the anticipated demands of this industry.

* The author is the editor of *Chemical Age of India*, a quarterly published from Bombay.

Bulk Export of Iron Ore

The Indo-Japanese iron ore deal, now under negotiation with the Japanese Steel Mission, headed by Mr Shigeo Nagano, President of Fiji Iron and Steel Company, is expected to provide for the annual export of four million tons of iron ore from Bailadila iron ore deposits, near Vizagapatam. It is a Rs 80 crore project, including Rs 10 crores in foreign exchange, which will be advanced as a loan to India by Japan to be repaid in iron ore.

From the Chair

The State Bank of India

Speech of the Chairman, Shri P C Bhattacharyya

THE following is the speech of the Chairman, Shri P. C. Bhattacharyya, at the Fifth Annual General Meeting of the Shareholders held in Bombay on March 4, 1960:

The Profit and Loss Account shows that the balance of profit available for distribution for 1959 is Rs. 187 lakhs as compared to Rs. 190 lakhs for 1958. I had mentioned last year that the increased earnings of the Bank for the year 1958 were somewhat fortuitous. This continued to be the position in 1959 also. A sizeable portion of the Bank's deposits continued to consist of the United States P. L. 480 Funds which remained with us and were invested in Government securities. The balance of profit available for distribution this year reflects the result of the Bank's normal operations, so as to give a realistic picture to the shareholders and the public.

This explains why the net profit shown in the Profit and Loss Account for the year ended 31st December 1959 is somewhat lower than that shown in the accounts for the year ended 31st December 1958, even though the tax payable by the Bank on its profits before declaration of dividend was provided at a somewhat lower rate in 1959 than that in 1958. The profit of Rs. 187 lakhs for 1959 should be appropriately compared to the figure of Rs. 156 lakhs which was the profit for the year 1956, when the Bank did not have any United States P. L. 480 Funds deposited with it.

RISE IN EXPENDITURE

There has been a continuous rise in the expenditure of the Bank since 1956. The total expenditure of the Bank which amounted to Rs. 7.11 crores in 1956 more than doubled itself to Rs. 16.66 crores in 1959. Upto the end of 1959, we opened 359 new branches out of which only 44 branches have reached a profit earning stage. As many as 315 of these branches are still running at a loss. Compared to 1956, the increase in the expenditure on Salaries, Allowances and Provident Fund of employees alone has been of the order of Rs. 260 lakhs. This

represents an increase of roughly 60 per cent. In spite of this, we have been fortunate enough that the increase in expenditure over the last three years has been covered by the increase in the income of the Bank.

We cannot however be complacent. Even though the original branch expansion programme is nearing completion, this is one of our activities which has to be carried on in the future also, if we are to continue to serve the wider national interest as we have been doing. This, together with the expansion of the other developmental activities undertaken by the Bank, will lead to a further increase in establishment expenses. Over and above this, the year-to-year increase in the expenditure of the Bank will have to be provided for. If we are to meet such increases in expenditure without impairing the strength of the institution, it is absolutely imperative that the traditional business of the Bank must expand.

ADVANCES TO INDUSTRY

I had drawn your attention last year to the fact that the traditional business of the Bank had not been showing any marked progress since June 1958 and that in January and February 1959 the average advances and bills of the Bank had been actually lower than those in the corresponding months of 1958. This trend generally continued throughout 1959. As you are aware, our advances to industry constitute almost 70 per cent of our total advances. In 1959, there was a marked decline in the Bank's advances to the cotton textile and sugar industries. With the revival in the external demand and an increase in the internal demand for its products, the Indian cotton textile industry was able to turn the corner in the year and with the decline in the stocks required to be held, the industry was able to reduce its dependence on the Bank's funds. The decline in the Bank's advances against sugar was mainly due to lower sugar production in 1959 consequent on short supply of sugar-cane.

Recently, with the accretion of large funds to the banking system,

banking business in this country has also become highly competitive. Special facilities, some of which we are not in a position to extend, are being given by some banks to new concerns in order to attract business. In a rapidly expanding institution like ours with its obligation to undertake numerous activities in the public interest, it is essential that the Bank should record progress in all spheres of its activities, traditional as well as developmental. This matter is constantly engaging the attention of your Directors. I do hope that the present position is just a passing phase. I hope that our new branches will justify their existence in the near future and will enable us to show better working results. I also hope that we shall continue to enjoy the support of all—both in the public and the private sectors—in our endeavour to play our recognised role in the monetary and banking system of the country.

NET DIVIDEND LOWER

Your Directors regret that this year, the net dividend to the shareholder after payment of taxes has had to be slightly reduced. The Bank has declared a dividend of Rs. 20/- per share for 1959 compared to an income-tax free dividend of Rs. 16/- per share paid for 1958. I wish it were possible for us to declare a dividend which would have given the shareholder the same net amount as in the past even after deduction of tax at source as required under the new procedure introduced by the Finance Act of 1959.

But, having taken into consideration the incidence of the new system of taxation, the probable increase in the Bank's expenditure in the near future and the necessity for an institution like ours to be in a position to maintain a particular rate of dividend over a reasonably long period, the Board of Directors were compelled to reduce the net dividend to some extent. I feel confident that it will be possible for the Bank to maintain, for some years to come, the rate of dividend that has now been fixed.



CHARTER OF DEMANDS

It will not be out of place here to refer to a particular matter, viz., the 'Charter of Demands' that we had received some time ago from the Federation of our Staff Associations. This Charter demands a radical revision of the pay scales, a point-to-point adjustment in the revised scales, abolition of areawise classification and increased Provident Fund and Pension facilities for all the subordinate and clerical staff with effect from 1st January 1959. A rough computation shows that if the demands are met, the present cost per employee would increase by a hundred per cent. I can understand the desire of our employees to secure an increase in their emoluments but that must obviously be related to the capacity of the Bank to bear the additional cost. Further, the wage structure demanded must be in line with that prevailing in other comparable employments and one which can be justified in the context of the prevailing economic conditions in the country. I regret to say that the demands put forward by the Federation cannot be said to satisfy any of these tests.

We have always endeavoured to maintain cordial relations with the staff and the Federation and have always agreed to discuss across the table any issues raised by them. The Federation should consider whether this does not cast on them an obligation to take account of all the considerations, enumerated by me, before framing their demands. I have explained earlier the extent to which the developmental activities of the Bank claim our attention and resources. I take it that the employees of the Bank, as citizens of the country, are equally interested in seeing that neither the developmental programme of the Bank nor its financial position is adversely affected. I would earnestly request those who are conducting the affairs of the Federation to adopt a more realistic approach to the question of the improvement of their prospects and, in the interest of the maintenance of cordial relations in the Bank, desist from putting forward demands which it is impossible to meet. On my part, I can give them the assurance that the management will not be found wanting in willingness to respond to reasonable demands.

I shall now give you some more particulars of the branch expansion

programme and other developmental activities of the Bank referred to in the Annual Report. Out of the 359 new branches opened upto December 31, 1959, 66 branches have been opened at towns with a population below 10,000; 182 branches at places with a population of 10,000—25,000 and 86 branches at places with a population of 25,000—50,000. Thus the vast majority of the new branches opened by the Bank operate at comparatively small places and has been increasing banking facilities in the rural and semi-urban areas. Actually at 55 places where we have opened branches, no other scheduled, non-scheduled or co-operative bank had a branch or office; and 29 of our branches have been opened at places where no banking facility was available within a distance of 20 miles.

The deposits received and advances granted at the 359 new branches stood at Rs. 28.29 crores and Rs. 11.96 crores respectively on December 31, 1959. This is an indication of the contribution made by the Bank to the mobilisation of the national resources and to the provision of cheaper banking facilities in the rural and semi-urban areas of the country. I may also mention here that during 1959 the Bank opened several temporary pay offices to meet the special requirements of the Assemblies, conferences and fairs held at various places, so as to serve both Indian nationals as well as visiting foreigners. These facilities, I need hardly add, were well appreciated.

FINANCE FOR SMALL INDUSTRIES

As I mentioned in my speech at the last Annual General Meeting, the Bank emerged out of the pilot stage of its scheme for financing small scale industries. From 1st January 1959, the Bank has been financing small scale industries at all of its branches. Financing of small scale industries has now become a part of the normal business of the Bank. The total credit limits sanctioned to small scale industries have increased from about Rs. 237 lakhs in 1958 to about Rs. 462 lakhs at the end of 1959, the number of accounts going up from 696 to 1496 during the year.

You must have observed from the Report that the Bank has been making special efforts at some of its branches which have been styled as 'intensive centres'. The main object

of operating these centres is to secure best possible results from the co-ordination of the Bank's activities in this respect with the activities of other agencies interested in the promotion of small scale industries. The progress achieved at these centres, I may tell you, has been quite encouraging. Apart from the fact that both the credit limits as well as the number of accounts at these centres have been steadily increasing, as many as 85 per cent of the borrowers have been granted limits of less than Rs. 50,000 each. The bulk of finance provided by the Bank is thus made available to relatively small units.

FINANCE FOR CO-OPERATIVES

The finance made available by the Bank to various co-operative institutions also steadily increased during the year. The co-operative central financing agencies as well as co-operative marketing and processing societies have been drawing more on the Bank's resources and the efforts made by the Bank in several directions to fill the gap in the institutional framework for finance to co-operatives as also to impart strength and support to co-operative central financing agencies are well appreciated.

Most of the doubts, misgivings and fears which were entertained in this regard initially have proved to be unreal and a workable arrangement has been arrived at in which the Reserve Bank of India, the State Bank of India and the co-operative financing agencies have been operating in a co-ordinated and harmonious manner. I do hope this relationship will grow stronger in future so as to benefit both the State Bank of India and the co-operatives, which must in turn benefit the entire community.

FORMATION OF SUBSIDIARIES

Another important development of the year, to which I would like to refer is the formation of the State-associated banks as subsidiaries of the State Bank of India. One of these State-associated banks was taken over on 1st October 1959 and four others were taken over on 1st January 1960. One more has become our subsidiary on 1st March 1960. Arrangements are being made to take over the remaining two of these banks shortly, so that all the eight State-associated banks will have then been taken over.

I would like to assure you and the general public that each of these subsidiary banks, being autonomous, will continue to maintain its individuality and independence in its day-to-day operations. The State Bank of India will have just the general powers of control, supervision and direction. The object of taking these banks over is, as you know, to impart to them additional strength and stability, so that they as well as the State Bank of India can play a more useful role in the country's economy.

Around Bombay Markets

TRADING on the stock exchange last week was notable for wide swings in prices. Many counters struck new highs. But excepting a few cases, net changes over the week were not large. Gains predominated, reflecting the continued excess of demand over supply. Hindustan Motors, Premier Automobile, Bombay Burmah and Tata Locomotive were among the outstanding bright spots. Near the week-end, however, Steels and National Rayon also developed marked strength.

There was hardly anything in the news to explain last week's wide swings in prices which depended mainly on the doings of a few prominent bull operators who continue to dominate the scene, both as buyers and sellers. Bears have been virtually 'liquidated' in the hectic advance which followed Shri Morarji Desai's inflationary budget. Occasional rumours about a bank rate rise caused little uneasiness among bulls who have made huge fortunes in a matter of days. The market is pleased with Shri Desai's defence of deficit financing, inflationary pressures notwithstanding.

The stock market is standing on a very high plateau. But it seems determined to scale yet new peaks. Technical analysts seem convinced about it. But those who go by the trend in industrial profits and dividends think that the market's optimism is greatly exaggerated. Mounting costs are eating into profits and the new structure of corporate taxation has affected the net return to the shareholders in most cases. But what of that, argue the bulls. Equities are being sought not for dividends but mainly as a hedge against inflation.

CO-ORDINATED EXPANSION

I may also tell you that arrangements are being made by the State Bank of India as well as the State-associated banks with a view to enabling the latter to fall in line with the policies adopted by the State Bank of India in respect of the various developmental activities. The branch expansion programme of these banks is being co-ordinated with that of the State Bank of India. Each of these banks will ordinarily limit its branch expansion to the area in which it has been function-

ing. Some of the centres selected by the State Bank of India for opening its branches have been handed over to the respective State-associated banks and each of these banks will also be opening a few more branches in its own area. I do hope this integrated banking structure will before long provide banking and remittance facilities within easy reach from all places of importance and be sufficiently responsive to national policies adopted for a rapid development of the country's economy.

Erratic but Strong

Thursday, Morning

This reasoning may hold as long as the going is good. But if the Government were to take some positive monetary measures to check inflationary trends, it could easily produce a serious turn in equity prices. It has happened in London and New York stock markets where equities have suffered a sizable decline since the first week of January despite the flow of encouraging industrial news. Dow Jones Industrial average has come down from 685.47 to 602.58 and the *Financial Times* Index for Ordinary shares from 342.9 to 315.2.

PREFERENCE DIVIDENDS

Instances have not been lacking where companies took undue advantage of the Finance Act 1959 and deprived tax-free preference shareholders of cash dividend equal to the percentage of their holding. The position has been further complicated by the proposed deletion of Section 18 (3E) and the clarificatory amendment in Section 18 (3D) by virtue of which companies will be free to decide as to what amount they should declare as dividends to preference shareholders. Out of the amount of dividends declared by companies, deduction will have to be made at the prescribed rates as in the case of any other dividend. Preference shares are never popular in an inflationary situation. It is therefore quite natural that investors in preference shares should feel greatly agitated over the uncertainty about their tax liability even in respect of the tax-free dividends.

It has been suggested that where the company cannot fulfil its contractual obligation, it should pay back at par the capital amount to all subscribers. Some have even gone

to the length of pleading for the compulsory conversion of preference shares into ordinary shares. Be that as it may, Government would be well-advised in taking a firm decision on this question so that the preference shareholders know exactly where they stand. Uncertainty over the issue has led many investors to dispose of their holdings in a market where buyers are not easy to find even when the equities are enjoying a boom.

Oilseeds

DOWNTREND HALTED

THE reactionary trend in oilseeds which had been in progress since about the middle of February has spent nearly all its force. Excepting castor, which are still moving in a rather uncertain fashion, it is very likely that the lowest rates recorded by groundnut, linseed and cottonseed in the preceding week might not be repeated for quite a long while. Groundnut May which had been sold down to Rs 204 were bid up to Rs 211.50 last week. Likewise, cottonseed May recovered from Rs 146 to Rs 151.50 (per candy) and linseed May from Rs 32 to Rs 33.06 (per cwt). Castor May fluctuated erratically between Rs 178.50 and Rs 173.50 but were up by a rupee per candy over the week.

Groundnut led the recovery. Several factors contributed to the renewed strength in groundnut. Offerings declined at lower level while demand picked up. Recovery in overseas prices and the 10 shillings per ton cut in freight for both oil and oilcake revived hopes of export business which had been almost at a standstill for some time.

CURRENT STATISTICS

The U K quotation for Indian groundnut oil improved from £124 to around £129 and oilcakes too were about 15 shillings better. Norway was reported to be in the market for expellers and the U K was said to have made small purchases in both expellers and extractions. Groundnut expellers which had been sold down to £29.10 not many weeks ago were bid up to £31.15, March-April shipment. Groundnut H. P. S. continued to be in good demand and business was limited only by the lack of quotas. Groundnut freight to the U S has been reduced from 45 dollars to 28 dollars. Inquiries with exporters indicate that France might buy a sizable quantity of Indian groundnut oil in the not-distant future. Supplies from other sources are limited at present.

Last week's recovery in linseed might be mainly technical. But the improvement in overseas quotations due to a downward revision of the Argentine crop and the reduction in the world exportable surplus has revived hopes of selling Indian linseed oil abroad. The U K and the Continent were reported buyers of oil at around £105, about £3 per ton up on the week. Business in linseed cake showed a welcome revival. Sales to the U K were reported around 1,000 tons, both from Bombay and Calcutta. Prospects of further business were considered to be encouraging. The price realised by linseed cake was placed around £32 per ton. Australia was mentioned as a prospective buyer of linseed oil.

Castor futures fluctuated a little too erratically. The continued easiness in the spot material because of the crop movement and the not so satisfactory overseas advices induced selling on the rise, but lower levels attracted bear covering and export house buying. Uncertainty about the freight to the U S discouraged follow-up support at higher levels. The latest reports, however, are that the freight for oil to the U S will continue to be on the free market basis up to the end of May. How this free market rate will fluctuate is another matter. At present freight can be booked at between 18 and 20 dollars. Export business in castor oil put through during the week was reported around 1,500 tons of which U K took about 250 tons and the rest went to the U. S. Few exporters have any serious doubts about India's ability to sell castor oil at fairly good prices because

Brazil has hardly anything to offer up to the end of July.

Cotton

FANCY PREMIUMS

THE cotton market continued to hold remarkably firm, with prices recording further sizable gains. This only means the widening of the unofficial premiums because spot cotton has been quoted above the ceiling since long. Necessity knows no law. Mills therefore are buying cotton at blackmarket prices. Of course they can well afford it since there is no control over cloth prices and the recent dullness notwithstanding cloth remains a sellers' market. Stocks with mills are at a dangerously low level. But the mills have complained to the authorities that since cotton simply cannot be had at the ceiling, the Government should freeze all the stocks and introduce rationing. But what about the import quotas? Actual arrivals so far have been very small.

The crop movement in Saurashtra has not had any noticeable effect on prices. Arrivals are still rather slow and they are being readily absorbed against previous sales. Most mills are purchasing their requirements from the producing centres. Foreign cottons have continued to attract fair attention since the mills have been urged to utilise their import quotas expeditiously.

With spot cottons available only at fancy premiums it is small wonder that the Jarilla March contract should be quoted at the ceiling rate of Rs 820 per candy. Tenders issued against this contract so far have totalled 900 bales, mostly of Laxmi A. The August contract was bid up to a new high of Rs 777. Thereafter it reacted to Rs 766.25 on corrective profit-taking to rise again to Rs 773. The futures market is living on a starvation diet. Heavy margins have seriously affected the volume of speculative activity. But that matters little. In conditions of acute shortage the hedge market can serve no useful purpose.

Money

ACUTE STRINGENCY

ACUTE stringency prevails in the short-term money market. Demand is keen while supplies are scarce. Activity in the inter-bank section is limited. Money rates, however, remain unchanged with the exchange and bigger Indian

banks quoting 3-1/2 per cent for call money. The treasury bill rate last week rose to a new high of 2.755 per cent.

Scheduled banks' advances in the week to February 26 recorded a further rise of Rs 8.34 crores at Rs 1061.00 crores. But with deposits up by Rs 4.73 crores to a new high of Rs 1872.39 crores, banks were able to manage without any great help from the Reserve Bank. Borrowings did rise but only by 1.49 crores. There was, however, an increase of Rs 4.63 crores in banks' cash and balances with the Reserve Bank. Investments also recorded a rise of Rs 2.48 crores. The advance-deposit ratio stands at 56.67 per cent against 59.58 per cent a year ago while the investment-deposit ratio is 40.81 against 38.02. The Reserve Bank of India returns for the week to March 4 show a rise of Rs 21.93 crores in active notes, which is quite normal for first week of a month, particularly during the busy season.

The Gilt-edged market is dull and subdued. Sellers predominate but they are not aggressive. Buyers are keeping off the market.

Bullion

MIXED SHOWING

BULLION prices made a mixed showing. Silver rose to a new peak while gold suffered a small net decline over the week. In gold, the 'budla' rate against sellers declined from six annas to three annas; in silver it increased from six annas to nine annas. In gold, bulls were inclined to cash profit when the going was still good. But in silver bears seemed nervous because of the poor floating stocks and the tight bull grip. The Bombay Bullion Association estimates the floating stocks of gold and silver in Bombay around 27,000 tolas and 900 bars respectively.

The Board had to revise its earlier proposals for relaxing margin rules since they did not find favour with the Government. Margins applicable to Phagan delivery have been kept unchanged for Chaitra settlement. But stiffer margins have not had any effect on the bulls who have a firm hold on the market. The feeling is abroad that the Prize Bonds might attract large unaccountable funds thereby weakening the hoarding demand for precious metals. Good if that comes about.

BANKING RETURNS

Reserve Bank	(Rs Crores)			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note Circulation	1820.91	1798.98	1796.80	1688.58
2. Rupee Coin	124.42	126.86	127.20	129.70
3. Deposits				
(a) Central Govt	50.37	51.76	49.25	52.04
(b) Other Govts	34.27	30.22	25.74	18.32
(c) Banks	81.92	79.96	66.29	65.60
(d) Others	94.49	93.90	119.36	115.85
4. Foreign Securities	163.01	163.01	163.01	178.01
5. Balances abroad	33.73	35.80	44.34	32.86
6. Rupee Securities	1437.14	1417.29	1407.34	1271.45
7. Investments	207.17	204.71	202.40	255.72
8. Loans and advances to Govts	27.77	25.99	21.75	23.40
9. Other Loans and Advances	126.52	121.07	121.04	90.05
Scheduled Banks				
1. Demand Liabilities (net)	742.13	735.08	742.01	711.84
2. Time Liabilities (net)	1130.26	1132.58	1115.40	897.80
3. Cash	121.49	116.86	114.00	113.83
4. Borrowings from Reserve Bank	41.49	40.00	27.02	31.23
of which				
Usance Bills	5.68	5.36	4.31	5.75
5. Advances	901.56	893.43	784.63	823.45
of which				
State Bank's	174.64	172.92	160.46	182.65
6. Bills Discounted				
Inland	113.83	112.57	112.66	98.19
Foreign	45.61	46.66	46.33	37.31
Total	159.44	159.23	158.99	135.50
of which				
State Bank's	15.86	15.80	16.54	13.81
7. Invest in Govt sec	764.14	761.66	784.63	612.01
of which				
State Bank's	381.35	375.10	393.88	262.97
Cheque Clearance	204.64	175.76	196.40	181.28

†For Reserve Bank and Cheque Clearance week ended 4.3.1960. Scheduled Banks week ended 26.2.1960.

Bombay Money Rates

(Selected Scheduled Banks other than State Bank)
(per cent per annum)

	26.2.1960	Week Ago	Month Ago	Year Ago
Call Money				
From Banks	3½	3½	3½	3½
Deposits				
Seven Days	3-3½	3-3½	3-3½	2½-3½
Three Months	3½	3½-3½	3-3½	3½-4
Six Months	2½-3½	2½-3½	2½-3½	3½-4

Bombay Bullion
(In Rupees and nP)

	9.3.1960	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	130.94	132.47	132.22	117.37
Forward	130.53	131.75	131.78	117.37
Silver (per 100 tolas)				
Spot	217.91	217.50	213.19	194.47
Forward	216.81	216.56	213.81	194.97

COTTON

(1959-60)

MILL CONSUMPTION
(in '000 bales of 392 lbs each)

Description :	December	November	October	Sept to Dec
Indian	408.1	384.0	395.0	1,583.5
Foreign	40.8	27.0	39.7	159.8
of which				
American*	4.70	7.86	8.53	33.88
Egyptian	8.23	5.52	5.45	24.02
E African	9.56	9.54	11.62	44.90
Sudan†	13.71	13.64	13.66	54.69
Total	449.0	411.0	434.7	1,743.3
Consumption in corresponding periods a year ago :				
Indian	419.7	363.6	394.5	1,560.5
Foreign	39.3	25.6	41.3	158.8
Total	459.0	389.2	435.8	1,719.3

* Includes United States and Mexican Cotton

† Includes both Sudan Egyptian and Sudan American.

MILL STOCKS

(in 000 bales of 400 lbs each)

	Dec	Nov	Oct	Sept	Aug
Indian					
1959	1,047.0	1,003.5	1,052.6	1,150.1	1,279.3
1958	772.1	752.8	861.3	1,040.4	1,136.1
Foreign					
1959	150.8	135.4	143.8	151.4	160.2
1958	87.8	98.0	101.5	117.0	138.9

IMPORTS

(in bales of 400 lbs each)

From September 1 to February 25

Description :	1959-60	1958-59	1957-58	1956-57
American	22,504	5,350	66,946	137,224
Sudans	46,812	23,070	28,450	29,180
Egyptian	59,617	22,885	23,191	22,909
East Africans	27,563	52,627	42,186	66,018
Pakistani	1,309	—	—	—
Other Varieties	2,350	1,000	—	—
Total	160,155	104,932	160,773	256,096

EXPORTS

(in '000 bales of 400 lbs each)

From September 1 to January 19

Destination :	1959-60	1958-59	1957-58	1956-57
U K	1,421	4,927	1,405	11,345
Continent	5,801	10,603	1,571	10,414
Hong Kong	4,110	28,486	1,935	8,347
China	—	6,886	—	3,277
Japan	75,764	84,966	19,120	55,695
U S A	6,110	979	1,660	600
Other Countries	1,280	1,470	691	342
Total	94,486	138,317	26,382	90,020

Source : East India Cotton Association

CALCUTTA TEA AUCTIONS

		1959-60		1958-59	
		June 1 to Feb 9		June 1 to Feb 10	
		Pack-ages	Avg Price*	Pack-ages	Avg Price*
		(Nos)	(Rs)	(Nos)	(Rs)
For Export					
Assam Zone	I	345,953	2.50		
"	II	248,164	2.51	865,734	2.42
"	III	292,867	2.46		
Cachar		163,303	2.01	182,944	1.79
Darjeeling		155,313	3.11	140,344	3.37
Dooars		497,407	2.10	453,972	1.92
Terai		22,243	2.09	65,243	1.90
Tripura		20,056	1.97	19,919	1.76
Total (incl. others)		1,815,542	2.35	1,728,699	2.25
For Consumption in India					
Dusts		602,767	2.11	560,819	1.92
of which					
Assam Zone	I	223,465	2.16		
"	II	102,753	2.22	389,633	2.06
"	III	74,702	2.10		
Cachar		43,468	1.98	43,377	1.76
Darjeeling		6,404	2.17	6,529	2.16
Dooars		135,469	2.01	170,317	1.80
Other Grades		25,925	1.87	49,282	1.59
of which					
Assam Zone	I	8,979	1.91		
"	II	3,838	1.84	34,157	1.55
"	III	5,581	1.82		
Cachar		775	1.75	2,241	1.47
Darjeeling		365	2.23	2,526	2.52
Dooars		4,662	1.83	8,318	1.53

*Exclusive of Excise Duty.

Source: Department of Commercial Intelligence and Statistics, Calcutta.

INDEX NUMBER OF WHOLESALE PRICES

		(Base: 1952-53 = 100)			
Group and sub-group		Week Ended			
		20-2-60	13-2-60	23-1-60	21-2-59
Food Articles		118.3	119.9	118.2	115.0
Cereals		104.2	104.9	103.1	104.5
Pulses		94.6	96.4	91.5	117.2
Fruits & vegetables		116.2	111.2	107.4	117.7
Milk & Ghee		109.1	113.9	108.6	103.6
Edible oils		137.6	138.4	132.2	121.7
Fish, Eggs & Meat		108.1	111.2	114.5	105.1
Sugar & Gur		145.8	145.5	142.9	127.0
Others		167.8	171.8	183.6	157.4
Liquor & Tobacco		95.8	95.8	100.5	103.7
Tobacco		94.0	94.0	99.0	102.6
Fuel, Power, Light & Lubricants		117.4	117.4	117.1	115.9
Industrial Raw Materials		131.8	131.6	131.6	114.8
Fibres		123.8	122.1	125.4	107.0
Oilseeds		140.7	141.4	138.4	125.1
Minerals		95.2	95.2	95.2	102.5
Others		132.8	133.5	133.4	111.1
Manufactures		116.3	116.2	116.3	108.5
Intermediate Products		120.5	120.3	121.9	110.9
Finished Products		115.6	115.5	115.3	108.1
Textiles		115.3	114.9	114.6	101.8
Cotton		125.6	124.8	124.8	111.2
Jute		96.3	96.1	94.2	81.6
Woollen		104.2	104.2	104.2	105.9
Silk & Rayon		102.9	103.8	105.2	93.2
Metal Products		145.1	145.1	145.1	143.3
Chemicals		106.5	106.5	107.0	110.9
Oil cakes		144.2	146.3	147.0	147.7
Machinery & Transport Equipment		106.1	106.1	106.1	105.4
Others		112.4	112.6	112.4	113.6
All Commodities		119.3	120.1	119.3	112.9

CLOTH AND YARN PRODUCTION

Monthly Average or Calendar Months

Cloth (000 yds)

	Yarn (000 lbs)	Coarse	Medium	Fine	Superfine	Total
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
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	22,975	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
1959: Jan	150,548	83,944	302,805	20,247	23,096	430,092
Feb	136,663	71,854	280,241	18,817	20,841	391,753
Mar	141,463	69,757	292,830	21,301	21,887	405,775
April	139,855	67,861	295,193	21,115	22,695	406,864
May	136,532	66,571	294,681	21,486	22,552	405,290
June	135,659	69,815	290,058	21,686	23,533	405,092
July	146,257	80,060	297,662	22,599	25,232	425,553
Aug	143,953	81,426	175,269	20,657	26,313	403,665
Sept	148,114	80,578	293,574	19,629	28,209	411,990
Oct	147,634	77,520	290,528	18,726	27,511	414,285
Nov	141,486	71,514	278,312	17,078	23,635	390,539
Dec	154,642	71,147	319,255	18,608	25,521	434,232
1960: Jan	143,000	—	—	—	—	416,000

— = Not available

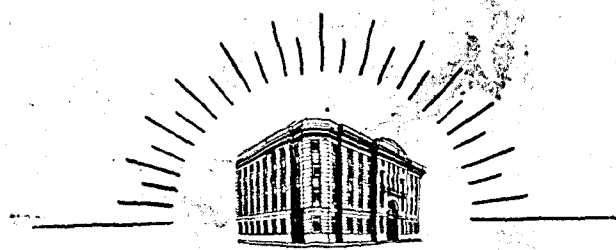
INDUSTRIAL PRODUCTION — I

(Monthly Average or Calendar Months)

	Cotton cloth (mn yds)	Woollen & worsted fabrics (mn yds)	Veg oil products (000 tons)	Matches (000 cases)	Soap (000 tons)	Razor blades (laks)	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)
1958	410.6	1.6	24.6	52.2	10.3	296.9	17.1	281.8	2.5	53.0	16.5	243	6.0	1,321
Dec	438.5	1.4	26.5	52.2	10.9	409.7	21.5	272.7	2.8	68.0	20.4	542	7.3	1,924
1959: Jan	430.1	1.1	27.8	48.3	10.4	366.0	19.8	216.4	2.7	62.4	14.4	428	7.9	1,889
Feb	391.8	1.0	27.5	47.2	9.7	308.0	18.1	247.9	2.7	51.1	15.5	286	6.9	2,046
March	405.8	1.0	29.1	50.8	8.9	261.0	19.3	269.2	2.9	55.2	15.6	405	7.0	2,420
April	406.9	1.2	28.3	48.6	9.5	520.0	19.3	301.2	3.1	52.2	17.4	474	9.3	1,142
May	405.3	1.2	28.8	54.1	10.1	273.0	22.7	328.9	2.9	60.1	16.0	305	10.9	1,953
June	405.1	1.4	26.5	54.4	10.6	285.0	19.9	318.6	2.9	58.4	19.3	280	13.4	1,805
July	425.6	1.2	25.1	61.5	12.0	403.0	24.0	342.2	3.1	70.0	20.4	374	11.4	1,790
Aug	403.7	1.4	22.4	56.4	10.6	399.0	22.8	332.4	2.9	65.5	19.6	410	14.1	1,795
Sept	412.0	1.6	25.5	57.7	11.2	414.0	21.2	405.6	2.9	63.2	18.4	243	11.5	1,560
Oct	414.3	1.3	24.6	53.0	10.5	152.0	13.9	338.1	2.5	50.5	16.5	205	10.6	1,561
Nov	—	—	21.4	57.2	8.2	—	—	—	2.9	64.1	18.6	321	—	—
Dec	—	—	—	59.2	—	—	—	—	3.1	—	—	234	—	—
1958	505.7	15.5	3,778	88.5	140.4	21.1	4.0	18.9	7.5	4.8	1.7	735.5	512.7	327.7
Dec	522.2	16.3	4,149	96.5	156.0	23.1	3.9	20.9	9.1	5.3	2.0	781.3	607.8	422.5
1959: Jan	499.7	14.6	4,086	92.1	150.5	22.8	4.7	22.1	9.4	5.2	1.8	808.4	651.8	333.5
Feb	500.8	13.8	3,939	83.6	136.7	21.6	4.6	20.4	8.0	4.8	1.7	915.9	496.0	373.9
Mar	585.3	15.6	3,955	83.3	141.5	23.2	4.4	22.1	8.4	5.2	1.9	881.2	724.9	425.2
April	602.1	11.8	3,984	84.4	139.9	19.1	4.3	20.0	7.8	4.7	1.7	780.0	641.3	348.9
May	592.9	8.8	4,015	86.8	136.5	19.5	5.0	21.0	7.1	4.7	1.7	631.2	520.6	409.0
June	581.8	13.9	3,815	82.7	135.7	22.6	4.8	21.5	8.4	5.1	1.7	571.9	721.4	427.8
July	562.0	17.9	3,860	89.6	146.3	27.1	4.2	21.0	7.4	5.5	2.0	509.8	569.0	400.1
Aug	535.2	17.6	3,750	86.9	144.0	26.6	4.3	22.0	7.5	5.5	2.4	549.7	556.2	243.5
Sept	559.5	17.2	3,936	92.6	148.1	26.3	4.5	21.5	7.5	5.7	2.4	496.4	448.3	385.7
Oct	581.8	17.6	3,608	87.9	147.6	27.3	4.7	—	7.5	6.0	2.4	371.0	642.2	479.7
Nov	611.7	15.9	—	—	—	22.1	4.2	—	7.4	—	2.4	—	—	—
Dec	662.3	16.2	—	93.6	—	—	3.7	—	8.3	7.7	—	—	—	—
1958	542	287	14.0	32.0	174	335	552	245.6	29.20	25.3	34.7	49.3	11.3	317
Dec	580	304	13.3	36.6	193	412	663	279.9	29.83	45.4	39.9	47.4	13.4	349
1959: Jan	539	326	16.5	35.6	195	530	272	231.4	36.04	17.9	43.3	41.8	12.6	319
Feb	423	300	16.3	35.2	326	511	343	243.9	33.45	17.8	40.1	42.0	11.3	287
Mar	583	292	14.4	39.8	368	541	538	330.6	30.08	14.7	51.9	47.3	10.3	321
April	500	315	15.0	24.5	178	546	604	292.1	26.66	21.8	43.6	43.6	13.2	311
May	492	319	19.3	28.3	229	317	612	268.9	30.27	11.4	47.6	44.7	15.7	320
June	398	347	18.6	32.6	194	274	722	433.1	39.97	5.8	29.4	30.0	6.3	312
July	363	393	27.9	30.8	163	274	778	277.5	28.60	12.5	54.1	30.0	5.9	321
Aug	411	399	23.9	31.6	184	300	733	312.5	29.4	19.3	24.1	19.3	6.8	322
Sept	390	402	21.8	27.7	308	273	669	403.6	25.36	14.9	31.9	21.1	6.5	286
Oct	310	413	22.0	33.0	311	300	387	396.6	18.23	11.6	30.4	15.6	7.6	217
Nov	—	—	—	—	—	—	540	359.9	—	—	44.1	22.9	5.8	483
Dec	378	—	—	—	—	—	529	403.3	—	—	38.2	29.8	7.3	621
— = not available														
Source: Directorate of Industrial Statistics														

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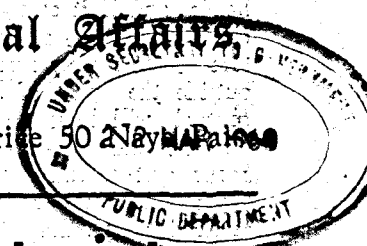
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Unwarranted Restraint

THE Finance Minister deserves congratulation for resisting the pressure for raising the bank rate. His references to monetary discipline had an ominous ring about them, since he had so light-heartedly thrown away the opportunity of imposing a little fiscal discipline in his budget. Those who had banked on a higher bank rate to bring about whatever they wanted could not have been unaware that in the aggregate of investments which sets the pace of economic activity and influences prices, the cuts that a higher bank rate can effect are either negligible or mischievous. The decision about the magnitude of investment has been very largely a political decision ever since planning got well under way. Price rise or inflationary pressure results from it, neither is generated directly by bank credit expansion. A credit-based inflation could be checked by credit restriction. Knowing all these those who still pressed for raising the bank rate wanted it as a lever to move the economy away from planning and in the direction of free economy.

While the pressure for raising the bank rate has been resisted, the Reserve Bank has followed up with a number of credit restraints. That the Reserve Bank should find it necessary to act in this manner a fortnight after the presentation of the budget proposals would seem to indicate that it was called upon to do something which should have been done by the Finance Minister himself. This applies particularly to the directive to the scheduled banks to restrict advances against securities. The Finance Minister had expressed concern about the boom in stock exchanges. It is a fair commentary on his inaction that the stock exchange celebrated the budget by pushing up prices all round. It was in his hands to deflate this boom in the most effective manner, if he wanted to. And why should the Finance Minister be so much concerned with the stock exchanges? What bearing do they have on the price situation?

Another directive imposes a ceiling on clean or unsecured advances: "The proportion of the clean advances to total advances of each scheduled bank in any month in future should not exceed the proportion of its clean advances to total advances in the corresponding month in 1959". This is most difficult to understand, because from the published statistics, one does not see that advances under this head have increased at all. On the contrary, as on January 16, the latest week for which breakdown of advances by categories is available, it was much smaller than a year ago. Moreover, since selective control is already in force on a wide range of advances, does not the extension of control to clean loans signify its failure? Curiously enough, the communique issued by the Reserve Bank argues the opposite, that the ceiling has been placed on clean loans "with a view to ensuring the effective implementation of the selective credit control measures".

The failure of selective control is further advertised by the necessity which the Reserve Bank has felt for the first time of availing of the powers of varying the deposit ratios of scheduled banks, given to it by the amendment to the Reserve Bank Act in 1956. This may be regarded as an epitaph to selective control which the Bank is supposed to have developed over the last few years. Those who know how vexatious it is in day to day operations and those who suspected, on a priori grounds,

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that it could never succeed because there would always be loopholes and possibility of shifting advances from the restricted to the unrestricted heads, and if it came to that, credit could always be arranged from sectors of the money market which are outside the pale of Reserve Bank control, will have no regret. They would rather put an end to this cumbersome system and welcome in its place a straight forward quantitative restriction on the total volume of bank credit, relying on the judgment of the bankers to make the selections and to distribute the cut.

There was something attractive about selective control. After all, whatever the macro-situation, especially since the aggregate of investments is outside the control of the banking authority, there is continuing need of keeping watch and preventing bank credit going into speculative build up of stocks and thus making the situation worse than it need be and defeating the fiscal measures which are aimed at mobilising

and directing resources to desired ends.

This paper shares the view that the present situation does not call for credit restraint. On the contrary, it is apprehensive of such restraint when production is getting into stride. It is ill-timed, coming when the busy season is drawing to its close. True enough, there are factors which may be potentially dangerous—liquidity in the banking system at a time when its resources should be fully stretched. That is to say, there is considerable scope still left for the banks to expand credit if they want to but, is the market situation favourable to such expansion? How does one explain that the credit ratio is low rather than high and that the ratio of investments in Government securities, though it has come down nominally over the last few weeks, is still about 40 per cent—perhaps an all time high for this part of the year?

Precisely in this lies the danger, it will be argued, and hence the case

for sterilising further accretions to banks' resources by impounding them with the Reserve Bank. If the faith in selective controls has proved to be naive, what is one to say of the hope placed in the present set of controls that "they would restore monetary and price stability and make for orderly economic development"?

Prices or inflationary pressures depend very little today on what the Reserve Bank does or does not do. It is production and more production which is the need of the hour. The process of money creation that planned development involves has to be followed up at every possible opportunity by mopping up operations through taxation and other means. To expect that money supply can be increased at one end and impounded at the other by banking devices reminds one of Lewis Carroll:

"But I was thinking of a plan
To dye one's whiskers green,
And always use so large a fan
That they could not be seen."

—Through the Looking Glass.

Baby Car Not Just Yet

THE Jha Committee was appointed to cover up the inability of a hasty and ambitious Minister to stand up to Parliament. The facts about the automobile industry had been laid bare in the Tariff Commission's Report of 1950. Since then, the automobile industry, particularly the passenger car section, has been hit hard by foreign exchange shortage. This has also given an excuse to the industry to delay further the import of capital goods necessary to complete its manufacturing programme which it had taken on hand. 1958 was the worst year. Not only car prices went up to a high premium, order books were full for two years ahead and delivery dates fell behind. The main issues that the Jha Committee were asked to examine, viz, the progress of the industry, steps to be taken to bring down costs, the feasibility of producing a low-cost passenger car within the price range of Rs 5000 to Rs 7000, and the financial implications including the foreign exchange component of development programmes, all these must have been examined time and again by the Government and must have been receiving continuous attention. On the first three, the Tariff Commission had thrown light,

and for any further information that was needed, the Tariff Commission would have been the right body to advise Government, instead of a Committee, and a Committee which was predominantly official in character. The result is as could be expected and the folly of it has been more than borne out by the report.

What the public wants to know is: can it ever get a car at a reasonable price? On this, the Jha Committee's stand is not very different from that of the Tariff Commission in 1956. The Committee does not recommend price control on commercial vehicles. It sees the possibility of a slight reduction in the prices of passenger cars by September, if adequate foreign exchange is made available to the manufacturers to import their full requirements of components. This hint has not been lost on the Finance Minister who has acted promptly on

it and imposed excise duty on automobile engines so as to forestall any likely reduction in prices during the year. Prospective buyers need not expect any reduction in prices for the current makes of car.

There are certain disquieting features about the automobile industry, to which previously the Tariff Commission and now the Jha Committee have drawn pointed attention. Most of the units are unwilling or unable to maintain proper cost accounts. There is no valid reason why the industry has not yet introduced a proper system of cost accounting; nor is there any indication that it would do so hereafter unless Government makes it a precondition for giving further assistance.

Another factor to which the Tariff Commission attached great importance and to which most of the units in the industry have paid very little

attention is the training of apprentices. This is an industry calling for a high level of skill and workmanship. And yet the breakdown of the labour force employed by the automobile manufacturers, which the Jha Committee has presented in a table, indicates a situation which is so fantastic and topsyturvy that the figures need to be reproduced lest they be disbelieved. Leaving out the clerical and supervisory staff and 'others', presumably non-factory workers, the situation is as shown in the table on p 474.

True, the classification may not be consistent or uniform and the ratio of skilled workers needed would depend on the degree of indigenous manufacture undertaken and on the production methods followed. When there is no proper internal transport arrangement or no flow-line of production, the proportion of unskilled workers will be correspondingly large. Making due allowance for all these, the picture presented hardly suggests much progress in the development of a skilled labour force. The complete and cynical disregard for the training of workers in sufficient numbers is writ large on this set of figures. Is it not high time to ask whether an industry which persistently disregards proper costing and neglects the training of workers deserves public assistance and encouragement?

What about the baby car, which the public had expected the Jha Committee to pull out of its hat? The Tariff Commission had also gone into this question and turned down all the proposals that had been put up for the manufacture of a small car. This it had done on the ground, among others, that a small car within the price range of Rs 5000 to 7000 would require a scale of production of over 50,000 and production on this scale would not be reached in the near future. Apart from production of this order of magnitude, costs could not be brought down unless the main producers had facilities to draw upon ancillary manufacturers for a large variety of components at special prices. Thirdly, the Commission was convinced that in the present stage of development of the economy, the highest priority should be given to commercial vehicles, and the lowest to the small car and finally, that vehicles already under development

should get priority and not new models.

The only argument which the Jha Committee has advanced in favour of a small car is that the existing capacity of the three manufacturers, namely, Hindustan (10,000), Premier (7,000) and Standard (3,000) is only a little over 20,000 a year, while demand is likely to reach 30,000 a year by the end of the Third Plan period, and may even go up to 40,000, if a car can be made available at Rs 6,000. Now the Jha Committee also wants that existing units should expand their capacity to 30,000 a year and fully realises that if a cheap model comes on the market, it will cut into the demand for the existing models. This is very confusing. The questions to which the Jha Committee had to find clear, unequivocal answers were: (1) the volume of production that is necessary in order to produce a car at Rs 6,000; (2) for which class of buyers is this type of car intended and what is likely to be the demand for it at the current level of maintenance cost; and (3) what priority is to be given to such a cheap car in relation to the other models now under development? Instead of finding straight answers, the Committee has left them to the Government to decide.

On thing which the report has brought out clearly is that for some years to come, the development of the automobile industry, whether it is the manufacture of engine and transmission or of ancillary parts, is going to be through foreign collaboration, unless the Hindustan Aircraft project gets strong support from the Government. The present official policy seems to encourage foreign collaboration in preference to purely indigenous and independent ventures even in minor things. It is not likely, therefore, that the Hindustan Aircraft project will be considered on its merits. Why not postpone the small car project for a couple of years or so, until ancillary industries come up and, in the meantime, develop a cent per cent Indian car?

The unpleasant fact has to be faced that foreign collaboration has not been conspicuously successful in developing the manufacture of any of the passenger cars. Sufficient time has elapsed and enough experience has been gathered to warrant a reappraisal of the situation.

Why it does not work satisfactorily is itself an intriguing question, since similar collaboration in the manufacture of a commercial vehicle has been such a splendid success. May be, the fault lies with the Indian manufacturers, or it may be that the assistance they have received has been inadequate, or it is possible that the very basis of such collaboration is faulty. For sheer survival, car makers who produce for a highly competitive market have to change their models frequently. If the price of collaboration is frequent change of models, is it not too high a price to pay? This becomes unduly costly and wasteful for the Indian producers who are thereby prevented from deriving the full benefits of the sheltered market that they have. How long can we hide this skeleton in our cupboard?

Hindustan Aluminium

THE Hindustan Aluminium issue has been over-subscribed, it was announced by the company this week.

Against the public issue of 21,56,000 equity shares, the company has received applications for about 29 lakh equity shares. In consultation with the Bombay Stock Exchange, the company has decided to make allotments as under:—

Up to 25 shares — in full
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From 5000 upwards — 60 per cent (in multiples of 50 shares).

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	Skilled	Semi-Skilled	Unskilled
Hindustan Motors	603	1385	1971
Standard Motors	80	246	44
Ashok Leylands	103	530	261
Telco	2315	424	360
Mahindra and Mahindra	539	434	460
Premiers	1983	970	1376

Weekly Notes

Coal Programme Falling Behind

THE Second Plan set a target of 60 mn tons for coal against the output of 38 mn tons in 1955. Of the additional production of 22 mn tons, 12 mn tons was to come from the public sector, which produced only 4.5 mn tons in 1955, and the balance of 10 mn tons was left to the private sector, which produced 33.5 mn tons in the pre-Plan year. The Government allotted Rs 40 crores, later increased to Rs 48 crores, to the National Coal Development Corporation for this purpose but made no financial provision for the private sector. Given the official prices fixed for coal, and inclusion of the industry in Schedule A of the Industrial Policy Statement, the private sector has always complained that it had neither the capacity nor the incentive to expand its output substantially. The public sector, on the other hand, has been handicapped by the fact that it had to start practically from scratch in new areas which had to be surveyed and acquired before they could yield any coal.

The result is an impasse, which threatens the industrial base of the economy, though Government spokesmen continue to play it down. In 1959, with only one year left for the completion of the Second Plan, coal output was only 47 mn tons, of which the private sector contributed 40.3 mn tons and the public sector 6.7 mn tons. Even though NCDC has succeeded in stepping up its output substantially, it is hardly likely that the public sector will be able to fulfil its ambitious target; nor is the private sector likely to produce an additional 10 mn tons. This is a sad picture, but there is an even sadder aspect to it. The output of high-grade coal has been steadily falling since 1957, while average daily loadings on the South Eastern Railway, the arterial line for steel and coal, have been consistently going down since 1957. All consumers, especially railways and steel plants, are getting coal of a quality which is much below what they need. The railways are losing about Rs 5 crores every year on this account, while every one per cent increase in the ash content of coke above standard means a fall of 5

per cent in iron output and a rise of Rs 3 per ton in the cost of steel. The Plan provided for a number of washeries. Of these, the Bhoujudih washery which is to be erected by NCDC for supplying additional coal to Tatas will not be ready for another two or three years. The Patherdih washery scheme is still on paper and tenders have yet to be invited for its erection. The railway washeries remain to be set up. To put up washeries is certainly no easy job; their capital costs are high and the ancillary facilities required are many. One can understand these difficulties but not the attitude of the Ministry of Steel, Mines & Fuel in the matter. Its report for 1959-60 indicates no sense of urgency or even concern. It is pleased that the Kargali washery "was able to meet the entire requirements of the steel plants at Bhilai and Rourkela during 1959"; the production of this washery, it is claimed, has been "in excess of requirements of these plants". The performance of the Kargali washery might have been creditable, in a year when production at these steel plants was nominal, but how does it alleviate the overall problem of coal supply?

Recognition of East Germany

THE "clarifications" issued from Conakry have served only to confuse the question of Guinea's recognition of East Germany. Up to the moment when the East German radio told the world about the recognition by Guinea, developments were dramatic but not in any sense ambiguous. It was to be assumed that President Sekou Toure had fully weighed the pros and cons of the action, and then decided upon it in full knowledge of what the consequences would be. The posting of a Guinean Ambassador in East Germany would mean, in all probability, a diplomatic break with Bonn; but the disadvantages of this were apparently thought to be correspondingly much less than the advantages to be gained by the recognition of East Germany.

Now the position is not too clear. Guinea's President has denied having made the reported move and has given his assurances in this

regard to Bonn. But two points remain unexplained; and it is no doubt because of these that Dr Adenauer's Government has refused to be satisfied by Mr Toure's assurances and denial. First, the television broadcast showing the Guinea diplomat presenting his credentials in East Berlin is a fact that cannot be simply denied. The television presentation was seen by a large number of people. So it could not have been fiction. At the most, it may have been some other function which was deliberately misrepresented on the TV screen by the East German Government. This has not been suggested in Conakry as yet; and, in any case, this is where the second point arises, viz. Why should East Germany want to make such a misrepresentation? If Guinea has, in fact, not recognised it, there is no point in the pretension that it has. Indeed a misrepresentation of this nature, causing great embarrassment to Mr Toure, would be taken as an unfriendly act and diminish rather than increase East Germany's chances of winning recognition by Guinea. Finally, if Guinea has really accorded the recognition in question, it would hardly start off by denying that it had and, thus, suggesting that its new friend was a liar.

Whatever the explanation of this muddle, the one most widely offered and accepted seems the least plausible. It has been suggested that Guinea decided to establish diplomatic relations with East Germany, did so, and then was so frightened by Bonn's threat to break off with it that it quickly retracted its step. This seems manifest nonsense, for the reason that the assumption behind this explanation is that President Sekou Toure had acted hastily and without realisation of the consequences of his action which is hardly likely. Bonn's threat to break off with anyone who establishes diplomatic relations with East Germany is not a new one. It has always been there, reinforced and reasserted from time to time. Furthermore, Mr Toure could not possibly be ignorant of the fact that Bonn broke off with Yugoslavia three years ago for exactly the same reason; and was not likely to treat Guinea differently.

The Hallstein Doctrine

THE whole episode serves one useful purpose, however. It raises afresh the question of the so-called Hallstein Doctrine itself; and we can be sure that this question will remain actively live from now on. Bonn will not be able indefinitely to insist that it alone is the rightful capital of a divided Germany. The time is coming when the contention will be seriously challenged. From this point of view, it is perhaps unsatisfactory that Guinea's alleged recognition has become a matter of dispute and confusion. If it had not, the entire issue of the Hallstein Doctrine would have come up for disposal much quicker. There is every reason to think that Ghana would have followed if Guinea had stood its ground; and this might have given the green light to many other African countries to do the same — with the not unlikely result that some Asian members of the Afro-Asian community would also have followed suit. This would have posed the question whether Bonn would prefer to break off with practically the whole of Afro-Asia rather than abandon its doctrine.

For the moment this issue has escaped coming to a head, but how long will Bonn be able to avoid it?

Distribution of Soviet Oil

SOVIET oil has been in the news for quite some time. Indeed, before Sahara came up on the scene, it was perhaps the biggest single factor threatening the world balance in oil. Soviet rate of oil production has been going up year by year steadily and fast; projected targets of the Seven-Year Plan are not only sensational, they may well be realised, judging from the steady rate of expansion over the years.

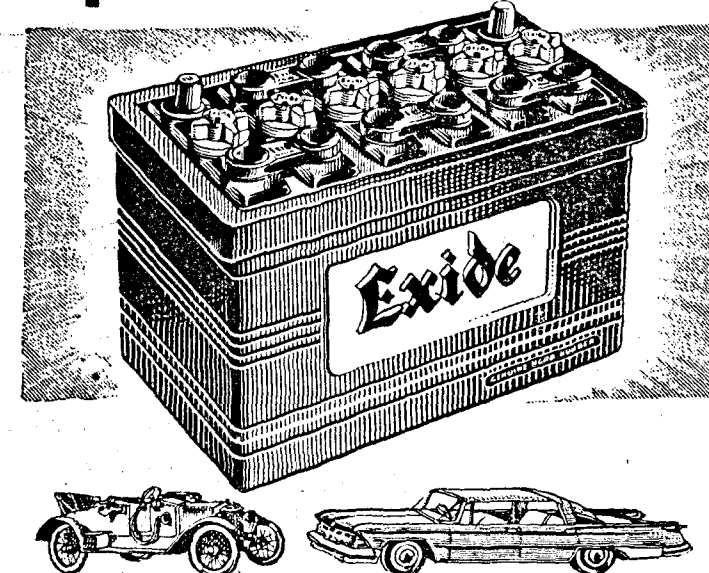
Along with increase in production, Soviet Russia has been eager to seek export outlets for oil in every part of the world and the countries with which USSR has concluded oil agreements nearly exhaust all the letters of the alphabet. Western Europe as well as Japan, Latin American countries as also Australia have either concluded agreements for imports of Soviet crude or refined products; or if agreements have not already been signed, they are currently under negotiations.

There is no need, however, for so dramatic a preface if the subject is a comment on the recent deal between Soviet Export Organisation

and the newly formed Bombay firm, the Hindustan Organisers (Private) Limited, for the import of a modest quantity of Soviet oil products, diesel and kerosene, in which we are so short. The Hindustan Organisers may be new, though it has on its Board a prominent official from the Oil and Gas Commission who has left Government to join it. It has a subsidiary, however, which is better known—The Western India Oil Distribution Co. The latter has so far been the only small-scale independent oil distributor in the country with a skeleton organization for storage and distribution of oil products. WIODC lies low most of the time, but once in a blue moon, it used to hit the headlines when it succeeded in getting a small consignment of Soviet oil. But this happened only at several years' intervals.

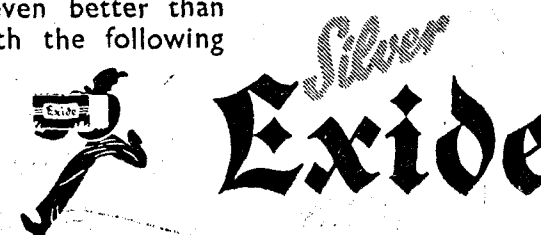
The Indo-Soviet Trade Agreement provides for rupee payment for imports from Soviet Russia and when the news of the deal came through, it was conceivable that oil products might be one of the permissible imports under the Agreement, for any one who might be interested and fortunate enough to wangle an import license. Conceivable, but not certain, considering that the Government of India has an oil-distributing organisation in contemplation and on paper. If oil outside the range of established oil companies is to be imported in any quantity and distributed in this country, one would naturally think of this organisation as the likely agency for handling the job. Maybe, until this organization has been set up and properly got going, Government may still get Soviet oil on its

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own and hand over its distribution to some other agency as a temporary measure. In view of all this, newspaper readers fully shared Malaviyaji's surprise when he told the Rajya Sabha that he had no knowledge of any such deal with a private company. He did say, however, that the Government intended to import sizable quantities of petroleum products and to distribute them through its own organization, though he did not specify the source of such imports.

The facts surrounding the deal have subsequently been well-established, but the mystery has by no means been cleared. It is a fact that this private firm has signed an agreement with the Soviet Trade Representation for the import of one lakh tons of diesel oil and kerosene. This happened, according to Malaviyaji's subsequent statement in the Lok Sabha, to quote his own words "through a bonafide misunderstanding".

The trade plan for 1960 which has just been finalised under the Indo-Soviet Trade Agreement includes petroleum products among the imports and the quantity provided for is much in excess of the lakhs which the Hindustan Organisers have contracted with the Soviet Export Organisation. It has also been agreed that imports of Soviet oil will be on a government-to-government basis.

Malaviyaji has not denied that agreement has actually been reached with the Hindustan Organisers. What he is unable to explain is how it happened. Did the Ministry of Commerce and Industry go its own way and give its sanction to a deal which is clearly and obviously against the oil policy of the Government, as it has been enunciated by Malaviyaji? Did the other Ministry pull a fast one on him or is it the Soviet Trade

Representation which was too hasty? As mentioned above, Malaviyaji ascribes this deal to "a bonafide misunderstanding" and goes further to say that "but for such misunderstanding on the part of the particular oil trade organisation of the U S S R, this particular agreement would not have been concluded at all".

What arrangements the Minister has in view for the distribution of petroleum products through the Government company which has been set up, Malaviyaji will disclose during the coming budget discussions.

Gold Payment to IMF

HOW was the gold payment to the International Monetary Fund arranged when India's quota was raised from \$400 million to \$600 million? Mocatta & Goldsmid's annual circular for 1959 had given

an inkling of it when it featured gold exports to India in the table which was published for the first time of Britain's gold imports and exports. The Explanatory Memorandum to the Budget tells other parts of the story in bits, e.g., when it mentions the cost of transport to India of the gold purchased in the U K and gives out the statistics of disposal of gold produced in the Mysore mines and acquired by the Government at the official price. These have to be supplemented by information from the Estimates Committee's report on mints to get the whole story.

Of the Rs 95 crores India had to pay to the I M F for raising her quota, Rs 24 crores had to be paid in gold. This has been made up of purchases of Rs 18 crores worth from the Bank of England, and Rs 6 crores in equal measure from Mysore gold and confiscated stocks lying with Government. According to the usual convention, the physical stock is held by the Reserve Bank on behalf of I M F and it is safely deposited in its vaults in Nagpur. The fact that internal gold stocks could help pay one-fourth of our gold contribution might be a surprise to many, since their magnitude has never been fully publicised.

The Estimates Committee in its report released last year had given the following data on stocks lying at the Bombay Mint:

	On Government account	Confiscated	Total
1955-56	33,726	109,949	143,676
1956-57	30,850	133,148	163,998
1957-58	30,878	145,298	176,177

According to the Committee, "Similar stocks to a lesser extent are kept at the Alipore Mint also", but their magnitude was not given. The above figures relate to a period prior to the Central Government decision to acquire the output of the Kolar and Hatti mines in 1958-59. Stocks at the Bombay Mint at the end of 1957-58 were worth Rs 2.75 crores at the official price of Rs 62.50 per tola. Purchases from Mysore added Rs 2.46 crores in 1958-59 and a further Rs 2.92 crores in the current year raising stocks to Rs 8 crores, exclusive of the stocks at Alipore and accretion of confiscated gold in 1958-59 and the current year. Of this amount, Rs 6 crores has been used to pay the I M F contribution. The budget provides Rs 2.79 crores for further

purchases from Mysore in 1960-61 which will raise Government stocks to at least Rs 5 crores by the end of the Second Plan. This figure might actually be larger by another Rs 3 crores or so, for reasons stated above.

A subsidy is being paid to the Mysore Government to compensate the "financial dislocation caused to them by the sale of gold at the official rate of Rs 62.50 per tola. Provision of Rs 2.93 crores this year (1959-60) and Rs 3.24 crores next year has been made for this purpose". In effect, therefore, the Central Government is acquiring Mysore gold at open market prices, and not at the official price set by the I M F. Since the Centre is the sole buyer of Mysore gold, and the Mysore Government is apparently unwilling and unable to accept the official price, the correct and cheaper solution would be for the Centre to take over the mines at Kolar and Hatti.

In the meanwhile, the output of these mines is declining fairly rapidly, owing to fall in gold content of ores. Production in 1958-59 was less than 1,51,000 ozs against 1,93,000 ozs in 1955-56. The gold content of ores has gone down over the period from 6.42 per cent to less than 5 per cent.

Defence Production Record

WHATEVER else may be said against the Defence Minister.

(Fine ozs)	1955-56	1956-57	1957-58
On Government account	33,726	30,850	30,878
Confiscated	109,949	133,148	145,298
Total	143,676	163,998	176,177

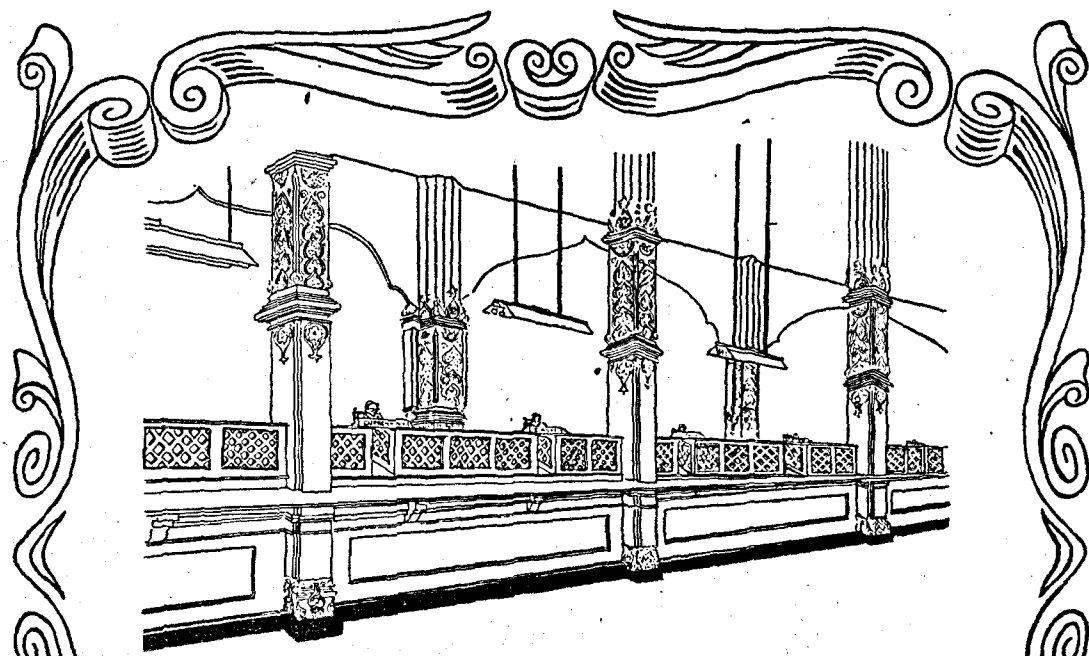
the Annual Report of the Defence Ministry shows his amazing success in raising the level of production in enterprises under his control. The value of aggregate output of ordnance factories has gone up from Rs 14 crores in 1956-57 to Rs 20 crores in 1958-59 and is expected to go up to Rs 26 crores in the current year. The two joint stock companies under the Ministry, Hindustan Aircraft and Bharat Electronics, have also made impressive progress; the latter seems to be out of the woods now. This increase in production has been achieved without any addition to the labour force. Adoption of improved methods and techniques of production has resulted in some reduction in costs. A number of new items and new units are expected to go into production

shortly. The estimated cost of projects sanctioned during the current year amounts to Rs 19 crores against a little more than Rs 1 crore in the previous year. The exact extent to which we still depend upon foreign sources for our defence equipment is not public knowledge but it must be considerable though this dependence is being steadily reduced.

Till last year, the biggest problem facing ordnance factories was their idle capacity and surplus labour. Larger production, including civil trade work of more than Rs 3 crores, appears to have overcome this problem. From utilisation of idle capacity, the emphasis has now shifted to building up sufficient reserve capacity to meet any emergency, during peace time, this reserve capacity would be utilised for civilian requirements. Even now, with trouble on the border civil trade work is not being ignored. The factories supply such civilian goods as ferrous and non-ferrous metal products, leather and textile stores, chemicals and general engineering products, including scientific and technical instruments. They produce tractors, jeep parts, steam and diesel road rollers oil expellers, and, this is surprising, even ambar charkhas. They also cater to the needs of other ministries, particularly railways. Given sufficiently large orders, ordnance factories are prepared to manufacture, among other things, espresso coffee machines, hair clippers and pressure cookers. The list is truly impressive and let us hope excessive diversification of production will not affect the efficiency of ordnance factories.

It has already been noted that substantial increase in production has been achieved without any addition to the labour force. From the Organisation Chart thoughtfully appended as Annexure I to the report, one can see that the growth of officials and officers has not fallen behind the growth of production. It has indeed been even more impressive.

For years, ordnance factories have suffered from a surfeit of officers whose technical qualifications and experience are wasted in routine desk work. The Directorate-General at Calcutta is organised for



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departmental administration rather than as a productive enterprise. It is now topped by a Controller General of Defence Production at New Delhi who, in turn, is responsible to an Additional Secretary.

This does not exhaust the superstructure, since there is also a heavily-staffed technical directorate which inspects all equipment delivered to the army and the air force. Each of the three armed forces main-

tains a large ordnance establishment at its headquarters under a very senior officer. The functions of all these overhead establishments do not entirely overlap, but there is surely some need for administrative and technical rationalisation in all of them. Defence production cannot be evaluated on the basis of costs, but that does not mean that costs can be ignored altogether.

Clouds over LIC Investments CORRECTION

The weekly note under the above caption in the issue of March 12 (p 440) erroneously referred to Ashok Leylands as a Mahindra concern. Ashok Leyland is an affiliate of Leylands of U K and is not connected in any way with Mahindra & Mahindra.

The error is regretted—Ed.

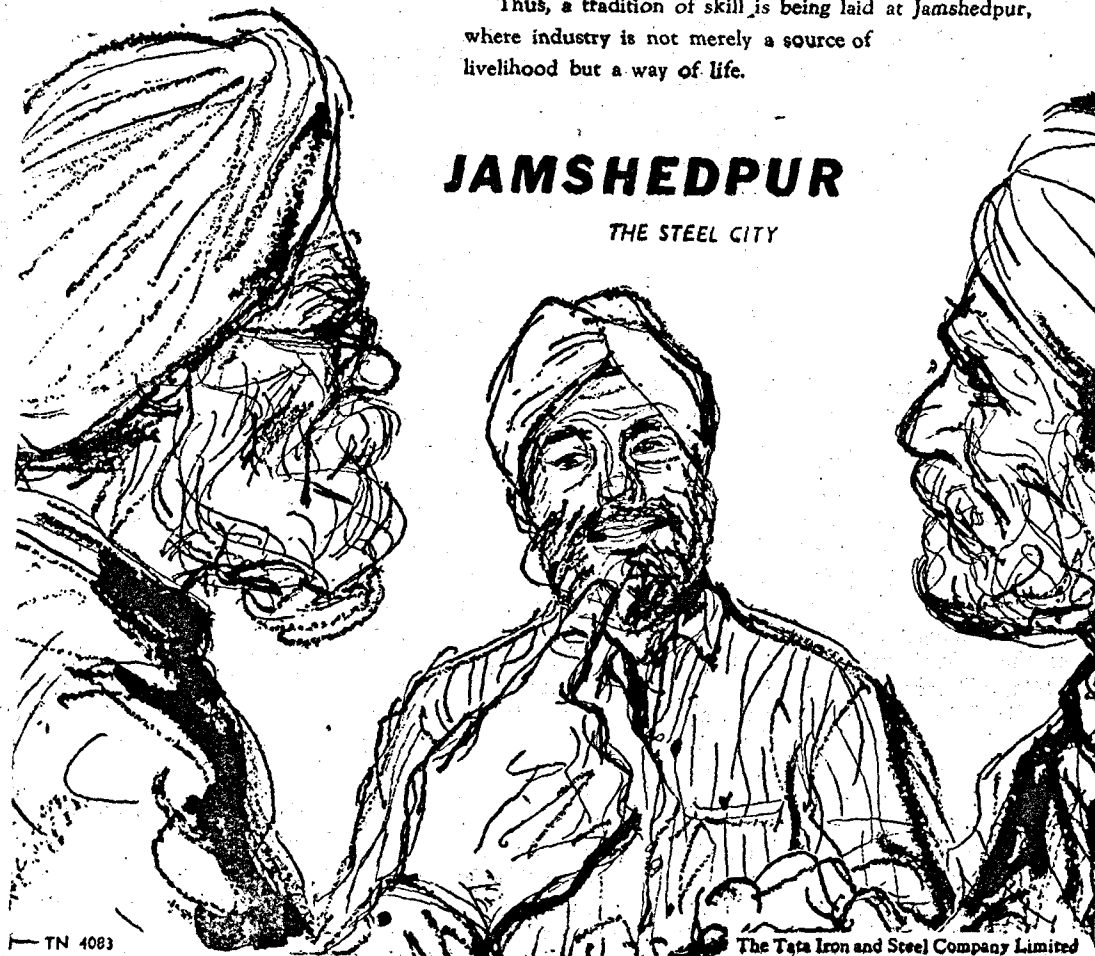
FIFTY YEARS AGO, Sardar Pratap Singh Bhumra, now 87, was assembling cranes and electrical equipment as India's first steel works was taking shape in the wilderness of Chhotanagpur.

His son, Jwala Singh, joined the steel works his father helped to build. Drawing upon his mature technical skill, he suggested an improvement to soaking pit cranes which won him a reward from Management and appreciation from the American manufacturers.

Harl Singh, Jwala Singh's son, imbibed the family tradition early in life. A young electrician in Tata Steel's Skelp Mill, he was recently sent to Japan to study advanced crane maintenance.

Thus, a tradition of skill is being laid at Jamshedpur, where industry is not merely a source of livelihood but a way of life.

JAMSHEDPUR THE STEEL CITY



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Letters to the Editor

A Case for a Rise in Bank Rate?

JUDGING from the manner in which your correspondent "Shadan" has put forth his arguments in favour of a rise in the bank rate, in the issue of March 12, it is clear that he has not understood the central thesis of the article "Expansionary Forces in the Economy — Do They Need Credit Curb?" which appeared in your issue of March 5. And worse still, the points which he considers favourable to raising the bank rate in fact argue against that course of action.

Shadan argues that "... if a rise in bank rate can help in keeping it (i.e. private investment) to manageable proportions, so that the rise in prices would only be modest, there is a case for raising the bank rate". Now has he asked himself whether the rise in interest cost would curb private investment in an economy in which profit expectations are high? There is nothing in his comment which lends support to the existence of this supposed interest elasticity of investment. On the contrary, there is the curious statement in his letter that "... it is unlikely that a rise in bank rate would prevent the flow of credit to industries for which the only limiting factor to producing full capacity output is insufficient level of inventories". If it is so, how does he expect that private investment will be reduced to manageable proportions (sic) by raising the bank rate? Then, again, he himself asserts rather dogmatically that "the borrowers affected would rather be those whose prospects are somewhat more uncertain—the marginal borrowers". If it is only the "marginal borrowers" that would be restrained, then it would be an unwise act on the part of the monetary authorities to go in for a rise in bank rate, to say the least. Further, your correspondent believes that the tendency to build up stocks of raw material in short supply would be powerful in the coming months and that a higher bank rate might deter it. I need not dilate on this simple point that when there is speculation in commodities induced by expectations of higher prices, a small increase in the cost of holding stocks as a consequence of a higher bank rate

would not deter the borrowers. All these arguments against bank rate rise are not mine but those of your correspondent himself. And they are employed by Shadan to justify a rise in bank rate!

Shadan argues that the Reserve Bank would "lose all initiative" if the bank rate is not raised. And this is based on his belief that the bank rate in India is at present out of alignment with other market rates. But when was bank rate in India ever in touch with other rates in the market? There has never been any settled relationship between the bank rate and other rates in India as in, say, the U.K. True, market rates in the last five years have steadily moved up but there is no ground for the belief that a rise in bank rate would further raise market rates. In fact, the market conditions prevailing today are not propitious for making a higher bank rate effective, in view of the excess liquidity in the banking system which renders their reliance on the Reserve Bank only marginal.

Yet another argument for raising the bank rate is that it would impress the foreign countries about our determination to maintain the health of the Indian economy. Apart from the superficiality of this argument, I can only say that this is not the way to go about such vital matters which affect our country. If the main objective is to please foreigners, I suggest that instead of raising the bank rate, why not straightaway cut down the Plan drastically?

And one final point. While referring to decline in private investment during 1956-57 to 1959-60, Shadan states that the contributor of the original article has ignored the fact that the private investment in the Second Plan period will exceed the target set in the Second Plan. Whether private investment reaches or exceeds the target or not, the earlier underestimation of private investment in the Plan is no argument for keeping it low. Shadan forgets that private investment during the First Plan period is now estimated at about Rs 2,200 crores as compared to Rs 1,600 crores given out in the Second Plan. It, therefore, follows that if private investment is to record a substantial ad-

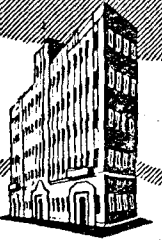
vance in the Second Plan period, it must pick up in the remaining one year of the Second Plan.

Shadan also argues that saving-income ratio has risen because of rise in prices. This was precisely the point the author of the article wanted to drive home. Is it good or bad that saving-income ratio and therefore the rate of growth have risen rather than declined? The point is not whether prices have increased or not, but whether the increase in prices has raised the rate of domestic saving.

Bombay,
March 14, 1960.

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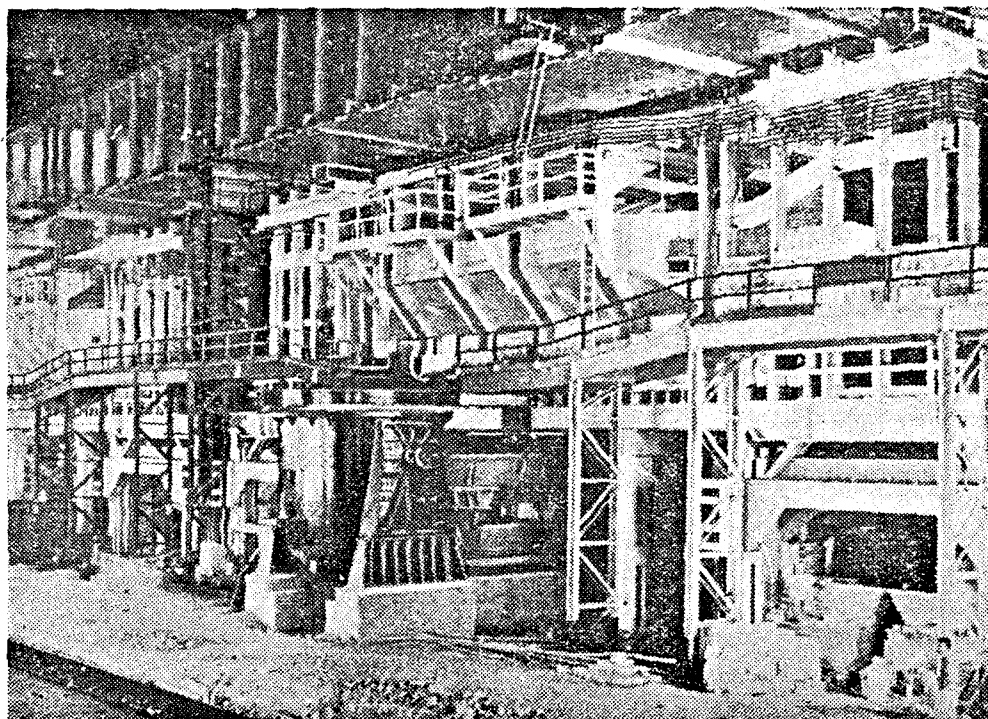


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BRITISH COMPANIES WORKING FOR INDIA

Under-Utilisation of Capacity Chemical Industries

— A Comment

MY attention has recently been drawn to the article under the above heading by Kuldip S Gufati which appeared in your issue of 21st November 1959.

I am disappointed to find, in a journal of the standing of the *Economic Weekly*, that the discussion of such an important subject should have been confined to its academic aspect only, without taking into account the realities of the situation which are no less pertinent, but which seem to have been either overlooked or ignored. This has resulted in the presentation of a totally distorted impression of the development of several important chemical industries, about which misleading inferences have been drawn by the writer, which require to be rectified.

The application of any simple mathematical ratio between output and capacity to the chemical industries overlooks not only the difficulties involved in the assessment of capacity but also those which impose a considerable timelag between installation and utilisation of capacity, well exceeding a couple of years in many cases, particularly in the more complex basic chemical industries. If a producer has to wait for expansion of capacity until the existing capacity is fully utilised, the march of the economy towards self-sufficiency in this essential area will certainly be delayed to the national detriment.

As you are probably aware, all expansions of capacity are subject to the prior sanction of the Central Government under the Industries Development & Regulation Act, which imposes a strict scrutiny on every application through the Licensing Authority of the Commerce Ministry. As every claim to expansion has to be justified, and its conditions satisfied, any tendency to exaggerate the picture can easily be challenged at this very stage.

It is also not correct to state, where a product is partly manufactured and partly imported, that production tends to be regulated not so much by installed capacity nor demand, but by the volume of imports which in turn determine the extent

of capacity-utilisation. In the case of protected industries like Soda Ash and Caustic Soda etc, imports are regulated and adjusted to the difference between indigenous demand and production, so that this conclusion is unjustified.

No effort has been made to explain the reasons why production is sometimes below the installed capacity, which may be manifold, e.g.:

- Breakdowns.
- Expansion schemes interfering with actual production.
- Shortage of raw materials and essential spare-parts, transport difficulties, and such other causes beyond the control of the manufacturer.
- In the case of some products, the demand for the product fluctuates due to some other product replacing its usage e.g. Hydrogen Peroxide and liquid chlorine are in recent times replacing Bleaching Powder.
- Seasonal nature of the industry in some of the products viz, the marine group of products produced from the residual bittern of the salt industry.

ASSESSMENT OF CAPACITY

Let me now come to the question of mistakes in the assessment of installed capacities. In the statistics published by the Government, installed capacities have been computed in some cases on the basis of 330 working days, and in others, on the basis of 300 working days, and so on. Actually, a plant will not be working for all the 330 working days, if it is a seasonal plant, but Government appear to have calculated a higher annual installed capacity, simply by multiplying the daily capacity by 330. For instance, take the case of Bromides Industry, which is located in Mithapur only. The installed capacity of bromides in the country has been indicated as 211 tons for the year 1955, and 451 tons for the year 1958, in the Annual Reports of the Ministry of Commerce & Industry. In 1955, when the daily capacity was given at 14 cwt per day, this figure was

multiplied by 300 days to yield an installed capacity of 210 tons, whereas in 1958, when a daily capacity of 28 cwt was given, the annual installed capacity of 460 tons was based on 330 working days. It is obvious that all these bromides cannot be manufactured every day for 330 days in a year, and that is how an inflated figure of installed capacity has been included in the above-mentioned Annual Report. I would also like to explain that such installed capacity given in the Annual Reports of the Ministry of Commerce & Industry, refers to the capacity at the end of the year, while the production corresponds to the whole year. Naturally, the percentage of output/capacity gets deflated to some extent on this basis.

Information about the utilisation of physical productive capacity in foreign countries is not readily available, but we can state that a similar situation obtains there also from time to time. In support of this, I quote below an extract from the *Economic Survey of Europe* in 1956 issued by the United Nations:

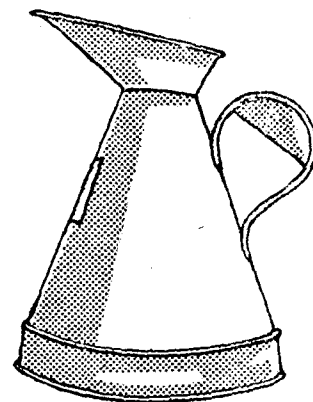
"In some areas, capacities may have been less fully utilized at the end of 1956 than a year ago because, on the one hand, the high level of investment in recent years had added to the existing capacities and because, on the other, the pressure of demand on investment goods sector — where capacity limits had been frequently reached—has eased in many countries".

While we always welcome critical appraisals of the state of different industries in the country, may I make a suggestion in the interest of your Journal which has established for itself a good reputation in its few years of existence, that you might informally consult some of us in the industry concerned whenever you have something to say about it. We will welcome any such references and we shall be glad to give you the facts in an objective manner.

P A NARIELWALA

Tata Chemicals Limited,
Bombay House,
Bruce Street,
Bombay, 1.
March 15.

NOW-METRIC CAPACITY MEASURES



The Metric capacity measure—LITRE—will come into use from April, 1960 when the PAINT and PETROLEUM industries change over to the Metric System. Paint will then be sold in litres and the entire distribution of petroleum will be in litres only.

CONVERSION TABLE

1 GALLON =
4½ LITRES approx.

1 LITRE =
1,000
MILLILITRES

FL. OUNCE	MILLILITRES (ml) (to nearest ml)	GALLONS	LITRES	MILLILITRES (to nearest 10 ml)			
1	28	1	4	550			
2	57	2	9	90			
3	85	3	13	640			
4	114	4	18	180			
5 (= 1 Gill)	142	5	22	730			
GILLS		6	27	280			
MILLILITRES (ml) (to nearest ml)		7	31	820			
1	142	8	36	370			
2	284	9	40	910			
3	426	10	45	460			
4 (= 1 Pint)	568						
PINTS		GALLONS	LITRES	MILLILITRES (to nearest 100 ml)			
LITRES (l)							
1	—	20	90	900			
2 (= 1 Quart)	1	30	136	400			
MILLILITRES (to nearest ml)		40	181	800			
		50	227	300			
QUARTS		60	272	800			
LITRES		70	318	200			
MILLILITRES (ml) (to nearest ml)		80	363	700			
1	1	90	409	100			
2	2	100	454	600			
3	3						
4 (= 1 Gallon)	4						
MILLILITRES	FL. OUNCES (to nearest ½ fl. oz.)	LITRES	GALLONS	QUARTS	PINTS	GILLS (to nearest gill)	
10	—	1	—	—	—	3	
20	—	2	—	—	—	2	
30	—	3	—	—	—	1	
40	—	4	—	—	—	—	
50	—	5	—	—	—	—	
60	—	6	—	—	—	—	
70	—	7	—	—	—	—	
80	—	8	—	—	—	—	
90	—	9	—	—	—	—	
100	—	10	—	—	—	—	
MILLILITRES	PINTS	GILLS	FL. OUNCES (to nearest ½ fl. oz.)	LITRES	GALLONS	QUARTS	PINTS (to nearest pint)
200	—	1	2	10	2	1	—
300	—	2	4	20	4	2	—
400	—	3	6	30	6	3	—
500	—	4	8	40	8	4	—
600	—	5	10	50	10	5	—
700	—	6	12	60	12	6	—
800	—	7	14	70	14	7	—
900	—	8	16	80	16	8	—
1000 (= 1 litre)	1	3	—	100	22	—	—

CHANGE TO METRIC SYSTEM

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Issued by Government of India

DA 59/577

Letter from Japan

The Japanese Monarchy

ON March 10th, a member of the Japanese royal family, Princess Suga, married a 'commoner', a bank clerk but a descendant indirectly of another line of the royal family. His father was the younger brother of the Empress's mother. The Princess has three brothers. The eldest, the Crown Prince Chichibu was married a year ago. His wife, Princess Michiko is the daughter of one of the wealthiest banking families in Japan. She has recently given birth to a son. Princess Suga's second brother, Prince Mikasa, lectures in a well-known Tokyo women's college on Persian archaeology. During the last few years the imperial family has been constantly in the news and the popular Japanese newspapers have shown a steady interest in the royal family's activities.

The activities of the royal family had been very closely circumscribed until recently. The Emperor himself appears officially to his people only twice a year, at his birthday and at New Year. He may appear at other times on important state occasions such as the opening of the Diet but his real opinions and character are unknown to the majority of the people. His main interests lie in the field of marine biology, and within the grounds of the imperial palace is a special laboratory fitted for his use.

EMPEROR ALOOF FROM POLITICS

In the course of the last 25 years, he has been known to take any initiative on his own responsibility only twice. The first was in 1932. The last popularly elected Premier of Japan before the war, Inukai Tsuyoshi was assassinated in February of that year by some young officers of the Army in his own official Prime Minister's residence. The Emperor had warned him of the event in advance. He was nevertheless assassinated. The second great initiative that he undertook was the order to his troops to lay down their arms without resistance before the United States' army at the end of the war. Otherwise his outward interest in political affairs has apparently been very slight.

It is accordingly somewhat surprising to find a great deal of oppo-

sition to the existence of the Emperor among the more educated section of the Japanese academic population. Although a few of the more senior professors feel that he represents the Japanese people in some intangible symbolic way, among younger professors and students there is considerable feeling against him. One point of view was put forward as follows:

"During the period between the Manchurian incident and the end of the World War, the Emperor never once raised his voice publicly against the activities of the militarists even though humble Japanese were dying as soldiers with his name on their lips throughout the world. Then at the end of the war he merely stepped forward to surrender his country to the foreign troops to prevent bloodshed, and continued his activities as a recluse in the palace, whereas if he had had the slightest sense of righteousness he would have committed suicide as a confession of his mistakes and errors. By continuing to cooperate with the armies of occupation, he had deliberately shamed the Japanese population of which he was the symbol". My informant was not criticising the Emperor for his action at the end of the war but for his lack of consciousness of his own responsibility as Head of the State.

NOT ASSERTIVE

The Emperor was not brought up by his own parents (as used to be the Japanese custom for heirs to the imperial throne) but by officials specially chosen for their ability in bringing up rulers. As the grandson of a powerful emperor, he suffered by comparison. Japan of the last 50 years has been a country ruled by strong men. Even now the Japanese people look with longing eyes to ex-Prime Minister Yoshida for his tough character, and correspondingly denigrate Kishi,—essentially a compromiser. The Emperor, even if he had been interested in government (and there is no reason to think that he was especially interested) could hardly have put forward his own views over those of the strong men of pre-war cabinets. Yet the Japanese felt that he should

have done something, and that in the absence of action, he should have publicly expressed his disapproval. The Emperor in Japan is much less firm on his throne than the monarchy in the United Kingdom.

POPULAR WITH MASSES

Tokyo has a population of well over 11 million but last New Year, only 20,000 at the most felt it worth while to visit the Palace to present their respects to the Emperor on his balcony. Yet among the common population of Japan there is undoubtedly much more support for the royal family than among the academic community. To some extent unaware of the way the government of Japan really works and stimulated by the good coverage national newspapers have given to such activities as the Crown Prince's wedding, it may well be that the Imperial family may acquire new popularity among the younger generation.

There is no doubt that the present government regards the Crown Prince as the ideal ambassador to the United States to celebrate 100 years of friendship between the two countries and it has been suggested that he visit other parts of the world also. Yet the position of a constitutional monarch is an extremely difficult one especially in post-war Japan and probably requires much greater intelligence than where the monarch has absolute power.

DEPENDENT ON RULING PARTY

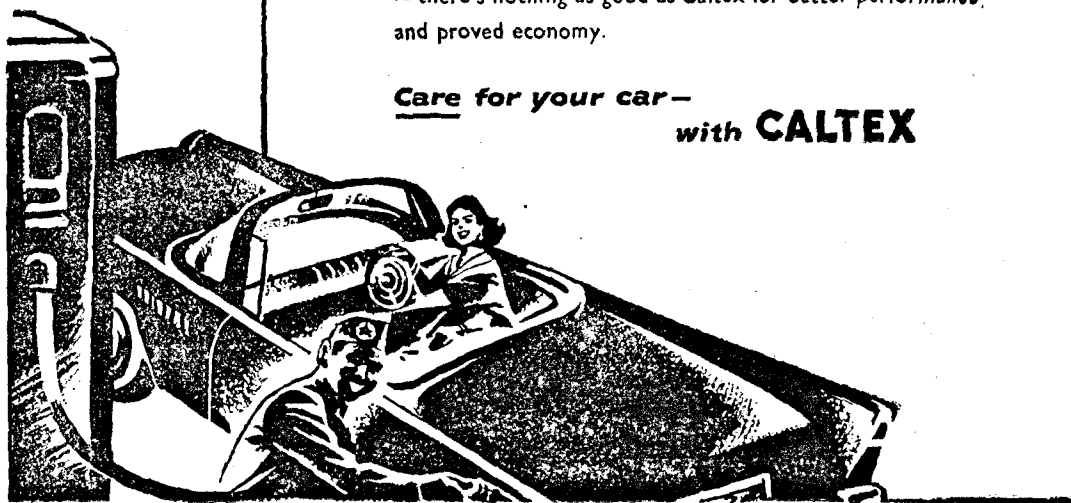
The relations between the royal family and the Diet are controlled by the Imperial Household Agency. Unlike the situation before the war, the Agency is staffed by civil servants and the Emperor has no independent source of income. His income consists of grants from the Diet, and his own reserves can be used only with the permission of the Diet. The Agency is controlled by a council of ten members, only two of whom belong to the royal family. It is presided over by the Prime Minister. Constitutionally, the weakening of the power of the royal family, while retaining them as a symbol, may even have made them more dependent on the ruling party than was



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possible before the American constitutional reforms at the end of the war.

In spite of the almost complete financial dependence of the royal family on the principal party in the Diet, a certain amount of independence is granted not to the Emperor's family itself but to the civil servants responsible for the Emperor's well-being. This has been well illustrated in a recent dispute as to

exactly when the Crown Prince should visit the United States. The Director of the Agency, Takeshi Usami has successfully prevented the visit of the Crown Prince to the United States at the same time as the Mutual Security Pact is debated in the Japanese Diet, thus asserting the royal family's separation from the government.

To what extent this would be possible in a serious issue it would

be difficult to say. Nevertheless the relationship of the royal family to the Diet is today an interesting question in Japan as it has within itself both the possibility of becoming a constitutional monarchy above the parties making the government, and of becoming a pawn of the party in power by the financial control of the Imperial Household Agency. The future position of the monarchy is by no means clear.

From the London End

Mr Gaitskell and Labour

THE simmering discontent among the back benchers of the Labour Opposition, evident since the electoral defeat, almost burst into open rebellion last week. The issue which provoked this turn in affairs was the perennial question of the nuclear bomb and the British deterrent. In fact this rebellion was a manifestation of the discontent in the Labour Party over a wide range of critical issues, of which defence policy is only one. The future of the Labour Party in terms of its programme for Socialist ownership of the 'means of production' is at stake.

The rapid and almost incomprehensible fluctuations in the aims of British defence policy were reviewed recently in these columns. When the Commons discussed the latest phase in this policy (as outlined in the Defence White Paper), the debate suddenly switched into a lively display of Labour disagreement and rift. About 50 members of the Opposition refused to vote for Mr Gaitskell's amendment; indeed the veteran Mr Shinwell tabled an amendment of his own. In the process, a remarkable array of cross-exchanges was heard on the Commons floor leading to further embitterment and suspicion.

TO GAIN 'MORAL ADVANTAGE'

Mr Strachey who is rapidly emerging as the military expert of the right-wing section of the Labour Party attacked Mr Shinwell who in turn accused Mr Strachey of having developed a reputation in political and other types of somersaults and declared that the Party would have fared better if Mr Gaitskell bothered less about revising the Party's constitution. And so the exchanges continued with the Conservatives on the other side looking on gleefully

and with some confidence that they could rule Britain in perpetuity. The debate in the Commons has been followed by a much more searching debate in the entire labour movement, suggesting more defections and opposition to the policy and outlook of Mr Gaitskell.

The issues at stake are for once clear. Mr Strachey argued that the Labour Party was more concerned with the vulnerability of the British deterrent rather than its wisdom. He claimed that "to scrap the British contribution to the nuclear deterrent altogether meant total dependence on the United States" and went on to provide a rationale for Britain's defence policy which now looks very much akin to that advanced by General de Gaulle for the Sahara tests. The maintenance of the nuclear deterrent had of all things "a moral advantage".

RACE FOR PRESTIGE

Mr Gaitskell supported this with an exposition that is likely to become famous for the opportunism that very evidently characterises every major policy position of the Labour leadership. He accepts that the dismantling of the British deterrent will not constitute a military catastrophe:

"The real case for having our own independent nuclear weapons is fear of excessive dependence upon the United States . . . I cannot help feeling that if the Russians knew that we had the power to inflict fairly serious damage on them, it would be a factor they would take into account".

Evidently then the £1,600 million presently being spent on an arms programme of uncertain content is motivated by considerations of prestige and to a lesser extent of

warding off a Russian attack. What is not present in these considerations and which now emerges as a point of contention in the Labour Party, is the international consequences of this prestige angle in Britain's position. Will not other nations argue similarly? What if the Germans really push forward, as they give signs of doing, in a similar direction? Who next in Europe will follow? France is already in this race, not for security, but for prestige. And if prestige is to be the guiding spirit in armaments will not the emotional and racial susceptibilities of nations become a major factor in giving rise to international disputes and wars?

PARTY WEAKENED

Two other points of contention emerge from the current conflict in the Labour Party. Those who maintain a generally pro-American position, like Mr Dennis Healy, argue that the pursuit of a British deterrent merely isolates the United States, weakens and indeed treats with contempt the whole structure of the Nato 'shield' and therefore negates a cardinal aspect of British foreign policy. Others, who make a more realistic appraisal of the military power of the Soviet Union and the United States and who believe that the spreading of the so-called 'nuclear-plenty' hastens the possibility of war, declare a total opposition to the British deterrent. They argue that Britain does not possess the resources to provide a military posture likely to ever impress the Soviet Union.

The Labour Party has been immeasurably weakened by the open and rather bitterly-conducted dispute. As a comment in the *New Statesman* suggests, the Labour

Party through all its equivocations provides the Conservatives with the opportunity to devote a tenth of the country's income annually in a fruitless exercise of nuclear armaments. The situation now is that Britain possesses neither the power to conduct a Suez-like war or a war of nuclear proportions. "What is tragic", says this commentary, "is that the rejection of uncritical nuclear pacifism has been perverted in some prominent Socialists' minds into an uncritical passion for nuclear weapons".

NATIONALISATION AND SOCIALIST OWNERSHIP

This problem has come at a time when the dispute over the Labour Party constitution is becoming both sharp and bitter. The famous Clause 4 of the constitution calling for nationalisation and socialist ownership was put up by the 'New' Labour thinkers as the cause of Labour's defeat in the October 1958 general election. Mr Gaitskell himself submitted that Clause 4 was out of date and that this '1918 Clause' was an 'Old Testament' image which no longer possessed any validity. The opposition to this revisionist trend in the Labour leadership is almost overwhelming. It runs right through the Labour movement including the trade unions, and the Left organised around the *Tribune* weekly has maintained a constant attack on Mr Gaitskell and his more academic lieutenants; indeed the controversy over Clause 4 has become a subject of political amusement providing considerable scope for the cartoonists and the Conservative Party.

The *Tribune* has now published "what we believe to be Mr Gaitskell's draft of a new constitution for the Labour Party". This draft, if it is genuine, suggests that Mr Gaitskell has realised the explosive impact which his revisionist ideas are having on the Labour Party's cohesion and that he can only scuttle Clause 4 by risking his own position as the leader. The draft says that the Labour Party "rejects the selfish acquisitive canons of capitalist doctrine . . . it strives to create instead a community based on fellowship and co-operation". As the *Tribune* says, chief interest will be centred on Clause 10 of the draft:

"It (the Labour Party) believes the preceding social and economic objectives can only be achieved on the basis of a substantial measure of

common ownership in varying forms, including not only State monopolies, but also municipal ownership, consumer co-operation, individual public enterprises and public participation in private concerns—the extent of common ownership and its form to be decided from time to time according to the circumstances, due regard being paid to the view of the workers directly concerned."

There is present an element of compromise in this clause. It is certainly not so sharp a departure from the 1918 Constitution as many had feared. On the other hand it represents a change from the declared set of Socialist principles which throughout the years has come to be regarded as sacrosanct by many important and influential members of the Party. Contemporary affluence has not led them to abandon the concept of nationalisation

and state ownership. It is therefore not certain that even this less violent change in the Constitution will be accepted either with ease or with generosity. Instead the whole issue of revision of the Constitution looks like becoming the sharpest test of loyalty to the Labour leadership, and of Mr Gaitskell's political fortunes.

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Credit Control Confusion

By AS

THE Reserve Bank has come down heavily on the expansion of bank credit through various credit control measures. It has pulled out from its armoury for the first time the weapon of variable reserve ratio to mop up 25 per cent of the addition to the demand and time liabilities of all scheduled banks after the 11th March 1960; these deposits which Scheduled Banks are required to maintain with the Reserve Bank would be over and above the deposits viz, 5 per cent of demand and 2 per cent of time liabilities. On this additional deposit, the Reserve Bank will pay interest to each bank at a rate equivalent to the average rate of interest paid by that bank on its total deposits. Concurrently, the Reserve Bank also directed the banks to keep a minimum margin of 50 per cent in respect of all advances against shares other than preference shares, above the amount of Rs 5000. Besides, direct financing of budla transactions by banks is prohibited and a ceiling on clean loans has been imposed for the first time.

ARE THEY WARRANTED?

With this array of directives, the Reserve Bank has moved forward to enforce discipline in monetary policy which was indicated in the *Economic Survey* issued along with the budget. These measures have far-reaching implications and may have an important bearing on the rate of growth of the economy which has gathered momentum in the last few years.

The first question that arises is: Are these measures warranted by the prevailing monetary and banking situation in India? Can the source of the present inflationary pressure be pinned down to the expansion of bank credit *per se*? Let us look at the facts. Scheduled bank credit has risen from Rs 944 crores on October 31, 1959 which is the beginning of the current busy season to Rs 1,068 crores on January 15, 1960, the latest week for which data are available, i.e., by about Rs 124 crores. Compared with the credit expansion in the corresponding period of 1958-59 busy season, it can by no means be considered as abnormal. In fact, in the same period last year, bank credit had expanded by as much as Rs 131 crores. On present indications, the entire busy season expansion is not likely to exceed Rs 160 to Rs 170 crores against the busy season expansion last year of Rs 180 crores.

Now what is the situation in regard to credit expansion in individual sectors? From the category-wise breakdown of advances as on the 15th January 1960, it is clear that while the expansion of credit against foodgrains is larger, the absolute figure is small, viz, only Rs 4 crores, as in the last busy season. The rise is more marked in respect of advances against manufactures and minerals (Rs 19.85 crores against Rs 6.70 crores) since end October 1959. Advances against industrial raw materials however are not lar-

ger, the increase this year being Rs 18.95 crores as against Rs. 23.92 crores last season. Advances against shares and debentures are higher by about 4.68 crores against 1.14 crores. Clean (unsecured) advances, on the other hand, have declined by Rs 14.66 crores. Except clean advances and advances against industrial raw materials, bank credit against other securities is no doubt somewhat larger than in the last busy season. But can this rise by itself be considered inflationary? Is it not warranted by the revival in private investment which had slackened considerably in the last two years?

REVIVAL OF PRIVATE INVESTMENT

The monthly average index of industrial output in 1959 shows a rise of between 7 to 8 per cent as compared with a rise of only about 2 per cent in 1958 and 5 per cent in 1957. The growth of industrial production demands that industries should increase their inventories. Thus the expansion of credit against the industrial raw materials cannot be considered either too high or abnormal. In fact, the expansion is less than what it was last year.

The revival in private investment perhaps also explains why advances against shares have gone up. It is the usual practice among joint stock companies and managing agents to borrow from banks against the security of shares for their short-term requirements. True, in some measure, small investors also take bank

Bank Advances: Busy Season Expansion
(Rs in lakhs)

	1958-59			1959-60		
	Oct. 31	Jan. 16	Variation	Oct. 30	Jan. 15	Variation
Secured Advances†						
Foodgrains	10.46	12.77	+ 2.31	12.68	16.70	+ 4.02
Industrial Raw Materials	59.54	83.46	+ 23.92	74.68	93.63	+ 18.95
Plantation products	38.58	39.40	+ .82	42.93	38.17	- 4.76
Manufactures and Minerals	304.73	311.43	+ 6.70	332.85	352.70	+ 19.85
Other Securities (of which	266.46	283.87	+ 17.41	294.88	317.97	+ 23.09
Shares and debentures)	(79.16)	(80.30)	(+ 1.14)	(86.37)	(91.05)	(+ 4.68)
Total Secured	679.77	730.93	+ 51.16	758.02	819.17	+ 61.15
Unsecured (Clean)*	35.01	41.90	+ 6.89	37.54	22.88	- 14.66
Total Advances**	714.78	772.83	+ 58.05	795.56	842.05	+ 46.49

†Reserve Bank Bulletin

*Calculated from Total Advances

**Weekly Supplement

advances for buying shares and the number of such investors is rapidly growing. It is, nevertheless, misleading to construe credit expansion under this head as wholly speculative.

PRICE RISE DUE TO BANK CREDIT?

The crucial question is, can we attribute the rise in prices of some commodities to the expansion of bank credit? Unlike in the first three years of the Second Plan, the prices of industrial raw materials have risen during last year by about 12-14 per cent, while food prices have risen much less, viz, by about 4 per cent. The commodities in the industrial raw material group whose prices have risen are raw jute, raw cotton, groundnuts and sugar. The causes of price rise in each case are specific and can hardly be traced to general monetary inflation. Raw jute, cotton and sugar prices have gone up mainly because of the fall in their output last year. Groundnut prices have risen partly because of the failure of groundnut production to keep pace with the increase in demand with the growth of population. Partly the rise is also due to larger export quota issued by the Government as an export promotion measure. It is thus clear that the rise in prices of these raw materials does not indicate the presence of general monetary inflation.

It is, of course, true that when one looks at the economy as a whole, it is the economic aggregates that one should look to. If the supply position of some raw materials deteriorates, it does not follow that the investment in these sectors are also excessive and that therefore the latter should be reduced. The present shortfall in the industrial raw materials is temporary and it may well be made good next year. Scaling down of investment in the private sector because of temporary decline in output of some industrial raw materials is, therefore, no solution; in fact such a remedy may be worse than the disease, for it would reduce the growth potential of the economy which we are striving hard to realise. The fact is that private investment, which had declined steeply during 1958-59 and 1959-60, is now picking up and it would be a folly to allow it to slip again.

Apart from the need to step-up private investment, it must also be borne in mind that restraint on bank

credit will have an adverse impact on production in the private sector. As a result of substantial private investment in the first two years of the Second Plan, new capacity has been created. That capacity would remain unutilised with the curtailment of flow of credit to these industries.

The public sector investment in 1960-61 is placed at about Rs 1,170 crores of which about Rs 153 crores are to be financed from budgetary deficit. If private investment is not allowed to increase, the total projected investment in the last year of the Second Plan may not be very much higher than in the fourth year. In that case, the momentum which the economy has gained in the last two years may well be lost and in consequence the very purpose of planning may be defeated.

ARE THE MEASURES APPROPRIATE?

The second question is, even assuming that there is a need for a restrictive credit policy, are the measures introduced by the Reserve Bank appropriate? The directives on advances follow the principle of selective control. But when banks are also asked to restrict clean loans and to raise the margins on advances against shares, is it not an abject and candid confession that selective control has failed? When the sectors over which selective control applies widen and all sectors are virtually brought within its purview, credit control loses its character of selectivity and ceases to be any different from general quantitative control. Restrictions are already in force either by way of margins or ceilings on advances against paddy and rice, wheat, groundnuts, and groundnut oils and other oilseeds. Now with the extension of control to advances against shares and ceiling on clean loans, almost all types of bank advances have been brought within the orbit of control. What, then, is left of selective control? There is, therefore, no longer any justification for retaining the vexatious, cumbersome and unwieldy measures which are needed for the purpose of selective control.

HIGHER RESERVE RATIO

The Reserve Bank has felt compelled to supplement the extensions of selective control by taking recourse to the powers of varying re-

serve ratios of the scheduled banks which had been conferred upon it by the amended Act of 1956. It is, however, only the additions to demand and time liabilities after March 11, which will be subject to such control; 25 per cent of these additions are to be impounded with the Reserve Bank. It is to be noted that the Bank has not exercised its powers of changing the basic reserve ratios which apply to the deposits on this date. If it seriously considered restriction of credit to almost all the sectors, should it not have raised reserve ratios and done away altogether with the controls various categories of advances? That would have been at least a logical step to take, for how can the Reserve Bank expect to eliminate or to reduce the "substantial liquidity of the banking system" by impounding a quarter of the deposits that are to accrue to the banking system in the future? It would have been consistent with its reading of the situation to raise the basic reserve ratios rather than sterilise the deposits that are to come. Such a measure would at least have the merit of restricting banking credit effectively and rapidly.

Though one may be thankful to the Reserve Bank for not raising the bank rate, it is difficult to get away from the feeling that the retention and extension of selective controls and the simultaneous introduction of a general quantitative restriction is the result of confused thinking and muddle-headedness. It is particularly difficult in these circumstances to understand the necessity of continuing selective controls which, being clumsy and complicated, are so difficult for the banks to implement.

Machine Tools Expansion

A proposal for raising the output of Hindustan Machine Tools from about 700 machines per annum to 2,000 machines per annum by 1963-64 has been approved by Government in principle. While giving this information in the Lok Sabha, Shri Manubhai Shah, Minister for Industry, added that a Committee has been constituted to examine the question of diversifying the production of Hindustan Machine Tools.

Light on Open Market Operations

(From a Correspondent)

FOR the first time, some light has been thrown on purchases and sales of securities by the Reserve Bank in an article on Government Debt in the February issue of the *Reserve Bank Bulletin*. The article seeks to analyse the ownership of Government debt and, as an incidental part of the discussion, says a few words on the role of the Reserve Bank in the borrowing operations of the Government.

Starting with the admission that every time a new loan is floated by the Central Government the Reserve Bank buys up a large part of it, the article proceeds to dispel what it thinks are some "misunderstandings" on the part of the general public and some "unwarranted conclusions" which it thinks the public draw from what they know about the Reserve Bank's subscriptions to Government loans. This pose of 'injured innocence', however, is hardly warranted for it is doubtful if any such "misunderstandings" ever existed in the minds of those who were nevertheless critical of the Reserve Bank's policy (or lack of a policy) in the subsequent disposal of Government stock. For instance, nobody held that the initial subscriptions to Government loan determined the final disposal of the debt at the end of the year.

What cannot be disputed, however, is that even if the Reserve Bank succeeds in selling away a part of its holding in the course of what it calls its "regular Open Market Operations," all available data indicate that except for the State Bank, the market is generally not interested in acquiring Government Securities either at the time of loan-issue or subsequently. Nothing mentioned in the article disproves "poor public response" to the loan issue or, what is worse, general unwillingness to hold on to Government securities.

For the first time, a consistent series of figures of net purchases or sales of securities by the Reserve Bank for the past 9 financial years has been published. The published figures for 1956-57 onwards are reproduced here, and by their side, I have set out net increases or decreases in the State Bank's holding of Government securities in the corresponding years:

These figures suggest that when the Reserve Bank sells securities, it amounts practically to selling to the State Bank. The latter, of course, wants all these securities because it must put PL 480 counterpart funds into securities and nowhere else. The fundamental point therefore is that the Open Market Operations are little more than an administrative routine. They just happen. It is not possible to regard them as a monetary measure of general significance. Consequently, it would be incorrect to say that the Reserve Bank has an Open Market Operations policy, i.e., something which it works out for itself as a means of regulating the general state of liquidity in the market. The Reserve Bank maintains an Open Market Window at which almost the only customer who calls is the State Bank, and that is all there is to it.

Everybody would be thankful for the statistics which have now been published and for the descriptive account which the Reserve Bank has given of what it does. This attitude of coming out in the open and trying to explain things is most welcome, but one would wish that the Reserve Bank would not be so sure of its own conclusions. Nothing is gained by believing that there could be no better alternative to the present state of affairs. The Reserve Bank thinks that in Indian conditions it would not be possible for the Government to keep its loans available on tap indefinitely, but why not?

Much more can be written on this subject, but there is one point about further statistics which I hope the authorities would be good enough to look into. Table I in the article which gives figures of net absorption of Government securities by

	Reserve Bank's Market Purchases (+) Or Sales (-)	Net change in State Bank's holdings (in rupees crores)
1956-57	+19.1	- 2.2
1957-58	-85.2	+ 86.2
1958-59	-89.0	+ 93.5
1959-60	-73.1	+115.7
(April-Dec.)		

the public from year to year does not give a break-down of the categories of holders. It would be very important to have the figures if not for all the holders, at least for the banks, for all these years. Further, one would like to suggest that in the data on Open Market Operations, transactions with the State Bank should be segregated from transactions with the Scheduled Banks and the LIC. When shall we get these data?

Import Licensing of Capital Goods

TO expedite disposal of applications for import licences for capital goods, a separate Division, under a Special Officer, has been created in the office of the Chief Controller of Imports and Exports. Applications for capital goods and heavy electrical plant should henceforward be addressed to him.

In view of the shortage of foreign exchange, the notice warns, many deserving applications may have to be turned down unless the importer himself is able to put forward satisfactory proposals for financing the foreign exchange required for the import, or the import can be paid for under any loans or payment arrangements available to Government.

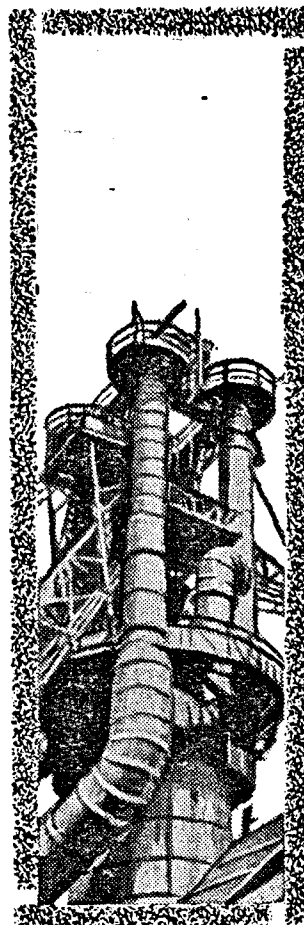
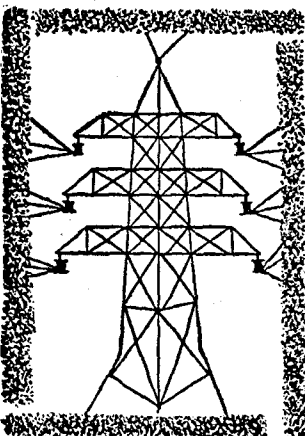
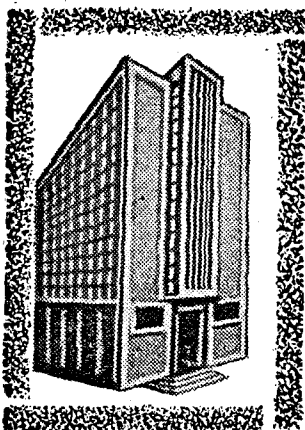
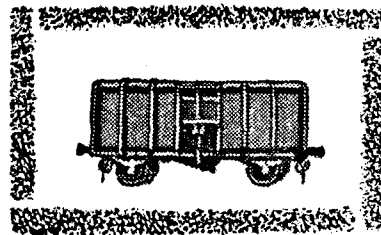
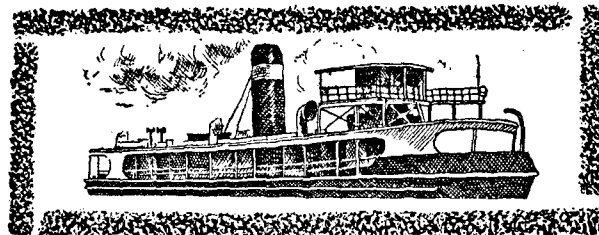
The notice mentions the following possibilities of the applicant himself arranging for the foreign exchange required to finance the import:

(i) Foreign investment in the capital project to the extent necessary to cover the requirements of plant and machinery.

(ii) Long-term loans in foreign exchange from bodies like the Industrial Credit and Investment Corporation of India in Bombay, the International Finance Corporation in Washington etc.

Supplier's credit or deferred payment arrangements, the notice adds, will only be approved in exceptional cases when Government is satisfied that the savings in foreign exchange resulting from the production of the capital goods to be imported will be more than sufficient to meet the payment liability.

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The Textile and Cement Wage Awards

S D Punekar

HOW are wages determined? For the last three centuries economists have tried to answer this question, but they have not succeeded so far. Various explanations — ranging from 'advances' of the Physiocrats to the 'social foundations' of Barbara Wooten — have been offered, without satisfaction to the critics. To the lay Indian, however, the question is not so elusive. If he is asked what determines wage levels in India, particularly in organized industries, he is apt to reply, "the adjudicators and the wage boards". This reply may be as naive as that of the school-boy, who, asked about the source of water-supply to his city, answered that people get water from the taps in their kitchen. Wage-rates might be determined by complex factors such as supply and demand, collective bargaining, marginal productivity of labour, trade unionism, distribution of national income and the like; but we, in India, have been now made familiar with wage-fixation by statutory authorities.

In the beginning of this month, the Government of India accepted the recommendations of two Central Wage Boards for cement and textile industries respectively, and thus fixed wage-rates for different categories of workers in these industries. The composition of both the boards was similar — an official Chairman, two representatives of employers, two of workers (both from the I N T U C) and two independent members. The Textile Wage Board gave an unanimous report, which the Government accepted *in toto*. The Cement Wage Board's report was not unanimous and the Central Government while accepting it desired to have a study of work loads in industry before the recommendation regarding wage increase in the second phase would be implemented.

NATURE OF WORK

Both the wage boards have proved to be important policy-making bodies, because they deal with important industries. According to the Second Plan, "cement ranks next in importance to iron and steel as a developmental commodity and hence a high place has to be given to it in the scheme of priority. The country has embarked on a large programme of harnessing rivers for

irrigation purposes and for hydro-electric power, of building steel plants, highways, machine building plants, etc. All these require cement and steel". On the other hand, the cotton textile industry is the largest and the best organised in our country, with about 500 mills, employing more than 8 lakhs of workers, i.e., about a third of the total labour force covered under the Factories Act.

The nature of work in these two industries is dissimilar and hence their labour problems too are different. Cotton mills are located in urban areas and hence are manned by workers with urban bias. Cement factories, with their lime-stone or gypsum quarries, calcareous sands or shells, and clay deposits, are in rural areas and hence their workers have a rural bias. Contract labour is much more evident in cement industry than in the textiles. Employment of women and unskilled labour, as well as the system of piece-rates of wages, are more frequent in cement than in the textile industry.

CEMENT WAGE BOARD

For the purpose of fixing the minimum wage in the cement industry, the Wage Board took into consideration the need-based formula, fixing norms for food, clothing, shelter and miscellaneous items of expenditure, as approved by the fifteenth tripartite Labour Conference. It accepted the 'improved diet' recommendation of Dr Aykroyd, after collecting family budgets of employees at various cement producing centres during the period of enquiry, and arrived at the total minimum wage of Rs 94 per month for an unskilled worker. After deducting Rs 3 as value of the amenities provided by the employers, it recommended Rs 91 per month as minimum wage, split up as follows: basic minimum wage, Rs 52.00; dearness allowance, Rs 31.50; and house rent allowance, Rs 7.50. For centres in Gujarat and Saurashtra where cost of living is higher, additional Rs 7 has been recommended, thereby raising the dearness allowance to Rs 38.50 and the total wage to Rs 98.

The rates of minimum monthly basic wage recommended for other classes are as follows: Semi-skilled, Rs 57.20; lower skilled, Rs 62.40;

upper-skilled, Rs 83.20; and highly skilled, Rs 110.50. Clerical and lower technical and supervisory staff have been divided into seven classes, with the minimum basic salary varying between Rs 65 and Rs 150 per month. Dearness allowance is linked with the all-India Consumer Price General Index. Houses can be provided *in lieu* of house rent allowance and the Board has laid down standards for housing.

CAPACITY TO PAY

The Board has not made any specific recommendation regarding bonus, because of the differences of opinion between the two parties on this subject. In the absence of any such recommendation, the Full Bench bonus formula of the Labour Appellate Tribunal, as approved by the Supreme Court, holds good.

Another point of interest, brought up in the award, relates to the capacity of the industry to pay. The cement industry made out a *prima facie* case that it has not the capacity to pay the wages recommended by the Board on the existing retention prices of cement. The Wage Board has suggested three possible ways of meeting the incidence of increased wages:

- increasing the price to the consumer;
 - reducing the State Trading Corporation's profit; and
 - lowering the excise duty.
- The Board has found justification for tapping (b) and (c). It has, however, left it to the Government to decide as a matter of policy the source for the additional funds.

TEXTILE WAGE BOARD

As for the cotton textile mills, the rates of minimum basic wages and

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dearness allowance (mostly linked with consumers' price index) vary from centre to centre as follows :

Centre or State	Minimum basic wage	Dearness allowance (average for 1958)
	Rs nP	Rs nP
Bombay	30.00	81.58
Ahmedabad	28.00	75.31
Sholapur	26.00	44.01
Baroda	26.00	67.78
Indore	30.00	55.17
Nagpur	26.00	54.99
Madras	26.00	55.84
Kanpur	30.00	58.48
West Bengal	28.17	31.25

For the purpose of wages, the Wage Board has divided the industry into two broad regional divisions. Mills in Bombay State, Calcutta, Madras State, Delhi and Bangalore belong to Category I and those in Kanpur and Punjab (excepting Phagwara and Hissar) fall in Category II. An increase at the average rate of Rs 8 per worker in category I and Rs 6 per worker in category II per month is to be given from January 1 1960, and a further flat increase of Rs 2 per month per worker is to be given from January 1, 1962. The dearness allowance is to be linked to the consumers' price index at all centres and if any centre has no such index, the index of the nearest centre should be taken for that purpose.

It has been found that wages are comparatively low in places where the systems of consolidated wage or fixed dearness allowance are followed. The Board recommends that in such places the dearness allowance should be raised to an adequate level and linked to the consumers' price index by a suitable machinery. It also recommends that the allowance in Madras State should be increased so as to give full neutralisation for the rise in the cost of living. The dearness allowance is to be consolidated with the basic wage at an index, which would yield an amount equal to three-fourths of the average dearness allowance of the first six months in 1959; the remaining 25 per cent of the allowance would then be of a flexible character varying with the consumers' price index.

GUIDANCE FOR FUTURE

These important recommendations of the two Wage Boards indicate the

trend of thought in fixation and regulation of wages in India. Though the conditions in the two industries are dissimilar, the opinions appear to be on a familiar pattern. It is a happy sign that specific standards are being laid down after careful consideration of various matters, relating to wage determination. The Textile Board regrets that even after a century's existence, the industry is unable to pay a need-based wage. The Cement Board's wage, which is still lower, is obviously below the minimum wage, though a claim has been made by the Board of granting a need-based minimum.

INDUSTRIAL PEACE AND THE THIRD PLAN

The two important wage awards have been given on the eve of the Third Plan. For the successful implementation of the Third Plan, an atmosphere of happy industrial relations is necessary and the two wage awards, in spite of their limitations, may be helpful for this purpose. In fact, the Textile Wage Board feels that its award, when implemented, would be a fresh land-

mark in the progress of the industry and in the improvement of the conditions of service of the workers, who would find in the recommendations not only a present rise in earnings, but also fresh scope and initiative for the exercise of higher skills and consequent improvement in their standards. It recommends that for a period of five years from January 1, 1960, no claim for further revision of minimum wages should be made by either the employers or workers.

It is high time that industrial conflict and the consequent distrust and suspicion between employees and their employers should end in the interest of industry, labour and the consumers. If these two awards prove a successful prelude to industrial peace in cotton and cement industries, it would be desirable to appoint a high-powered Wage Commission for all factory industries to examine the principles of wage fixation, study the relevant conditions in our industries and lay down desirable minimum standards for implementation.

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Ceiling on Land Holdings

August Measures to Hoodwink People

P K Chaudhuri

THE idea of imposing ceilings on agricultural land holdings is novel to India. It was Professor Radha Kamal Mukherjee who, perhaps for the first time, mooted the idea in his memorandum submitted to the Sub-Committee for Land Policy of the National Planning Committee. After Independence, Bombay, Uttar Pradesh and a few other States imposed ceilings on future acquisition of land. The principle that there should be an absolute limit to the amount of land which an individual may hold was officially commended for the first time in the First Five Year Plan. It was reiterated in the Second Plan.

Though the imposition of ceiling on land holdings has been accepted by the Government of India in principle, the State Governments have not shown much enthusiasm for its implementation. Ceiling on land holdings as an integral part of the programme of agrarian reforms was one of the main planks of the Congress election manifesto in 1952 and in 1957. The failure of the various State Governments to fulfil the election pledge of ushering in land reforms naturally proved to be a source of great embarrassment to the Congress High Command.

The Nagpur resolution on 'Agrarian Organisational Pattern' adopted by the Congress at its Nagpur session in January last year stated *inter alia* that "in order to remove uncertainty regarding land reforms and 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. This does not mean any ceiling on income, as it is expected that by intensive cultivation as well as by additional occupations rural incomes will rise. Surplus land should vest in the Panchayats and should be managed through co-operatives consisting of landless labourers". The target date of "end of 1959" prompted most of the State Governments to introduce in their respective legislatures during 1959 bills for imposing ceilings on land holdings. The salient fea-

tures of these bills in some of the important States are summarised below.

IN UTTAR PRADESH

Ceiling area. The U P Ceilings Bill, 1959, fixes the ceiling for an individual or a family of not more than five members at 40 acres of Fair Average Quality land. For a family of more than five, the ceiling will be 40 acres of Fair Average Quality land plus 8 acres of such land for every additional member of the family subject to a maximum of 24 acres.

Family. A 'Family' means husband, wife, dependent father, dependent mother, children other than married daughters and separated children, and unseparated son's wife or widow. A child shall be deemed to be separated where the land is recorded separately in his name or where his separate share has been declared under a family settlement or a decree of court, etc.

Restriction on transfers. In determining the applicable ceiling land—which but for the transfer or area, any transfer or partition of partition would have been declared surplus land under the provision of this Act—made after the 15th August 1959 shall be ignored and not taken into account.

Compensation. Rates of compensation have been prescribed as follows. For holdings of:

- (1) Bhumidar: forty times the land revenue determined at the applicable hereditary rates, or eighty times the land revenue payable, whichever is greater.
- (2) Sirdar: twenty times the land revenue determined at applicable hereditary rates.
- (3) Occupancy, ex-proprietary and hereditary tenants: twenty times the rent determined at the applicable hereditary rates.

Disposal of surplus land. Surplus land shall vest in the State Government, free from all encumbrances. The surplus land found after determination of ceiling area may be settled with any member or members of society, so however that no member holds land in excess of 12½ acres and the balance, if any, shall

be settled in accordance with the provisions of sub-section (4). This sub-section lays down that surplus land in a village, if it is more than 15 acres may be settled with a registered co-operative farming society of landless agricultural labourers; if less than 15 acres, then it should be settled with a registered co-operative farming society of *unecomic tenure holders*, i.e., persons holding less than 3.1/8 acres each.

INCOME CRITERION IN BOMBAY

Ceiling area. The Bombay Ceilings Bill 1959 empowers the State Government to determine for each class of land in each local region, the area sufficient to yield a net income (which is equivalent to 50 per cent of gross produce) of Rs 3,600 per annum. This area, which will vary from region to region and land to land, will be the ceiling.

Restriction on transfers. After the commencement of this Act, no land can be transferred or subdivided except with the permission of the collector. Transfer of land by sale, gift, or partition after the 15th January 1959 but before the commencement of the Act will be deemed to have been made to defeat the object of this Act, unless the contrary is proved.

Compensation. Compensation shall consist of an amount equal to

- (a) one hundred times the full assessment of land, except where the land is held on lease from Government; and
- (b) depreciated value of permanent structures and wells, if any, in the land.

Disposal of surplus land. Surplus land will vest in the State Government free from all encumbrances. Surplus land will be allotted on payment of occupancy price, in the following order of priority, to:

- (1) a person from whom any land held by him as tenant has been resumed by the landlord for personal cultivation, and also if, as a consequence, holds no land, provided he is a resident of the village with surplus land;
- (2) a co-operative farming society either of landless persons, small

holders or agriculturists other than small holders;

- (3) agricultural labourers;
- (4) landless persons; and
- (5) small-holders.

IN BIHAR

Ceiling area. The Bihar Ceilings Bill 1959 lays down the ceiling area of land of different classes, as follows:

(1) 30 acres of land irrigated by canals maintained by the Government on the date of commencement of the Act;

(2) 45 acres of land actually irrigated by lift irrigation work or tube wells maintained by the State Government;

(3) 60 acres of land including orchard other than land referred to in (1), (2), (4) and (5);

(4) 75 acres of Diara land;

(5) 90 acres of class V land.

Explanation. A member of an undivided Hindu family having or entitled to a share in any land shall be deemed to be a land-holder for the purpose of this Act, as if there were partition in the family immediately before the commencement of this Act.

Restriction on transfers. No person shall after the commencement of this Act, either by himself or through any other person acquire or possess by transfer, exchange, etc., any land which together with the land, if any, already held by him exceeds in the aggregate the ceiling area. Transfer does not include inheritance, bequest and gift.

Compensation: The rates of compensation payable, for different classes of land (in Rs per acre) are:

(1) Class I	1,200
(2) Class II	800
(3) Class III	600
(4) Class IV	400
(5) Class V:	
(a) Type 'A'	200
(b) Type 'B'	100
(c) Type 'C'	40

Disposal of surplus land. Under Section 15, surplus land will vest in the State Government, free from all encumbrances. Section 26 states that surplus land may be entrusted to the management of Gram Panchayats. They shall:

(1) manage the land, subject to rules made by the State Government; and

(2) whenever possible get the land cultivated through co-operative farming society. Where it is not possible to cultivate the land through co-operative society, it has to be settled with landless persons with the permission of the collector.

HIGHER INCOME PERMITTED IN ANDHRA

Ceiling Area. As in Bombay, the Andhra Ceilings Bill 1958 empowers the prescribed authority in each local area to determine the extent of land ordinarily sufficient to yield a prescribed income. It is, however, higher at Rs 5,400 per annum for each class of land in each kind of soil in that area.

Restriction on transfers. No restriction till the notified date.

Compensation. Rate of compensation for

(1) first Rs 5,400 of net income of land surrendered, 10 times the net income; and

(2) on the balance of net income of land surrendered, 5 times the net income.

Vesting of surplus land. Surplus land shall vest in the State Government free from all encumbrances.

IN MADHYA PRADESH

Ceiling Area. The Madhya Pradesh Ceilings Bill, 1959, puts the ceiling at 32 standard acres of land. (A standard acre means one acre of perennially irrigated land or two acres of seasonally irrigated land or three acres of dry land). Where land is held by a Hindu joint

family, each member entitled to a share in the property shall be deemed to hold land proportionate to his share in the property to which he would be entitled if a partition were to take place on the day when the Act comes into force.

Restriction on transfers. The select committee to which the bill was referred recommended that the date of enforcement should be two years after the passing of the bill so as to facilitate the disposal of surplus land by the holders themselves.

Compensation. Rates of compensation are as specified in the accompanying table.

Disposal of surplus land. Surplus land is to vest in the State Government. It is to be allotted in Bhuswami rights in the following order of priority on payment of a premium equivalent to the compensation payable in respect of such land:

(1) Joint farming society of agricultural labourers or landless persons;

(2) Better farming society of agricultural labourers or landless persons;

(3) Agricultural labourers;

(4) Landless persons;

(5) Holders of contiguous land; and

(6) Joint farming society of agriculturists, etc.

IN KERALA

Ceiling Area. The Kerala Bill 1957 prescribes the ceiling area as follows:

(a) in the case of a family con-

sisting of not more than 5 members, 15 acres of double crop nilam; and
(b) in the case of an adult unmarried person, 7½ acres of double crop nilam.

Family. 'Family' means husband, wife and their children.

Restriction on transfers. All voluntary transfers effected after December 18, 1957 otherwise than by way of partition, or on account of natural love and affection, shall be invalid.

Compensation. Compensation will be paid on the following scale:

Purchase Price	Rate (per cent)
(1) On the first Rs 15,000 of the total market value	60
(2) On the next Rs 15,000	55
(3) On the next Rs 15,000	50
(4) On the next Rs 15,000	45
(5) On the next Rs 15,000	40
(6) On the next Rs 15,000	35
(7) On the next Rs 15,000	30
(8) On the balance	20

Disposal of Surplus land. Surplus land shall vest in the State Government. 50 per cent of the surplus land will be assigned to agricultural labourers—of whom 25 per cent must be landless agricultural labourers belonging to the scheduled castes or tribes—, 25 per cent will go to small-holders, and 25 per cent to the cultivators who do not possess any land or possess below 5 acres of double crop nilam.

Purchase Price. The purchase price of the land shall be 55 per cent of its market value and shall be payable in 16 equal annual instalments. The amount outstanding after payment of each instalment shall bear interest at the rate of 4½ per cent per annum.

IN RAJASTHAN

Ceiling Area. The Rajasthan Bill 1958 puts the ceiling area for a family consisting of five or less than five members at 30 standard acres of land. (A 'standard acre' is the area of land which, with reference to its productive capacity, situation, soil classification and other prescribed particulars, is found likely to yield 10 maunds of wheat yearly). In determining a ceiling area in terms of standard acre, the money value of the produce of well-irrigated (chahi) land, shall be taken as being equivalent to the money value of the produce of an equal area of unirrigated (barani) land.

Family. 'Family' consists of husband, wife, their children and grand-children, and dependent widowed mother.

Restriction on transfers. Any voluntary transfer, effected on or after February 25, 1958 otherwise than (1) by way of partition, or (2) in favour of a person who was landless, shall not be recognised or taken into consideration. No transfer as in (2) shall be recognised if made after February 10, 1959 (i.e. the date on which the bill was passed).

Compensation. Rate of compensation is:

- (1) For first 25 acres, 30 times the sanctioned rent rate.
- (2) For next 25 acres, 25 times the sanctioned rent rate
- (3) For the balance, 20 times the sanctioned rent rate.

Disposal of surplus land. Surplus land under shall vest in the State Government free from all encumbrances. All lands vesting in the State Government shall be held by the Tehsildar, subject to the orders of the subdivisional officer and shall be let out to landless and other persons, whether or not on making payment at the prescribed scale in the manner laid down in the rules made in this behalf by the State Government.

NEW INEQUALITY

From what has been narrated above, it will be found that there are wide disparities in the provisions of the ceiling bills in different States. Though land reform is a State subject, a certain degree of uniformity is necessary in the application of ceilings on land holdings.

in the various States so that the process may not result in the establishment of permanent disparities in the standard of living of the rural people in different parts of the country. For instance, Bombay proposes to fix ceiling area to be that holding which yields a net annual income of Rs 3,600, while Andhra proposes it to be the holding which yields a net annual income of Rs 5,400. Surely, the average standard of living of peasantry in Bombay does not vary so widely from that in Andhra as to warrant such a disparity to be imposed statutorily. If anything, the problem of land is more acute in Andhra than in Bombay.

In U P, the ceiling area is proposed to be fixed at 40 acres of Fair Average Quality land (which is a sort of class I land); in Bihar, it varies from 30 acres of canal flow irrigated land to 90 acres of class V land; in Madhya Pradesh, it varies from 32 acres of perennially irrigated land to 96 acres of dry land; in Kerala, it is 15 acres of class I land (7½ acres for bachelors); and, in Rajasthan, it can be anything from less than 30 ordinary acres to more than 250 acres. (The 'standard acre' in the Rajasthan Act has been defined in such a unique fashion that it will vary from holding to holding and from field to field).

The determination of the ceiling in the various States does not appear to bear any correlation either to pressure on land, or to the density of population, or to the average size of agricultural holdings, or to the non-availability or abundance of culturable waste land in the State. The table below illustrates the point.

Pressure of Population and Size of Holdings

State	Population per Sq. Mile	Average Size of Holding (Acres)	Percentage of Culturable Waste Land to Total	Ceiling (Acres, unless stated otherwise)
(1) U P	560	2.5	13.9	40
(2) M P	170	8.5	22.2	32 standard
(3) Bihar	571	3.0	11.6	30 class I to 90 class II
(4) Rajasthan	121	16.2	39.0	30 standard
(5) Andhra	317	4.5	13.4	Net Income Rs 5,400 yearly
(6) Bombay	327	13.3	1.8	Net Income Rs 3,600 yearly
(7) Kerala	1013			15 (7½ for Bachelors)

For determining the level at which ceiling should apply, the Planning Commission suggested a convenient unit which was "about three" times the size of a family holding". A family holding may be considered as (a) an operational unit, and (b) an area of land which can yield a certain average income. Before bringing about ceiling legislation, the various State Governments should have specified the area of land which could be declared as a family holding, taking into consideration the conditions of different regions, classes of soil, irrigation facilities, etc. This would have avoided the variegated pattern of ceiling areas with which we have been confronted now by the State Governments. Some uniformity in this respect is highly desirable.

INTRIGUING CONSTITUTIONAL QUESTION

The provisions for compensation in these bills also present an equally confounding picture. In U P, the rate of compensation for the land surrendered is 80 times the land revenue, whereas in Bombay, it is 100 times the "full assessment of land". The same black soil which will fetch compensation of over Rs 1,000 in Gujarat will bring in only Rs 350 in M P. Similar disparity in compensation exists between Andhra and Kerala and between Bihar and U P. In Rajasthan, the rate of compensation has no scientific basis. Rajasthan is a conglomeration of ex-princely states and hence the rates of rent in this State vary in an irrational manner from one part of the State to another, with the result that the most fertile irrigated land in the district of Ganganagar may get a compensation of Rs 45 per acre while the sandy and dry land in Jaipur district may get Rs 250 per acre.

For the general good, the State has a right to acquire property on payment of compensation. But the compensation to be paid should be equitable. It is but natural that the agriculturists in various parts of the country may expect some uniformity in the rates at which compensation will be paid to them for the land surrendered by them in the wake of imposition of ceilings on their land holdings. Before enforcement, all these ceiling bills will have to receive the President's assent. It does appear a bit queer that the President of the Republic of India will be required to dispense

justice in different measures to the people in different parts of the Union.

Despite the categorical nature of the recommendation of the Nagpur resolution of the Congress for vesting of surplus land in the panchayats all the ceiling legislations of the seven States discussed above have proposed to vest the surplus land in the State Governments.

PRACTICAL MEASURES

The object of imposing a ceiling on existing holdings as visualised in the First Plan was to utilise the surplus land either to increase the size of the uneconomic holdings or to distribute it to the landless for co-operative cultivation. One of the immediate problems facing the country is to increase food production and that is also the objective of land reforms as enunciated in the Second Plan. The use of surplus land to increase the size of the uneconomic holdings is a better and more practical proposition than its distribution to the landless for co-operative cultivation, as the efficacy of the latter is still in doubt. On the other hand, "uneconomic holdings are at the root of many of the difficulties of Indian agriculture. Agriculture cannot be developed as an efficient industry unless the unit of management becomes much larger than it is at present". But the Nagpur Congress thinks otherwise and recommends the second course of distribution of the surplus land to the co-operatives of landless. And most of the State Governments seem to think alike in this matter and propose to manage the surplus land through co-operatives of the landless.

U P and Kerala have, however, departed from the doctrinaire approach of the Nagpur Congress and have adopted a more practical course. In U P, it is proposed to redistribute the surplus land among the villagers so that no one gets more than 12½ acres of land and the balance, if any, is to be managed through co-operatives of landless agricultural labourers. Similarly in Kerala (a State with Communists at the helm of affairs at that time), 50 per cent of the surplus land will go to the landless agricultural labourers and the remaining 50 per cent to smallholders and agriculturists. In Rajasthan, though the law provides for allotment of surplus land to landless and other persons, the existing instructions to

the executive are for allotment of Government land to tenant co-operatives. The Bihar Government outbids all others in acting in the spirit of the Nagpur Resolution in the matter of management of surplus land: the panchayats will manage the surplus lands through co-operatives.

These august measures of land reform are going to adorn the statute book of every State. But how much surplus land will be surrendered in each State as a result of ceiling laws is a matter of speculation. The provisions regarding restriction on transfers have been so loosely worded, as if by design, in almost all the bills that they are not likely to be effective at all. The Planning Commission suggested that restrictions should be imposed on all transfers made since 1953 to avoid ceiling, and also that all the transfers that have already taken place should be reviewed. But none of the States have felt it necessary to act on these lines. Thus the ceiling law will be nothing but an innocuous piece of legislation to be dangled before the masses. As far as one can see, there is little likelihood of surplus land being surrendered, or of land being redistributed to the landless and the needy in the near future to any appreciable extent. What a socialist society we are out to build!

Final Estimate of Khariff Pulses, 1959-60

PRODUCTION of khariff pulses in 1959-60 was nominally higher by 0.5 per cent over 1958-59 against a 3.1 per cent rise in acreage. Production in 1959-60 is estimated at 1.57 million tons as compared with 1.56 million tons a year ago, while acreage rose to 16.08 million acres from 15.58 million acres. The estimates for 1958-59 have been partially revised.

Acreage was higher in Rajasthan, and to a lesser extent in Madhya Pradesh, Andhra and Madras, due to favourable climatic conditions at the time of sowing. Against this, acreage declined in Punjab and Mysore.

Export of Plastic Goods

THE value of plastic goods exported during the first ten months of 1959-60 amounted to about Rs 62 lakhs against Rs 7 lakhs during 1955-56. This was given out by the Deputy Minister of Commerce and Industry, in the Lok Sabha.

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 and Burma to be submitted at the One-Hundred-and-Sixth 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 30th day of March, 1960:

INDIA

Thanks to generous assistance from abroad the shortage of foreign exchange which threatened to retard India's development last year was overcome, and it appears that most of the production targets will be reached in the second five-year-plan which is approaching its final year. India is now at the stage when it should begin to reap the benefit of the vast expenditure which has been made under the two five-year plans although there has been criticism, much of it well founded, of the various priorities under the plans and also of the methods by which they have been financed. This criticism however should not be allowed to obscure or minimise the very real progress which has been made in many sectors of the national economy. The completion of the three new steel plants and the expansion of the two existing ones should assist in the further development of the many lighter industries in the private sector, which have been established during the last few years and are now going into full production. In order to finance this development on a national scale it has been necessary to resort to the potentially inflationary expedient of deficit financing, and it says much for the manner in which the Indian authorities handled the country's internal finances that there has been no major inflation. In fact the price level has risen less in recent years than in many highly industrialised countries with stronger economies than India's.

Economic development on the scale on which it has been undertaken in India has its disappointments as well as its successes. The major disappointment so far has been the failure of the agricultural sector to expand production with

sufficient speed to keep pace with the rapidly increasing population. An agricultural production team, sponsored by the Ford Foundation, has pointed out that the population of India is expanding so fast that in order to produce the requisite food supplies it will be necessary to triple the annual rate of increase in agricultural production. An increase of this magnitude is formidable in the extreme, but failure substantially to bring it about will necessitate importing food supplies on a scale that will be beyond India's ability to pay for in foreign exchange and perhaps beyond what friendly nations, which have assisted India generously in the past, can be expected to provide.

The urgent necessity for an expansion of agricultural output is, therefore, an important aspect of the background to the present discussions on the third five-year-plan. I mentioned last year that the original proposals for the plan had involved a total outlay of some Rs. 10,000 crores, which would be a substantial increase over total expenditure under the second five-year-plan and to the extent to which India lacks foreign exchange with which to finance development, it may be necessary to budget for a less ambitious total outlay. Whatever the final scope of the plan however, it will have to depend for its completion on a substantial measure of foreign aid as the repayment and servicing of foreign debt already contracted will impose a heavy burden on the Indian balance of payments for some years. Foreign aid will, no doubt, be forthcoming but not perhaps on the scale necessary to implement the new plan in full; apart from foreign aid the success of any plan must depend on the extent to which private investment derived from domestic savings is available and in a highly taxed country where the average per capita income is so slender and where private enterprise is finding it difficult to retain sufficient profits to finance expansion it is vital that all estimates should be realistic. On the other hand, private foreign investment, which it is admitted will

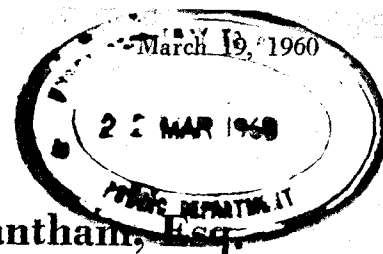
be necessary, could help materially. In practice however, the potential investor may well be deterred by the abnormally heavy taxation prevailing and by government's avowed preference for state enterprise in trade and industry.

In the banking field the expansion in deposits, to which I referred last year, has continued and the liquidity of the banking system has increased. There would seem little point, therefore, in the prevalent practice of quoting high deposit rates in order to attract funds for which profitable employment is lacking. It was reassuring to have an official government statement in the Lok Sabha that the Planning Commission had come to the conclusion that the nationalisation of banks was not a desirable step.

Anxiety about the security of India's northern border may well have assisted the improvement in relations with Pakistan. Negotiations have been proceeding successfully in connection with a number of the problems outstanding between the two countries, and it is to be hoped that a solution will soon be found to the long-standing canal waters dispute.

PAKISTAN

A year ago it seemed that the situation in Pakistan was rather more hopeful than for some years past and in the event the country has made satisfactory progress during 1959. In recent years governmental instability and lack of leadership have cost Pakistan dear, and for this reason the population has responded well to the military regime which at present controls its affairs. Stern measures were required to eradicate the corruption and inefficiency which had previously been such a feature of the country's administration and it is to the credit of the present regime that, although it has dictatorial powers, it has used them with moderation and with justice. The government evidently feels sufficiently certain of its own position to introduce a scheme for the popular election of local councils, but understandably there is no intention at this stage of reverting to parliamentary govern-



ment on the Western model, which in view of Pakistan's experience since it attained independence is clearly ill-suited to the country.

More settled conditions have been reflected in a noticeable improvement in Pakistan's trading and payments position and the augmented foreign exchange holdings have permitted a more liberal import programme, which will be of benefit to the country's new manufacturing industries. The government has made it clear that in the economic field its aims are the gradual elimination of controls and the encouragement of private enterprise and, in the long run, these objectives will undoubtedly assist in establishing satisfactory conditions for the development of the national economy and the raising of the living standards of the people. In the meantime, however, Pakistan remains dependent to a large extent on foreign aid, a factor which is emphasised by the prominent part which such aid is expected to play in implementing the recently published second five-year plan. The orthodox financial policy being followed by the government should encourage foreign investment in the private sector and, in welcoming that investment, the government has, with good reason, stated its preference for the establishment of manufacturing concerns using locally produced raw materials.

Important as the expansion of manufacturing industry is, it is undoubtedly of less importance at the moment than the urgent need to develop agricultural production. In the past official effort has appeared to concentrate to an unrealistic extent on industrial schemes, while overlooking the vital necessity of ensuring that the country's food supply kept pace with its expanding population. Even successful manufacturing industries such as the jute industry in East Pakistan, with good export markets, cannot hope to earn sufficient foreign exchange to pay for the substantial imports of food which have been necessary in recent years. Foreign aid has had to bridge the gap but the government has shown that it fully appreciates the importance of this problem and is taking energetic steps to expand agricultural production. It is encouraging that the government has effected an improvement in the agricultural sector of the economy in the relatively short time since it assumed power and, once again, Paki-

stan's prospects for the coming year appear reasonably favourable, particularly if the improved relations with India lead to a settlement of some of the outstanding disputes between the two countries.

CEYLON

Politically the past year in Ceylon has been a difficult one. The assassination of the Prime Minister, Mr. S. W. R. D. Bandaranaike, brought to a head the instability which had been apparent for so long and the difficulties experienced by his successor in holding the government together led to the dissolution of parliament in December. A general election is due to take place in March and, unless the country obtains a government with a working majority sufficient to cope successfully with the many problems which have accumulated and require resolute action, the future outlook is poor indeed.

In the economic field a basic trouble has been the labour disputes, which have been allowed to develop and continue to the extent of jeopardising the country's production and trade and the living standards of the population. Ceylon, with an economy which depends on the ability of a narrow range of export commodities to compete effectively in the world's markets, cannot afford the disruptive effects of persistent dock labour disputes, which cause shipping lines either to bypass the port of Colombo or to impose surcharges on normal freight rates.

In the circumstances it was hardly to be expected that the country's trading position would be satisfactory or that a deficit on current external account could be avoided. Total exports actually increased in value, a reduction in exports of tea being offset by increased shipments of coconut products and rubber. Imports, however, rose much more substantially, partly by purchases of capital goods but also because of higher imports of food and consumer goods. This emphasises the importance of increasing the local production of food in order to conserve the country's foreign exchange reserves. To this end the National Planning Council, in drawing up the ten year development plan, have suggested the opening up of uncultivated land and the improvement of agricultural technique. Because of the adverse balance of trade external assets have continued to fall for the third year running, but they

may still be considered adequate. Steps should clearly be taken to reverse the present steep downward trend and unfortunately measures taken so far have been completely ineffective. The growth of hire purchase of imported consumer goods aggravates the position.

Although there was a substantial deficit on the government's budget for 1958/59, provision for a similar excess of expenditure over revenue has been made in the estimates for the present fiscal year. Although deficit financing in moderation can be a useful and permissible method of financing economic development programmes, it is significant that in Ceylon's estimates for this year's budget no allowance has been made for expenditure under the ten year development plan, which gives some indication of the financial deterioration that has taken place. Another indication is the extent to which government borrowing relies upon Treasury bills giving an unrealistic rate of interest and it is quite clear that, with the situation as it is, it would not be possible for the government to float a loan at a reasonable rate of interest in order to fund this debt.

In the circumstances it is satisfactory to be able to note the extent to which the producing and mercantile communities, by adopting a "business as usual" policy, have been able to maintain the trade of Ceylon despite the handicap of strikes and political unrest and to raise tea production once again to a record level.

BURMA

Under the able leadership of General Ne Win, the "caretaker government" which has been in office for just over a year has brought about a steady and appreciable improvement in conditions in Burma. The drive by the government against terrorists has been singularly successful and law and order in all but a few outlying and isolated areas has now been restored. The improvement in the security situation is evidenced by the regular services which the railways are now able to maintain by day and by night.

The attainment of greater internal stability has, notwithstanding the restrictive effects of excessive state interference in commerce, resulted in improved trading conditions. A direct outcome was that exports have increased in value although a se-

condary factor contributing to this was an example of a more liberal policy, that by which the State Agricultural Marketing Board helped to expand rice shipments to overseas markets. Quite rightly, the government regards it of the greatest importance to expand agricultural production but the emphasis has been on more intensive cultivation of the rice crop and improved facilities for milling and storage rather than on extending the acreage under tillage.

Important as the increase in exports was in contributing to the trade surplus and the increase in the exchange reserves for 1958/59, this happy result could not have been achieved without a drastic and successful effort to reduce imports. A rigid price control offset the expansion of the money supply caused by the surplus trade balance and the cost of living remained stable throughout the year. Here again a secondary factor assisted price stability, that is a more liberal issue of import licences to the private sector.

As I mentioned earlier, the government-sponsored trading organisations have continued to handle the bulk of the country's imports but there has, however, been considerable criticism during the year of government and semi-government enterprises and a number of these concerns have been reorganised in an effort to make them profitable. In the meantime, Israeli interests are making a determined effort to obtain a foothold in Burma's trade and industry via joint-venture enterprises. It is, however, on the private sector that more reliance will have to be placed, for only increased competition, leading to a greater efficiency in trade and industry, can bring about lower retail prices.

Assistance from Japan does not, at the moment, appear particularly welcome and, in addition to agitation for the revision of the reparations agreement, Burma has prohibited the import of further Japanese goods because of Japan's reluctance to take sufficient rice to balance the trade between the two countries.

Whilst Burma continues to receive a certain amount in aid from abroad, the authorities have also shown themselves interested in attracting foreign investment. Legislation has been passed guaranteeing freedom from nationalisation for a period of ten years to new foreign-sponsored

industrial concerns and assuring facilities for the remittance of profits and the repatriation of capital.

It is to be hoped that a further improvement in conditions will become possible when the new government takes office after the forthcoming elections.

CONCLUSION

The importance of raising Asian living standards is now generally accepted and the highly industrialised nations have recognised that they have a responsibility for assisting in the process. This assistance will, for the most part, be in some form of aid, either direct from country to country or through one of the international funds. Those exporting the capital or making the grants, and the United Kingdom is one of the countries likely to be increasingly involved, will want to be sure that their contributions are genuinely devoted to the development of the receiving country and the benefit of its people. The tremendous national pride of the young countries will not allow them to accept aid with terms attached and yet, as some of these countries are run today, aid will not put them on their feet and give them viable economies.

Union Carbide

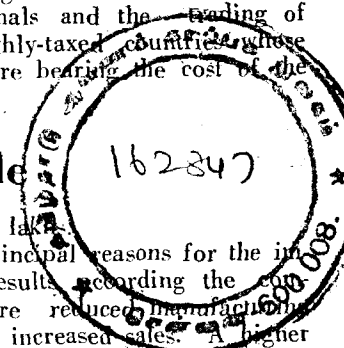
THE Directors of Union Carbide India Limited have recommended a final dividend of 10½ per cent subject to deduction of income tax for the year ended 25th December, 1959. This, plus the interim dividend of 7½ per cent paid in November, will bring dividends in 1959 to 18 per cent subject to deduction of income tax and will absorb Rs 36 lakhs as compared to 14 per cent free of tax and Rs 28 lakhs respectively for 1958.

Earnings in 1959 before tax and after Development Rebate amount to over Rs 135 lakhs on gross sales of Rs 770 lakhs as compared to 1958 earnings of Rs 83 lakhs on gross sales of Rs 605 lakhs. Development Rebate in 1959 amounts to Rs 2.30 lakhs as compared to Rs 4.50 lakhs in 1958. Tax provision for the year absorbs Rs 64 lakhs as against Rs 45 lakhs for the preceding year.

Rs 25 lakhs has been transferred to General Reserve and the balance carried forward in surplus account

The problem then is to find a formula which gives to these countries, with their consent, a control-free administration which would eliminate opportunities for bribery and corruption and a unit of currency having the same internal and external value, thus eliminating the rewards of smuggling and the other forms of currency evasion which run down the country's external assets—possibly in far greater sums than the aid received.

It is not uncommon these days for leaders of new nations to state that democracy does not work with them but what is not said is that their inexperienced politicians and civil servants often find it beyond their powers to run restricted and controlled economies. Cannot, therefore, those advisers of the World Bank and the International Monetary Fund, and those negotiating direct loans with these countries, advocate with more persuasiveness the freeing of rates of exchange, the concentration of trade in private hands, with the elimination of that increasing economic menace, state trading, and the ceasing of discrimination against the nationals and the trading of those highly-taxed countries whose peoples are bearing the cost of the aid?



is Rs 43.6 lakhs. The principal reasons for the improved results, according to the company, were reduced manufacturing costs and increased sales. A higher volume of production contributed to the reduction in costs and enabled management to reduce selling prices to customers for several of the Company's products. Increased sales of flashlights were possible because of the larger output available from the Lucknow factory of The Eveready Flashlight Company in its first complete year of operation.

The Directors also announced that the rights offering of 8 lakh new shares of Rs 10 each at a premium of Rs 2.50 nP per share in the proportion of two for five held is expected to be made on or about 1st June, 1960. The new shares will rank in all respects *pari passu* with the existing shares except that they will not entitle the holders thereof to any dividend declared at or prior to the Annual General Meeting to be held in the year 1960.

Around Bombay Markets

The Tide Turns

Thursday, Morning

DALAL STREET took a right-about-turn last week. An avalanche of selling swept the market on Friday evening (March 11). Equities tumbled down and gains accumulated since the budget were, in many cases, virtually wiped out in a matter of hours. It all happened over the Reserve Bank's announcement of credit control measures to "meet the situation arising out of the substantial liquidity of the banking system, marked expansion of money supply and bank credit and their impact on the price level." The Bank's four-pronged anti-inflationary attack consisted of stepping up of the reserve requirements—25 per cent—in respect of additional bank deposits accruing after March 11, ceiling on clean advances, a minimum 50 per cent margin on advances against shares other than preference shares above the amount of Rs 5000 and the ban of 'badla' transactions by the banks.

The first two measures will tend to restrict the overall supply of credit while the other two are aimed directly at the stock exchange. The draft on additional deposits will naturally affect the credit creating capacity of the banks but the problem with banks in India has for quite a long while been how to employ their available funds and not how to attract fresh deposits. In a way, banks have been trying to discourage deposits through a downward adjustment of interest rates. The increase in reserve requirements however, is likely to affect bank earnings in that the interest on these deposits will fall short of what the banks would have earned by investing them.

CREDIT CURB FORCES REAPPRAISAL

The credit curbs are largely an extension of the selective control, which had been applied hitherto only against commodities, to the stock exchange. The Reserve Bank makes no secret of its anxiety about the boom in equities. The all-India index for variable dividend industrials has risen by about 14 per cent over the year, the index for sensitive stocks being up by as much as 27 per cent. Advances against shares and debentures, which increased by

Rs 15.3 crores during the year ended February 12 are believed to have contributed to the boom. But by themselves these figures do not mean much. Only when viewed in the context of industrial profits and dividends does the rise appear to be unhealthy. Yield considerations have since long been relegated to the background. One would have expected the stock exchange authorities and the Directorate of the Stock Exchanges to adopt some effective corrective measures to arrest the boom before it started running away with itself. Had they done that, the Reserve Bank might not perhaps have intervened.

The stock market's violent reaction to the credit curbs cannot be dismissed as emotional or impulsive. The ban on badla transactions by the banks is bound to increase appreciably the cost of keeping bull positions alive from one settlement to another. Estimates of funds employed by banks for badla transactions are between Rs 2.5 crores and Rs 4 crores and the total volume of badla business in all the markets is estimated at around Rs 8 crores. The badla rates (carry forward charges) at present work out to 8 to 9 per cent. With banks out of the field, these rates will rise, perhaps to around 11 or 12 per cent. This will naturally discourage the accumulation of huge bull positions. The enhanced margin on advances against shares will also restrain

bullish activity. The other two measures which are intended to control the overall supply of credit are of little relevance to the stock market. But the significance of the measures taken by the Bank does not lie merely on their effect on stock exchange activity. It is much more important that the authorities have now taken a serious note of the inflationary situation and that they are determined to keep it under control. Opinion, of course, will differ sharply on the efficacy of credit curbs in checking inflationary trends when inflation is not due to the excessive use of credit.

NO RESUMPTION OF UPTREND
JUST YET

Although severe, the recent shake-out in equities is welcome in that it will help a more sober appraisal. The period of despondence is always the time for looking at the real facts of the situation. The stock market cannot continue to ignore indefinitely the trends in industrial profits and dividends. Surely the recent boom could not be explained in terms of corporate profits and dividends. Inflationary psychology had been the chief force behind it. The Reserve Bank's action has brought about a distinct change in market psychology.

Considering that share prices have already declined by about nine per cent from their recent peak and that too within less than a week, it

Fluctuations Since the Budget

Shares:	Pre-budget closing	Subsequent High	Recent Low
Tata Steel	152.00	159.50	145.00
Indian Iron	22.92	24.40	22.12
Bombay Dyeing	69.10	72.70	65.70
Century	451.50	493.00	435.00
Kohinoor	317.50	342.00	320.00
Svadeshi	262.00	286.00	257.00
Standard	928.00	995.00	832.00
A.C.C.	145.50	149.00	140.50
Belapur Sugar	341.00	360.00	334.00
Bombay Burmah	545.50	615.00	547.00
Premier Construction	349.25	366.00	295.00
National Rayon	396.50	475.50	431.50
Tata Locomotive	206.00	231.00	211.00
Volta	211.50	250.00	215.00
Hindustan Motors	17.04	19.28	17.52

is quite likely that the market may take a pause, for necessary technical adjustments. No market, however, can continue to decline at this rate for long. But to indicate the possibility of a rally is not to suggest that the market has seen its worst and that it will soon resume its old upward trend. Far from it. There seems little chance of the market scaling a new peak in the near-distant future. The recent fall has been quite steep but there is little reason to think that it has been overdone. It would perhaps be risky to mistake a rally for the resumption of the upward trend.

Oilseeds

STEADY BUT DULL

TRADING in oilseeds last week was extremely dull. Fluctuations were irregular and unusually small, reflecting the uncertain mood of the market in the absence of any fresh driving force. Most of the time groundnut May moved between Rs 210.50 and Rs 209 and cottonseed May between Rs 151 and Rs 150. Linseed May hovered around Rs 32.75 per cwt within a range of six annas. Speculative interest centred mainly on castor which drifted lower from Rs 175.87 to Rs 171.87 and recovered to around Rs 173 near the week-end.

There was little in the overseas news to excite the bulls or tempt the bears. Neither was inclined to trade in a big way. Only in castor did the bears seem to have an upper hand. They sold on rallies but did not wait for long to cover their sales. The discount on spot was heavy, around Rs 6.50 per candy. Export houses were reported to have sold no more than 750 tons of castor oil during the week. The Communist countries have not yet shown much interest in Indian castor oil and the U S continues to bargain. Hopes persist that the overseas buyers might not keep off the market for long but bulls are reluctant to be aggressive unless further substantial business materialises. Offerings, however, have declined considerably at around the recent low levels. Whether the overseas buyers are keeping off the market mainly because of the continued unsettled conditions here remains to be seen.

Activity in groundnut futures appeared to be almost at a standstill most of the time. The general tone was slightly subdued. Offerings were not heavy but off-take was on the

rather low side. Vanaspati manufacturers, the chief buyers in the spot market, resisted the rise in prices. Groundnut oilcakes, however, showed considerable strength due to reduced offerings and fair demand, particularly for expellers from extraction manufacturers and from sugar factories for their fertiliser needs. Export houses did not mention any important fresh business though foreign advices were generally steadier. The U K made small purchases in expellers 54 per cent at around £32.5.

Linseeds held steady on short covering mainly by North Indian operators presumably due to the strength in rapeseed resulting from unfavourable weather conditions there. Sentiment was helped by the satisfactory export demand for linseed cake which fetched up to £32.10 per ton. Here again the U K was the chief buyer but exporters reported fair chances of business with certain Communist countries. The Continent also evinced fair interest though no important business actually materialised. Australia was mentioned as a prospective buyer of linseed oil in the near future.

Cotton

UNEXCITING

TO say that spot cotton continues to be quoted substantially above the ceiling is to repeat what is common knowledge. Conditions are unlikely to record any material changes unless mills rush to utilise their import quotas. The Textile Commissioner's warnings have gone virtually unheeded so far. For while the total quantity released so far is 10.2 lakh bales, the quantity licensed up to February 27 is placed at only 4,69,992 bales and actual arrivals total no more than 2,26,790 bales. Quality control is a complete failure. Many market men have been heard saying that when disputes relating to prices and quality were referred to the authorities the parties were advised to settle their affairs mutually. That of course is not surprising because the effective administration of quality and distribution controls in face of the acute shortage of supplies is indeed a formidable job.

The latest estimates place the indigenous crop at no more than 40 lakh bales. With cloth a sellers' market and stocks with mills down to a new low despite reduced exports

during the past two months there seems little chance of prices showing any appreciable decline from their current high levels. The market is likely to react only when foreign cotton actually arrives in a big way. The easier trend in foreign prices recently might encourage mills to expedite the utilisation of their quotas.

Trading in cotton futures continued to be an extremely dull affair throughout the week. The sharp break in the stock market following the credit curbs had a slightly softening effect on the cotton futures market. Vague rumours that the credit squeeze might soon be extended to cotton discouraged fresh bull support but bears were unable to exploit the situation because of the strength in the spot cotton market. The Jarilla August contract moved irregularly lower from Rs 774.25 to Rs 769 on precautionary bull liquidation and lack of fresh support. The maturing March contract was usually quoted at around the ceiling rate of Rs 820.

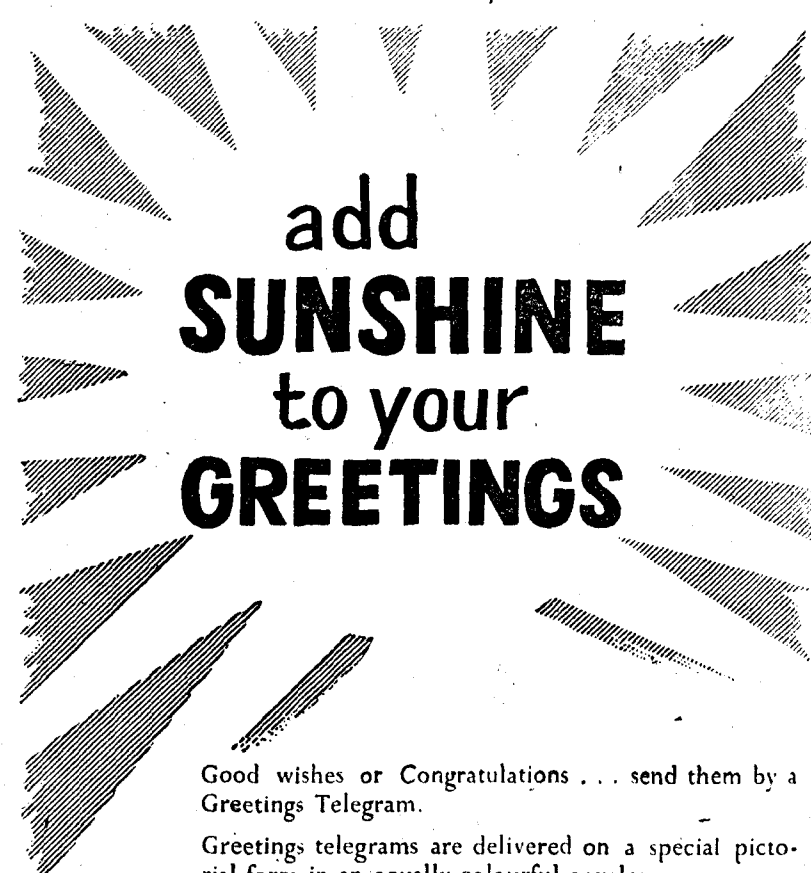
Bullion

GOLD TURNS WEAK

AFTER keeping irregularly firm earlier in the week bullion prices developed a distinctly easier tendency. Gold recorded a net decline of Rs 2.2 over the week while silver was down by about a rupee. Earlier in the week, silver was bid up to a new all-time high of Rs 218.3. Falgun contract. But by the week-end, Chaitra delivery, which had been quoted about five annas below the expiring Falgun contract, was sold down to Rs 215.15.

The week-end setback in bullion prices can be easily dismissed as in the nature of a technical reaction. But substantial bull liquidation in futures and selling in ready gold have encouraged many observers to take the view that gold might not be able to cross its recent high of Rs 133.5. A prominent bull operator who has been dominating the market for a long while was reported to have sold nearly 12,000 tolas of ready gold and delivered 3,000 tolas in the Falgun settlement. This has affected the premium on the spot material.

Whether this dis-investment is only a precautionary measure against a possible credit squeeze in bullion or it reflects a change in the outlook for the metal, it is difficult to say. Smuggling activity conti-



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nues to be at a low ebb but demand is tapering off and the slack season is approaching near. The new bearer prize bonds are also likely to divert large funds from the bullion market. All these factors should discourage any further marked and sustained rise in precious metals.

Company Notes

Central Bank

THE revival of economic activity in 1959 has enabled the Central Bank of India, the largest private-owned banking institution, to show better results, but shareholders do not benefit from them because of the new system of dividend taxation. Deposits went up during the year by Rs 18 crores from Rs 162 crores to Rs 180 crores. The ratio of cash to deposits declined fractionally from 8.9 per cent to 8.7 per cent, but the investment ratio came down from 28 per cent to 25 per cent. The credit ratio, on the other hand, improved impressively from 55 per cent to 67 per cent. In absolute figures, investments in gilt-edgeds remained practically constant, but advances and bills discounted increased by Rs 20 crores. Money at Call and Short Notice declined by more than Rs 2 crores, this amount was invested in debentures and shares.

Interest and commission earned covered the interest paid more than twice over as in the previous year. Profits after provision of bonus rose to Rs 66 lakhs from Rs 53 lakhs, giving a net earning on share capital of 21 per cent against less than 17 per cent. Dividend is 17.2 per cent gross against 14 per cent net. Disclosed reserves now exceed the share capital of Rs 315 lakhs by Rs 409 lakhs.

During the year, the Bank opened 18 new offices and closed down 10.

Dena Bank

IN its twenty-third year, the Devkaran Nanjee Banking Company Ltd, popularly known as the Dena Bank, has been able to build up a reserve fund which exceeds for the first time its paid up capital of Rs 50 lakhs. Its total deposits now exceed Rs 35 crores, which makes it the tenth largest scheduled bank. This represents an improvement of Rs 5 crores over the previous year. The cash ratio has come down fractionally from 10 per cent to 9.5 per cent, while the investment ratio has

declined from 45 per cent to 43 per cent. The credit ratio, on the other hand, has gone up from 47 per cent to 55 per cent. In absolute figures, investments have increased by Rs 2 crores, credit by more than Rs 5 crores and cash and balances with other banks by nearly Rs 1 crore. The excess of this increase of Rs 8 crores over the deposit expansion of Rs 5 crores has been financed by borrowings, presumably from the Reserve Bank.

Interest and commission earned during 1959 covered interest payments about 1.9 times against nearly the same proportion in the previous year. Profits are Rs 13 lakhs against Rs 9 lakhs (it is not clear from the accounts whether profits for 1959 are subject to tax or not; there is no provision for tax anyway). This gives an earning on share capital of 26 per cent against 18 per cent. Dividend is 8.76 per cent gross against 6 per cent net.

The Bank opened 8 new branches during the year, bringing the total number of offices to 83.

Hindustan Lever

THE gross turnover of Hindustan Lever crossed Rs 40 crores during 1959, to reach Rs 41.75 crores against Rs 36.73 crores in the previous year. Of this amount, food products contributed more than Rs 20 crores, soaps nearly Rs 18 crores, and the balance came from sales of glycerine, groundnut cake and toilet preparation. Though prices of oilseeds and oil remained consistently higher than in 1958, the company was able to record good results due to purchases effected advantageously during a period of comparatively lower prices. Exports fetched Rs 88 lakhs, most of which was earned from glycerine and vanaspati. Total estimated cost of new capital projects sanctioned during the year was Rs 85 lakhs.

Sales net of excise duty in 1959 fetched Rs 39 crores against Rs 34 crores in the previous year; gross profit margin on sales improved from 9.3 per cent to 10 per cent. Profits before tax amounted to Rs 4.26 crores against Rs 3.15 crores. Taxation took away about one-half of this against 58 per cent last year, leaving a net profit of Rs 2.17 crores against Rs 1.38 crores. Net earnings on capital invested and net worth, consequently went up from

18 per cent to 26 per cent, and on share capital from 25 per cent to 39 per cent. Dividend has been raised from 15 per cent net to 24 per cent gross. Profits retained in business, inclusive of development rebate of Rs 9 lakhs, amount to Rs 84 lakhs against Rs 54 lakhs.

At the end of the year, the company had a cash balance of Rs 3 crores against Rs 23 lakhs. The Directors' Report makes no reference to the utilisation of these funds in the current year.

The Economic Weekly

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CURRENT STATISTICS

BANKING RETURNS (Rs Crores)				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note Circulation	1837.90	1820.91	1811.94	1695.78
2. Rupee Coin	123.69	124.42	126.29	129.55
3. Deposits				
(a) Central Govt	50.64	50.37	66.90	66.23
(b) Other Govts	29.76	34.27	20.85	17.07
(c) Banks	71.63	81.92	81.20	67.97
(d) Others	95.04	94.49	108.51	115.33
4. Foreign Securities	163.01	163.01	163.01	178.01
5. Balances abroad	32.27	33.73	44.34	33.26
6. Rupee Securities	1442.11	1437.14	1417.32	1281.42
7. Investments	207.49	207.17	192.99	245.49
8. Loans and advances to Govts	29.49	27.77	23.50	26.29
9. Other Loans and Advances	135.61	126.52	130.25	100.30
Scheduled Banks				
1. Demand Liabilities (net)	738.94	742.13	729.97	711.81
2. Time Liabilities (net)	1137.64	1130.26	1120.83	896.63
3. Cash	126.64	121.49	109.48	104.26
4. Borrowings from Reserve Bank of which Usance Bills	46.69	41.49	39.44	35.92
5. Advances of which State Bank's	909.50	901.56	873.90	833.79
6. Bills Discounted Inland Foreign Total of which State Bank's	112.88	113.83	112.15	98.14
	46.03	45.61	46.10	38.06
	158.91	159.44	158.25	136.20
7. Invest in Govt sec of which State Bank's	757.48	764.14	783.67	622.06
Cheque Clearance	163.67	204.64	187.40	163.16

†For Reserve Bank and Cheque Clearance week ended 11-3-1960. Scheduled Banks week ended 4-3-1960.

Bombay Money Rates (Selected Scheduled Banks other than State Bank) (per cent per annum)				
Call Money	4-3-1960	Week Ago	Month Ago	Year Ago
From Banks	3½	3½	3½	3½
Deposits				
Seven Days	3-3½	3-3½	3-3½	2½-3½
Three Months	3½-3½	3½	3½	3½
Six Months	2½-3½	2½-3½	2½-3½	3-½

Bombay Bullion (In Rupees and nP)				
Gold (per fine tola)	17-3-1960	Week Ago	Month Ago	Year Ago
Spot	129.31	131.19	132.72	121.30
Forward	128.75	130.81	131.69	120.93
Silver (per 100 tolas)				
Spot	217.19	217.78	215.50	201.50
Forward	216.96	217.22	215.25	201.50

INDEX NUMBER OF WHOLESALE PRICES (Base : 1952-53 = 100) Monthly Average				
Group and sub-group	Feb 60	Jan 60	Dec 59	Feb 59
Food Articles				
Cereals	118.8	117.5	115.7	118.2
Pulses	104.4	101.7	105.1	100.8
Fruit & Vegetables	95.1	91.9	121.0	91.8
Milk and Ghee	113.1	109.6	114.0	118.7
Edible oils	111.5	106.8	105.2	107.6
Fish, Eggs and Meat	137.9	131.1	121.7	127.9
Sugar and Gur	110.5	114.4	105.7	114.1
Others	145.2	144.1	127.5	150.0
Liquor and Tobacco	188.6	184.2	156.5	186.7
Tobacco	96.0	100.9	104.4	103.7
Tobacco	94.2	99.5	103.4	102.3
Fuel, Power, Light & Lubricants				
Materials	117.9	117.6	115.9	117.0
Industrial Raw				
Fibres	131.7	130.9	115.5	127.2
Oilseeds	123.0	126.5	107.4	123.2
Minerals	141.1	136.0	126.4	130.9
Others	95.2	95.2	103.1	95.6
Manufactures	133.2	132.2	111.1	129.8
Intermediate Products	116.3	116.0	108.5	118.4
Finished Products	120.5	121.6	110.6	118.2
Textiles	115.1	114.2	101.7	109.8
Cotton	125.2	123.4	111.1	118.4
Jute	96.4	96.4	82.0	94.2
Woollen	104.2	104.2	105.9	104.2
Silk and Rayon	103.4	104.9	92.4	97.7
Metal Products	145.1	145.1	143.3	144.6
Chemicals	106.5	106.8	111.2	106.7
Oil cakes	144.6	146.2	147.5	145.0
Machinery & Transport Equipment	106.1	106.1	105.4	106.0
Others	112.4	112.4	113.7	114.0
All Commodities	119.6	118.8	113.3	117.9

COAL PRODUCTION AND DISTRIBUTION

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

	Raisings	Despatches	Stock at Pit heads*
1957	3,625	3,140	3,279
1958	3,778	3,362	2,764
1959	3,916	3,442	—
1958: Jan	3,947	3,326	3,418
Feb	3,712	3,063	3,655
Mar	3,701	3,354	3,523
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	2,922
Sept	3,848	3,475	2,885
Oct	3,747	3,474	2,682
Nov	3,688	3,374	2,572
Dec	4,149	3,506	2,764
1959: Jan	4,086	3,436	2,905
Feb	3,939	3,112	3,238
Mar	3,955	3,487	3,195
April	3,984	3,529	3,153
May	4,015	3,396	3,281
June	3,815	3,356	3,279
July	3,860	3,594	3,083
Aug	3,750	3,609	2,805
Sept	3,938	3,584	2,694
Oct	3,608	3,426	—
Nov	3,787	3,467	—
Dec	4,265	3,404	—

*At or about the end of each period.
Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

INDUSTRIAL PRODUCTION—I
(Monthly Average or Calendar Months)

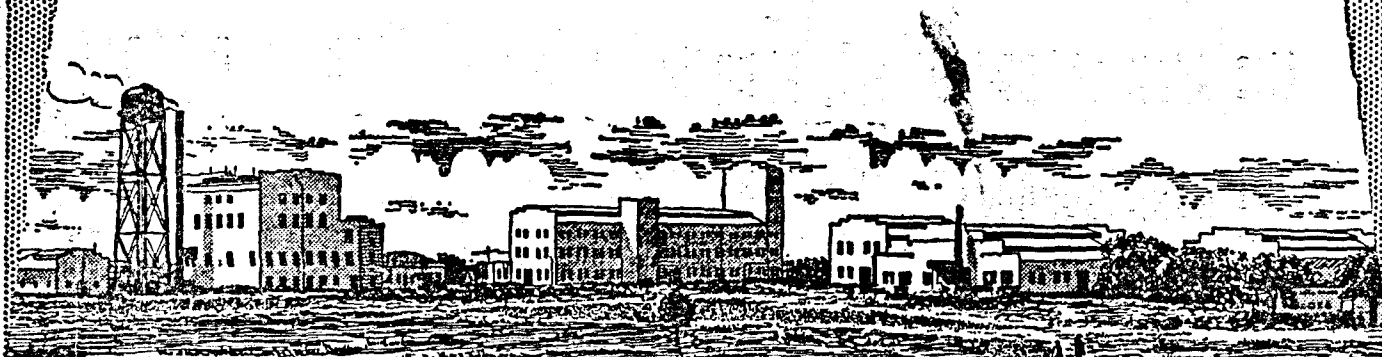
MONTHLY AVERAGE OF CANTONMENT																										
	Rayon viscose yarn (tons)	Rayon staple fibre (tons)	Rayon acetate yarn (tons)	Naphthols (000 lbs)	Aluminium (tons)	Aluminium (chloride & circles) (tons)	Antimony (virgin) (tons)	Copper (virgin) (tons)	Lead (virgin) (tons)	Brass sheets & circles (000 tons)	Pig iron (000 tons)	Steel ingots and metal for castings (000 tons)	Semi-finished steel (000 tons)	Finished steel (000 tons)												
1958	1,098	1,159	148	83.2	682	1,112	44	653	278	1,700	166.9	151.1	133.3	108.3												
Dec	1,249	1,456	143	149.9	678	1,287	38	720	418	1,888	184.7	164.7	169.3	118.2												
1959 Jan	1,172	1,541	152	118.6	805	1,300	15	587	392	1,900	168.0	153.6	152.3	121.1												
Feb	1,089	1,527	160	148.0	1,429	1,162	10	466	346	1,500	194.9	182.4	161.2	122.8												
Mar	1,262	1,738	156	166.3	1,524	1,225	30	712	410	1,818	263.6	208.9	186.1	130.6												
April	1,058	1,695	9	138.8	1,280	1,214	48	671	300	1,855	273.0	198.0	176.1	132.6												
May	1,191	1,768	117	115.8	1,411	1,314	75	673	382	1,659	253.4	192.0	162.6	132.8												
June	1,188	1,692	127	91.3	1,425	1,379	75	676	200	1,817	242.5	192.2	173.9	136.6												
July	1,270	1,789	154	61.6	1,505	1,475	90	686	353	1,856	267.3	208.9	184.1	147.0												
Aug	1,334	1,765	167	65.7	1,552	1,418	85	681	283	1,836	275.7	207.2	187.1	158.7												
Sept	1,260	1,722	112	57.9	1,536	1,335	85	701	314	1,904	252.6	195.2	172.6	160.0												
Oct	1,341	1,780	99	49.1	1,538	1,420	55	707	280	2,000	267.2	214.1	187.6	151.9												
Nov	1,323	1,596	93	78.0	—	—	45	711	330	—	—	—	—	—												
Dec	1,436	1,739	132	72.7	—	—	—	371	305	—	—	—	—	—												
	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)	Steel files (000 doz)	Machine screws (000 gross)	Grinding wheels (000)	Ball bearings (000)	Storage batteries (000)												
1958	355	2,147	6.5	31.33	127.9	266	73	96	197.3	20.7	152.8	228.1	177.2	29.6												
Dec	368	2,787	7.0	38.17	90.7	392	96	112	198.5	23.9	148.0	269.3	175.9	38.1												
1959 Jan	487	2,427	7.1	51.07	81.8	324	98	94	171.0	21.7	139.1	185.8	160.3	32.7												
Feb	598	2,388	7.4	36.61	64.0	289	90	81	176.0	21.3	122.8	140.2	145.8	32.5												
Mar	636	2,752	6.6	39.82	82.6	276	99	84	227.6	26.8	146.4	156.7	159.7	31.7												
April	671	2,832	6.4	23.25	82.9	282	102	79	253.3	22.7	161.6	203.7	149.9	37.5												
May	735	2,965	6.6	32.64	98.4	297	85	75	227.2	22.7	155.0	264.8	137.4	39.7												
June	771	2,993	6.7	34.98	92.1	313	63	35	197.2	23.1	147.4	245.1	138.2	38.8												
July	870	2,239	6.5	25.93	111.3	311	100	36	234.4	26.8	144.7	116.8	149.1	41.6												
Aug	679	1,916	7.0	41.66	103.9	371	95	53	231.4	25.0	107.5	109.5	188.8	39.8												
Sept	775	2,775	6.4	105.2	6.4	438	92	43	209.5	24.7	158.0	93.3	198.9	39.1												
Oct	706	2,462	6.7	34.59	133.9	429	86	41	222.7	17.0	162.0	122.4	194.5	32.1												
Nov	879	2,388	6.6	—	107.4	435	91	67	268.5	—	—	—	—	34.7												
Dec	900	2,608	6.2	—	125.6	—	—	—	281.7	—	—	123.0	—	—												
	Dry cells (lakhs)	Elec motors (000 H.P.)	Power transformers (000 KVA)	Automobiles (total) (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)												
1958	140.2	52.0	93.9	2,223	919	343	76.0	1,126	83.8	688.3	2,408	78.9	654.5	2,594												
Dec	171.8	57.0	90.1	2,713	1,090	436	83.6	865	91.8	723.5	—	81.3	728.6	4,493												
1959 Jan	148.0	54.6	100.0	2,992	1,125	392	75.1	946	91.5	862.0	3,017	81.6	765.7	3,195												
Feb	149.4	50.0	86.1	2,339	879	386	77.3	1,003	87.0	700.3	3,017	82.8	759.4	2,783												
Mar	136.8	50.1	98.1	2,676	852	541	78.6	972	89.4	724.4	1,971	87.2	774.0	600												
April	138.5	56.0	83.1	2,041	1,043	277	76.0	127	87.2	795.8	1,915	89.6	808.1	1,563												
May	154.1	46.6	90.5	2,598	1,177	435	71.4	58	81.6	818.4	2,066	89.4	887.3	3,533												
June	154.3	47.8	79.2	3,008	1,276	304	82.0	488	89.4	795.0	2,255	89.4	930.5	2,079												
July	169.8	50.4	81.2	3,291	1,348	295	88.0	735	108.6	883.8	4,023	109.2	930.5	2,518												
Aug	156.2	42.2	83.1	3,526	1,458	417	80.9	888	109.4	882.3	3,292	110.2	894.6	2,888												
Sept	162.8	43.8	96.8	3,075	1,480	424	88.4	850	105.7	884.6	3,281	104.8	838.9	6,221												
Oct	137.0	37.0	77.8	3,018	1,245	436	79.6	510	80.5	594.2	1,104	80.3	560.4	1,633												
Nov	182.1	—	—	3,369	1,449	438	—	920	103.7	841.6	4,129	104.0	916.8	3,210												
Dec	196.3	—	—	4,387	1,629	505	—	719	—	—	—	—	—	—												

— = not available

Source: Directorate of Industrial Statistics

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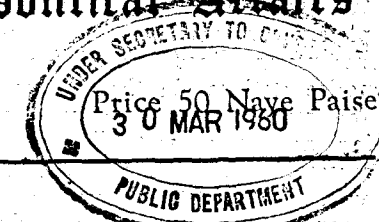
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March 26, 1960

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South Africa's Day of Blood

ALTHOUGH the South African pass laws and their defiance by the followers of the Pan-African Congress were only the immediate cause of the riots which broke out in the neighbourhood of Johannesburg and Cape Town last Monday, they were a very compelling immediate cause. It is difficult for anyone who has never been personally acquainted with the operation of these thoroughly notorious laws to visualise, even approximately, the plight of the urban African community under them. It is not only a sad plight and a humiliating one, it is exasperating. The irritation and tyranny the laws cause are continuous. There is absolutely no letting up. Only the most up-to-date of Johannesburg or Cape Town lawyers can say with any degree of certainty as to how many passes an African in a township is expected at all times to have on his person. The passes are too numerous and their form is amended and altered too frequently for anyone but an obsessively law-abiding and law-knowing person to keep track of them.

An African cannot go out into the street without a particular type of pass; he cannot stay at home without another. His place of employment demands a third type of card; and the police expects him to carry with him at all times an up-to-date record of his employment, wages, tribe, location, residence, thumb-impression and a dozen other things which no one outside the iron walls of South Africa can even think of. The result of all these laws is simply this: that any policeman can, as a rule, pick up any African he chooses and be sure to find him short of one or more passes. Indeed it does not seem unfair to suggest that this is in all probability the precise purpose of the passes—to have a perfectly legal excuse handy at all times to arrest any particular African and throw him behind bars.

The havoc the operation of these laws plays with the daily life of the average African in a South African city or township is serious. Since the same African may be picked up again and again for the absence of the same pass, it means his working life and family life is constantly disrupted. Terrible as that is, there is worse to come. Being picked up for a pass offence means being given a criminal record, which the Government never hesitates to use politically against the African concerned, should the need for doing so arise. Seeing that on an average, about 100,000 Africans are charged every year under the pass laws, the Government has a political handle against almost every urban African in the country.

The sheer inhumanity of the system is horrible. Yet this is the system which lies at the very foundation of white rule in South Africa. The pass laws are the means whereby the African is kept constantly under the eye of the police, and therefore under political control. So, in a sense, when the Africans rise up and challenge the pass laws, they strike a blow at the very base upon which white South Africa stands. This explains why the Pan-African Congress—a new political group, hardly a year old—chose the pass laws as the first target for their assault. It also explains why the Government took the challenge so seriously as to consider it worthy of instant and brutal suppression.

The riots themselves show the Government in the worst possible light, of course. The Pan-African Congress had taken special pains to emphasise its intention of keeping the defiance of the pass laws completely non-violent and peaceful. Volunteers lined up before the police stations in their townships and reported that they were carrying no passes, and offered to be arrested. The Government, however, was frightened by the very magnitude of the crowds gathered outside the police stations. Quite early in the morning the volunteers in the township of Sharpeville, outside Johannesburg, numbered as many as 20,000; and the authorities were probably right if they feared that the number would grow much larger unless immediately checked. It was evidently for this reason that the decision to disperse the crowd was taken. Later events show that the decision, once taken, was implemented brutally. As if tear-gas and batons were not enough to discourage the crowd from growing any larger, sabre jets were pressed into service. They flew overhead and dipped on the crowds to scatter them with fright. But even that was not considered enough. Rifle

shots were fired at the crowd without any apparent provocation. This killed a leader of the demonstrators and infuriated the Africans, who (naturally under the circumstances) forgot all about the Congress injunction about non-violence, and started retaliating with stones and sticks. When the police and the troops brought out sten guns, the demonstrators mustered the few arms they had and shot back. But how terribly unequal the fight was is clear from the fact that while not a single policeman or soldier lost his life, 72 African men, women and children were mowed down and perhaps another 200 were injured.

The performance of savage force was repeated a few hours later at Langa, outside Cape Town, where a very much smaller crowd had gathered to court peaceful arrest. Some more Africans were killed and injured here.

Nothing that the South African Government can say will convince the outside world that this inhuman massacre of unarmed men was either justified or unavoidable. Two inquiries have, under pressure from the Opposition, been ordered by the

Government. But what will these investigations seek to show? That the crowd had attacked first and the police merely retaliated in self-defence? That the trouble would have developed much further if the police had not acted at once in the way it did? Even if the inquiries show that the first stone came from the demonstrators, nothing will have been proved of any material value. Not only does it still remain indefensible that a stone-throwing crowd should have been mowed down by gunfire, it is also immaterial who was immediately to blame for the tragedy. In a situation where explosive material is lying all around and where the air is thick with inflammable emotions, it is futile to try and discover exactly who flung the match which set off the fire. The real culprits are the ones who loaded the atmosphere with explosiveness. The roots of Monday's tragic happenings lie deep in the *apartheid* policy of the South African Government. If Dr Verwoerd and his associates (or should one say accomplices) are really interested in investigating the cause of this week's riots, let them lay bare the anatomy of *apartheid*.

To Which Gods?

WHEN visiting a temple, none of the deities, big or small, whose images lie scattered about in the courtyard of the temple, or which line up the temple path, can be ignored. Each has to be propitiated according to his or her respective status or place in the pantheon. For some, the choicest offerings, flowers dipped in sandal paste, handful of rice well soaked in water, cocoanuts, sweets. Deities lower down in the hierarchy have to do with less but even a single grain of rice will do. Our gods are compassionate and long suffering, as long as they are taken notice of, with a token offering, be it only a single grain of rice.

To which gods did they offer oblations, when the highest body in the land met in Delhi to discuss the Third Five-Year Plan? Did they instal some strange new gods in the place of the old, trusted ones? There was nothing dramatic like that, though the public had been led to believe something of the sort. In fact agriculture gets first priority and

larger allocation. To quote from the PIB handout "... In its discussion of priorities for the Third Plan, the Council agreed that the first priority should be given to agriculture. There had also to be necessarily considerable emphasis on the development of basic industries, especially steel, machine-building, fuel and power, on which the capacity of the economy to develop in future largely depended." Basic industries, especially steel, are not new. But the emphasis on machine building, fuel and power is, despite a lower than expected target for steel. And this we have all along been told would be the key to the Third Plan, the highest priority. The Council has ruled that out.

To repeat, if one looks at the allocations, one does not see much of a change unless one is prepared to read something like that into the combined allocation for power, industry and transport which is higher than in the Second Plan. The hard core of the Third Plan is supposed

to be its steel-machinery-power-complex. This part of the Plan is also believed to have been carefully studied, properly coordinated and generally handled on a high level of technical competence. But none of the gods has been neglected. Pandit Nehru defined the basic object of planning as that of pulling out the country from 'the rut of traditional ways of production and distribution' and held up scientific planning using modern technology as the only means for it.

Besides science, the other gods also got their offerings. Panditji also covered the human factor in progress and applauded institutional changes like the revival (*sic*) of the Panchayats system; others stressed equality of incomes, utilisation of idle labour and balanced regional development. There were not only the priorities of planning, the pre-conditions of a large Plan were not left out — the necessity of holding the price line and of putting a ceiling on non-develop-

ment including Defence expenditure; the need for maximum returns from public enterprises and for keeping down costs of construction; and finally, the necessity of high levels of administrative efficiency and determined efforts to raise standards in administration.

Having thus pacified all the gods, what are we expected to get — an increase of national income at the compound rate of 5 per cent per annum, provided the savings-income ratio can be stepped up from 8 per cent at which it has remained more or less stagnant to 12 per cent by the end of the Third Plan. If past experience is any guide, this would be a formidable task, indeed. It would be surprising if it rose beyond 10 per cent and attained an average higher than 9 per cent during the Third Plan. Along with a rather high capital-output ratio, which would be reasonable to assume in view of the capital intensity of the steel-machinery-power complex, the rate of growth of national income is not likely to exceed 3 per cent, attained in the first two Plans. Making allowance for growth of population, this can promise an increase of only 1 to 1.5 per cent in the per capita income per annum in the Third Plan period. This is not very exciting, so far as the arithmetic of it goes.

True, the arithmetic of it is not the most important part but, behind this arithmetic, there is logic but that logic cannot be deduced from the financial aggregates which alone are available at the moment. The neglect of primary education and urban housing, the preference for highly capital intensive railways over road transport, these cannot only be sensed from the broad financial magnitudes. The sort of choice that has to be made between alternative investment patterns or techniques, one does not get to know about them from the bare press summaries. In how much detail the projects and their requirements of various inputs have been worked out, how the investment is proposed to be phased so that no bottlenecks appear in the year to year execution, the summaries do not indicate whether all these have been taken care of or not.

The experience of the early years of the present Plan has at least taught us one lesson — the folly of forgetting that we, too, have to live in a disturbed, changing and deve-

loping world, and of believing that a Plan, however carefully drawn up, can ever work smoothly without running up against unforeseen and unpredictable developments in the price situation at home or abroad, or in regard to external assistance and so on. It would be comforting to know that the Plan is being drawn up in such a way

this time that it can be altered, if need be, in the light of the changing situation. This requires that we should formulate not one but at least two or three different Plans, so that it may be possible to switch over from one to the other. During the Second Plan, such alternatives had to be found haphazardly; would this experience be repeated?



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Weekly Notes

Internal Economics of Banking

BANKERS do not like to be regulated by statute, especially those who have been brought up on the tradition of British commercial banking. So it is not surprising that in his speech at the annual general meeting of the Indian Bankers Association, Shri C H Bhabha, the Chairman should complain bitterly about further encroachments on the preserves of Bank management. Unfortunately, though delivered on the 18th, the text of the speech must have been printed off before the Reserve Bank announced its multiple directives for restraining bank credit. So the bankers' views on further restraint on credit operations did not find a place in his speech.

The Chairman, Shri C H Bhabha has not touched the subject of P L 480 funds at all, for the distribution of which among the several banks, he had made so much in his speech last year. This is because banks have been deluged by such a volume of fresh deposits over the year that no special effort would have been needed in any case to dissuade them from competing for them. It must have dawned on those who were so eager for getting them that counter-part funds as deposits may not be such an unmixed blessing, judging from the experience of the State Bank in this matter.

In view of the shadows cast by the bank employees strike the question of banks' expenses on establishment was uppermost in his mind. The facts Shri Bhabha sets out, however, seem to tell a different story.

In the table relating to 26-member banks of the Association given by Shri Bhabha, net profits have fallen in 1958 below what they were in 1957, while the dividends paid have actually increased and so "Balance available for appropriations including bonus, taxes, etc" (are dividends the first charge?) have come down. Dividends paid over the last three years for which he gives the figures have gone up as a result from 41.2 per cent to 53 per cent of the net profits.

This is on the basis of the figures quoted by Shri Bhabha. For the years to which he refers, complete data on earnings and expenses of all scheduled banks are now available. In the statistical tables for

1958 published by the Reserve Bank, one finds curiously enough that establishment expenses as a percentage of the total expenses rose from 38 in 1954 to 39 in 1955; since that year, this percentage has been coming down and both for 1957 and 1958, establishment charges accounted for no more than 31.8 per cent of the total expenses.

Since this is a vital issue which is bound to figure prominently in the adjudication of the bank employees' disputes, it would have been helpful if the relative position of establishment expenses in the economics of banking operations as a whole were brought out more clearly by presenting establishment expenses against the other important items of costs and expenses. The bank balance-sheets that have come out so far do not indicate a definite trend for profits one way or other. All of them show a substantial increase in the deposits without a proportionate increase in the costs on deposits, the largest single item of expenses since 1957. Perhaps, interest earned on advances have not kept pace—a higher percentage of assets going into investment does not generally help bank earnings. There have been substantial increases under wages and salaries. But this has been offset very largely by increased commission earnings in some of the banks and indeed it is in the latter direction that banks have to turn more and more for improving their earning prospects.

NanYang University, Singapore

A-CORRESPONDENT who has lived and taught in Singapore writes:

The first non-Chinese student was admitted to NanYang University, Singapore last month. He is a Malay, and received a scholarship from a Chinese firm to enable him to study. In addition to his own language of Malay and the national Chinese language Mandarin, he speaks both Cantonese and the Hakka language.

Perhaps this applicant marks the beginning of a new era for the University. On February 9 a new report, that of the Gwee An Leng committee, made its final recommendation on the future of the University. Unlike the previous report of the Prescott Committee set up by the

earlier colonial government, it unequivocally accepted the principle of ultimate integration into the Singapore system of higher education, subject to a raising of the university standards. This was to be done by increased salaries for staff, separation of academic from business administration of the university, and the enforcement of strict examination standards by both internal and external examiners. The committee takes special exception to a university being run by "businessmen" and criticises the Chinese "committee of management" principle, common to the Chinese schools system. On the committee were not only two members of the staff of the University of Malaya but also the editor of the *Nan Yang Siang Pau*, the most influential newspaper in Singapore.

The Singapore Government has accepted the recommendation of the committee for the most part. Perhaps this marks the end of the stage when a wealthy Chinese businessman in Singapore can force his views on the Chinese community to the ultimate weakening of academic standards. From its foundation NanYang University has been plagued with violent internal dissensions and the Government, by unequivocally recognising Chinese cultural values while rejecting the right of the Chinese to control academic standards which are lower than in the world at large, has done a good service to Singapore. The only dissatisfied group are those surrounding the present management of NanYang University who wanted the Government to support the university without attaching any conditions to enable them to continue their "business management".

Credit Control Confusion Correction

The increase in scheduled bank credit during the current and last busy season referred to on page 489, second column, first paragraph, relates to the period October 31 to March 4, and not January 15, as erroneously printed.

The latest week for which date aggregate bank advances were available was March 4; for the breakdown of secured advances, however, the latest data available was for the week ending January 15.

Finances Competently Handled

THOSE who can afford to take a detached view because they look at it from a distance, what do they think of our planning effort? Of course, each brings to it his own bias. Observers from the communist countries are naturally doubtful of the success of planning when there is such a large private sector, though they may not care to air their views in public. Those brought up in the tradition of free enterprise are less inhibited in the expression of their opinions. They do not like the extension of the public sector, disapprove of our tax rates which cut into retained profits and make the prospect for young men coming out to India for a career unattractive. They also look askance at cheap money policy in a capital hungry country and frown upon deficit financing. But most of them agree that on the whole India has not done a bad job of it. The country is going to be industrialised one way or the other; despite their complaints against the tax rates, foreign interests are not planning to pull out just yet, and the extension of the public sector notwithstanding, the private sector has not been doing too badly. And, finally, despite deficit financing, "the price level has risen less in recent years than in many highly industrialised countries with stronger economies than India's."

This last is a handsome compliment indeed, coming as it does from the Chairman of the Chartered Bank, Mr Grantham, who is frankly critical of the priorities under the Plans and also the methods by which they have been financed. Such criticism, however, he hastens to add, "should not be allowed to obscure or minimise the very real progress which has been made in many sectors of the national economy". This large scale development has made it necessary "to resort to the potentially inflationary expedient of deficit financing, and it says much for the manner in which the Indian authorities handled the country's internal finances that there has been no major inflation".

The outside observers who have mixed feelings about our planning, as also the most sympathetic of them who are generous and even fulsome in their appreciation of India's achievements, all agree with Mr Grantham that the "failure of the agricultural sector to expand pro-

duction with sufficient speed to keep pace with the rapidly increasing population" has been "the major disappointment" so far. To ask, as so many do, both in this country and abroad, whether industry can go ahead if agriculture continually lags behind, may be to frame the question wrongly. After all, the two sectors must act and react on each other, the relationship between the two being basically complementary. But which are the channels of communication, what is the transmission system? Of course one can see the channels through which agriculture feeds industry. One does not have to go far to look for them. But what about communication the other way? True, there is irrigation and power which carries water to the fields. Then, there are fertilisers. But this is an area of industrial development in which only a token beginning has been made with Sindhri. The Third Plan has a provision for expansion of production capacity of nitrogenous fertilisers from the present quarter million tons to a million tons—800,000 tons in public sector and 200,000 tons in the private sector. There is a similar provision for the increase of phosphatic fertilisers from less than 100,000 tons to half-million tons. This does not add up too much. But when one remembers that only a few years ago, the thought that the Indian peasant would ever take to chemical fertilisers used to be laughed out of court, one can see one of the lines of transmission from industry to agriculture.

Ministers Oppose Budget Proposals!

THE best outside White Hall, or even better, according to some, this is claimed only for our civil service; no one would suggest that the Cabinet Government in Delhi is anything more than an imitation of only the outward appearances of the British model. But since outward appearances are usually maintained, is it not a lamentable lapse that the Ministers should express their differences about tax proposals on the floor of Parliament? Collective responsibility implies mutual agreement arrived at after full and free discussion, perhaps a compromise but which is acceptable to all. This obviously is not the case in regard to this year's budget proposals.

The first one to break out, was the Minister of Information and

Broadcasting, Dr B V Keskar, who, it was obvious, had been as much rattled by the proposed excise duty on exposed films as any one in the film industry. It was clear from his speech that 'his Ministry' has not been consulted about the measure though it was bound to have an 'important effect' on the film industry, which is in his special charge. Now this may be a deliberate omission, unavoidable in view of the secrecy which has usually to be maintained about all new tax proposals. But the trouble is that the probable effects of the tax measure had not been examined by the Finance Ministry either. Questions of procedure such as which films were to be taxed, positive, negative or rejects, at which stage the tax was to be collected in the long chain of operations through which films move from the studio to the laboratory and editing room and then back to the laboratory and on to the distributor and cinema houses, even these had not been looked into with that minimum of care which one takes for granted in measures of this nature.

Instead of standing up for the proposals put up by the Government and defending them stoutly, Dr Keskar agreed with the critics of the measure that the excise duty would have "an important effect on the film industry" and that "we will not like the industry to suffer" and wound up the debate on the demand for grants for his Ministry with the assurance that the Finance Minister would consider all the points that had been raised against the proposal!

New Approach to Tax Evasion

FOR the first time, perhaps, the Finance Minister tried a political approach to this problem affecting the film industry. He knew the industry inside out and reminded the representatives who had gone to him in a delegation of the taxes they evaded, the black money that was demanded and received by film stars and others, and applying the logic which he thought they understand best, argued that the industry would be well able to bear the tax, since it was making so much money in illegal ways! This is, in all conscience, an original and altogether indigenous approach to the problem of tax evasion. Assuming, which is obvious, that some film people make black money, why doesn't Morarji try moral persuasion on them and make them pay up, instead of subjecting all the producers indiscrimi-

nately, those who try to make a good film and those who go in only for box-office hits, to an imposition which, he knows, will have an unequal incidence on the industry and lop off the delicate plants which deserve to be nurtured while leaving others to grow like a bay tree?

It was not a protest which Dr Keskar lodged, not even a dignified protest. His was a humble submission. The Food Minister, Shri S K Patil, on the other hand, though not

Letter to the Editor

Case for Rise in Bank Rate: Rejoinder

THE letter from Bhoodani in your issue of March 19, illustrates how sentences torn out of context can be made to imply something not intended by the author. Before taking up the issues raised by Bhoodani, I would like to make two points clear. Firstly, my comment in the issue of March 12, was not an article but only a letter which did not allow me much scope to expand the arguments I had advanced. This obviously led Bhoodani to think that my arguments were 'dogmatic'. Secondly, the purpose of my comment was to point out that the arguments given by the author of the article 'Expansionary Forces in the Economy — Do They Need Credit Curb' (published in your issue of March 5) failed to convince the reader that a rise in bank rate is not called for and that there are other considerations also which should be taken into account when a change in bank rate is discussed. Surely, this is different from saying that bank rate in India *should* immediately be raised.

Coming to the points raised by Bhoodani. He imagines that I have not asked myself whether the rise in interest cost would curb private investment. I only wish that he had read my comments more carefully. I had begun by saying that 'if we accept the argument that changes in bank rate have no effect on decisions to invest either in capital projects or inventories, then this is almost the end of the matter from this particular point of view. But if we have doubts about it, then some important things follow'. Thirty years of controversy about the interest-elasticity of investment have not finally decided the question and I think it will not be of much use to reopen the controversy on the

truculent; was quite firm in expressing his objection to the proposed excise duty on diesel oil and tractors, both of which would affect agricultural production adversely. According to press reports, this is what he said in the Lok Sabha:

"We have taken up the question with the Finance Minister and it will be our endeavour to see that the duty is amended, if not completely removed, provided the tractors are used for agricultural purposes. It

much trodden lines. If we regard interest as a price it is then obvious that in a market economy it can be an important factor to consider whenever any matter of policy is involved.

Bhoodani goes on to say that 'if it is only the marginal borrowers that would be restrained, then it would be an unwise act on the part of the monetary authorities to go in for a rise in bank rate, to say the least'. Perhaps he has failed to realise that the object is not to bring down total private investment, but to see that it does not exceed certain desirable limits. And in most cases, if an increase in bank rate influences the 'marginal borrowers', the purpose is served. Moreover, I never claimed that a rise in bank rate alone would stop speculation; a rise in bank rate does not preclude the taking of other steps as well.

He also points out that 'market conditions prevailing today are not propitious for making a higher bank rate effective, in view of the excess liquidity in the banking system which renders their reliance on the Reserve Bank only 'marginal'. If we refer to figures, scheduled bank borrowings from the Reserve Bank on March 4, 1960 (latest available) at about Rs 47 crores were higher than borrowings on the corresponding dates in any of the previous four years. Incidentally, a rise in bank rate may itself reduce the liquidity of the banks. I have given these figures only to correct a statement made by Bhoodani and am not advocating a rise in bank rate immediately on this account.

Bhoodani advances a queer argument (?) to support his contention that private investment should be encouraged to increase in the last year of the Plan. He says that

is engaging our attention and very probably it will be done".

It is not merely good form or decorum which demands that the Food Minister's differences with the Finance Minister should be discussed and settled in the privacy of a Cabinet meeting than be thrashed out on the floor of Parliament. With such divided counsel on the all important question of finance, how can a Cabinet keep up the appearance of a team?

there was an underestimation of private investment in the Second Plan. If private investment in the Second Plan had been less than postulated in the Plan, would Bhoodani have said that there was an 'overestimation'? The point is that while an ever rising rate of investment is essential to growth, steps must be taken to implement the projections laid down in a carefully drawn up Plan. We should not throw out the Plan in the name of flexibility. Moreover, no one denies that a rise in savings-income ratio is essential in the interests of growth. But it would perhaps have been higher still if profit incomes had risen still more in relation to other incomes. I for myself would not favour it.

I had also pointed out in my letter that if the foreign countries regard a rise in bank rate as a sign of our determination to maintain the health of the economy, this should also be taken into consideration while contemplating a change in bank rate. Bhoodani regards this as a 'superficial' argument because, in his own words, 'instead of raising the bank rate, why not straightaway cut down the Plan drastically (sic)'? It is almost like arguing that if a banker insists on keeping our accounts in a particular way (which does not harm us at all), it is better to close the business for which the loans are necessary rather than accede to the whim of the banker!

Without going into the polemics of the case, I suggest that in a market economy there would always be a place for fiscal and monetary weapons and it will serve a useful purpose if the circumstances in which particular weapons can be used are clearly spelled out.

Bombay,

March 23.

"SHADAN"

Off the Record

Export Permit for Newspapers

EXCHANGE Control which sometimes works rather fitfully suddenly woke up last week and clamp-down on weeklies and monthlies and presumably on the daily newspapers also, copies of which go overseas by post. The bundle of copies of this paper addressed to foreign subscribers was returned by the Bombay Paper Sorting Office on the ground that Exemption Permit had to be obtained by every newspaper for onward transmission by foreign post. This was done on the strength of a circular or a communication (secret!) issued by the Export Control Department to the Post Master General, Bombay. The circular was dated February 20, 1960, but neither had this office been sent a copy of it or informed about it nor had any notice to this effect been issued to the press to the best of our knowledge. So last week's issue of this paper could not be posted to the foreign subscribers on the due date, and the consignment was accepted two days later only after a temporary Exemption Permit had been obtained from the Exchange Control Department.

The text of the communication on the strength of which the Bombay Paper Sorting office refused to accept the issues for transmission by post was not supplied to us. We were only given the number of this communication, XPPF 912/3641-60 of 20-2-1960. This was an act of kindness on the part of some considerate clerk in that office for without this cue, we would have been lost and failed to establish communication with Exchange Control and obtain the export permit.

The reason that was given out for this sudden change of procedure—strictly off the record—was that there was something phoney or suspicious about some journal, on the export(?) activities of which the Exchange Control thought it necessary to keep a check. And what could be more simple? All papers have to be on the pillory. Why should a directive of February 20 suddenly become operative after lying dormant for one whole month and why should it be enforced without giving due notice to the parties concerned, the Exchange Control may not care to explain. That, however, is the least part of it; it is merely

procedural and in such things, despite its outward modernism, its handsome neoclassic building and handpicked staff with foreign qualifications, the Reserve Bank behaves in the same crude manner, exercises the same prerogatives as issuing peremptory orders demanding compliance without notice and so on as any other Department of the Government.

There is no doubt that Exchange Control is vital and that the department performs very important functions. It is imperative that the Reserve Bank should keep track of all foreign exchange earnings, collar them and ensure that they are utilised only for approved purposes. Hence the complex system of export authorisation, compulsory surrender of all foreign exchange receipts, system of permits for drawing foreign exchange and so on. Newspapers earn a small amount of foreign exchange from their foreign subscribers and therefore come under the orbit of Exchange Control. Subscriptions accepted in foreign currency by newspapers are duly deposited with the Reserve Bank for encashment into rupees. It is conceivable but highly unlikely that the Exchange Control could suddenly wake up to the possibility of foreign exchange leakage through this source, however small it may be and try to seal it. It is also conceivable and likely that the left hand of Exchange Control does not know what the right hand is doing and that it never bothered to collect the information which must be lying somewhere in the masses of papers of foreign exchange deposited under this head. There is scope for leakage—some passing tourists pay in rupees for copies to be supplied abroad, some subscribers may leave abruptly and want their copies to be forwarded, subscription may be taken by a friend on behalf of some one temporarily or permanently staying abroad and so on. There is the question of complimentary copies a certain number of which has to be sent out by every paper either in exchange for other papers or for canvassing of advertisements or contributions.

These do not appear to be valid reasons why Exchange Control

should want to extend its scope to such insignificant operations. But assuming that they are could it not be done without subjecting the papers and their readers to this sort of unnecessary harassment? This paper has been doing its humble bit in acquainting its readers overseas of the progress of planning and economic development within the country. That is something in which the Reserve Bank as also the Government are themselves interested. So are both in getting more foreign exchange and in promoting tourist traffic, for example. But the manner in which both go about in getting what they want remains what it always has been, self-defeating, vexatious and utterly devoid of any reason in so many of their actions. The heavy hand falls in the same wooden manner, indicating the absence of a controlling intelligence behind it all.

It is not only when one tries to go out of the country that one realises that we live in a police state. The tourists who come here are made to feel the same way at every stage. Pandit Nehru may deliver impatient orations on the imperative necessity of showing courtesy to tourists. The Home Ministry, however, goes its own way and demands that everyone visiting this country with a tourist visa—it is only the Commonwealth subjects who don't need any—have to register with the police and inform the police each time he or she leaves the station for 7 days or more. The reason is the same as that presumed for sudden clamping of exemption permits on newspapers—to keep track of some undesirable characters! But why subject to indignity and inconvenience the entire body of tourists who are here to spend their own money on which we have an eye, because the police is unable to take care of a handful of suspicious characters who must be coming from one or two countries only? The courtesy to tourists took a strange form in the case of one such visitor who had failed to keep the police informed of her movements because she was too busy going around and also because she found it such a bore. When she went to collect her em-

barkation papers, she was handed in a letter in which she was asked to explain in writing why she should not be prosecuted for leaving her place of registration for a week

Letter from Moscow

Spring Somewhere in the Corner

Samar Sen

March 17

A LEAN season, complained a British journalist the other day. Not much political meat in the Soviet Press. The speeches that Mr Khrushchev made in India, Indonesia, Burma and Afghanistan were not so interesting as those he made in the U S A. In America, said the journalist, Khrushchev had to go all out to conquer and initial provocation sharpened his tongue. But friendship with Asian countries is beyond dispute and therefore the question of flavour does not arise. Not even the dispute with China could add any pungency to the encounters with Asian statesmen. In America, K was a fighter; in Asia a benevolent god-father trying to help nations stand on their feet. The one thing that caused some consternation was his comment on the nature of Western aid. The West aimed at interference in the internal affairs of the aided country, Russia did not.

The journalist had an interesting point to make about this business of interference. If you give a good chit to a capitalist government, if you praise the progress it had made in the economic field — a progress which is not altogether visible to the so-called common man — do you not practise interference of a sort? Do you not weaken the leftist forces?

The fact is, Soviet Russia is not interested in unsettled conditions in the neutralist bloc. The balance of political forces there is such that the existing equilibrium can continue for some time. A radical change achieved by any political party may worsen the situation. The prime Soviet consideration is that these young States should shake off this economic dependence on the West. Without this dependence, the West is bound to weaken in the economic competition proposed by Russia. Economics, and not armed forces, will decide the struggle between the two systems.

For that, a working arrangement has to be found; peace, even an uneasy peace, has to be maintained.

without intimating the police! It is true in such cases — especially if the tourist happens to be an American — the bite is not as bad as the bark, the travel agents intervened

A vast country like Russia needs man-power for industry on an ever-growing scale. Demobilisation is a necessity. But demobilisation without undue risk. That is why people look towards Geneva for a way out, though they know that such a way is hard to find. They say Russia has on more than one occasion given an earnest of her sincerity, it is now for the West to do something.

The preparation for the Khrushchev-de Gaulle meeting has been thorough: Two exhibitions, one of French paintings of the 19th century and the other of French books in Russian and Russian books about France; two films — *Les Misérables* and *Normandie-Niemen*, the first joint Franco-Soviet production; many friendship meetings. Ehrenburg, who spent some of his maturer years in Paris, presided over one. There is some optimism about the outcome of the talks. Will not France and England beware of German revanchists after the Adenauer-Franco flirtation? For, the German drive East has always started with a westward drive.

Four young men and the sea. This story has already become a saga. Front-page write-ups and photos have made them famous overnight throughout Russia. Today *Pravda* devoted the first two pages to the sea-ordeal and pointed out that the story of the four young men is a story of Soviet fortitude and courage and a tribute to the multi-national unity of Soviet society. They are common citizens, yet there is something uncommon in their conduct. To quote Polevoi, author of 'The Story of a Real Man'. 'Four simple boys. Four Soldiers. Four men who had just entered life. But they are Soviet Soldiers. They belong to the Land of Socialism'.

What would the Russians say if the four belonged to a capitalist country? It is true that systems make a man, but not always.

and handled the police in their own way and nothing happened in the end except that it left a bad taste in the mouth and the silly fatuity of it all.

Prolonged day schools will come into greater vogue now. There, if the parents so wish, pupils will remain after classes are over under observation of teachers for the duration of the day. They will receive lunch and dinner. Local administrations are empowered to relieve low-paid parents from all or part of the payment for meals.

Prolonged day schools are a step to boarding schools, the number of which will increase during the Seven Year Plan. Boarding schools will ensure a more compact communal life for the students and at the same time ease the burden of living in crowded rooms.

India, through Russian eyes, is still somewhat rosy. Mixed delegations come back from our ancient land with flattering impressions. Sometimes we feel rather uneasy listening to them. The other day, at a discourse on Indian art and life, we saw quite a number of interesting lantern-slides. Among modern painters, Nandalal Bose was mentioned twice. And some Bannerjee. Then scenes from Calcutta, Bombay and Delhi were shown. Bulls blocking traffic in Burrabazar. The commentator said our attitude to the bulls showed how much we love animals. I wished we could take him to the Gir forest where the Bombay Government staged a fine spectacle in the Roman way a few days ago. Three Indian documentaries — Republic Day, Bharat Natyam and Spring in Kashmir enthralled the audience. A girl kept asking me about the names of flowers. 'Such lovely flowers' Grammar-conscious as I am I could not tell her that she herself was a charming flower.

On our way back, we saw a young girl on the street in her dressing gown. The temperature was about -12°. It was dark and windy. She was shouting for some one to come as soon as possible.

Spring must be somewhere in the corner.

From the London End

Britain and South Africa

The Economic Boycott

AFRICA has become an issue in British politics today, second in importance only to nuclear disarmament. The Labour Party has launched its "1960—Africa Year" campaign, and Mr Macmillan's public speeches this year have almost wholly been confined to the issue of Africa. Hardly a day passes without some editorial endeavour in the press to explain the position in Africa or to comment on the policies being pursued there. Mr Macmillan's African tour in January and February has been treated as a major political event, and the suggestion has been officially made that the "wind of change" speech made in Capetown was a statement of policy ranking in importance only next to that of the Atlantic Charter (to which Mr Winston Churchill, the then prime minister, subscribed as Britain's war and post-war aims).

DICTATED BY SELF-INTEREST?

The African issue is necessarily many-sided and complex. In British eyes, however, the whole question of African freedom has become focused on the situation in the Union of South Africa. This may reflect a subconscious inclination to avoid the question insofar as it relates to those African territories which are directly under British colonial rule. On the other hand, if one is to make a generous interpretation of this attention to South Africa, it reflects a feeling of revulsion and outrage at the conscious pursuit of racial oppression by the Union Government. For it goes without much argument that the policy of *Apartheid* contains both the features of colonialism and fascism. The Africans in the Union are oppressed and exploited by virtue of a legislatively contrived cheap labour system. At the same time, racialism is officially pursued so as to enable a small minority of whites with the mining monopolies to enjoy the fruits of this oppression and exploitation. Hence, *Apartheid* finds no defence among thinking people and the current British pre-occupation with South Africa reflects this view.

There is another view as well which promotes this attention in Britain. Everybody who thinks in terms of British self interest, that is in terms of the £1,000 million of British capital invested in the Union and the future place of Britain in the rapidly changing continent of Africa, sees no future except one of violence and blood-letting as the consequence of *Apartheid*. They see the very intransigence of *Apartheid* as promoting a violent black nationalism which must ultimately sweep the white man into the sea, unless of course, African nationalism is controlled through some grant of democracy to the indigenous population of the Union. This self-interest is often expressed in what has now become a standard example of Western opportunism. Mr Macmillan, in his speech to the all-white Parliament of South Africa on February 3rd, put it this way: "As I see it, the great issue... is whether the uncommitted peoples of Asia and Africa will swing to the east or west." And so the argument follows with some facility that by granting democracy, etc, the peoples of Asia and Africa will be held for the West. Readers in India are probably accustomed to this line of reasoning.

GESTURE OF SUPPORT

Be this as it may, the issue of *Apartheid* in South Africa has become the focal point of British politics on the question of Africa. Anti-*Apartheid* feeling has found visible expression in the consumer boycott of products of South African origin. The boycott has its origin in South Africa. The African and Indian Congresses in the Union, finding no constitutional or any other peaceful weapon with which they could get the non-whites to fight *Apartheid* launched an economic boycott of certain products. The use of the traditional weapon of passive resistance became impossible because of the great ease with which the South African police took to violence and killing. These Congresses, therefore, matched their local boycott with a plea to civil-

ed opinion abroad to bring pressure through an international boycott. The Congresses were careful not to make the appeal to foreign governments—the leaders are already the victims of a mass Treason Trial which now continues into its fourth year.

The appeal was taken up by the Labour, Liberal and Communist Parties in Britain, not so much to conduct a boycott *per se* but rather as a gesture of support for the Congresses in their struggle for elementary democratic rights and as an expression of their abhorrence at the policy of *Apartheid*. The International Confederation of Trade Unions similarly took up the appeal and it is understood that the African Peoples' Organisation (in Accra) and the Afro-Asian Solidarity Council (in Cairo) have responded to the appeal. In Britain there was talk (it has now ceased) of industrial action to support the boycott — of dockers and transport workers refusing to handle South African goods. In Cyprus, the dockers have in fact done this. The Jamaican Government declared an official boycott but after some weeks of considerable pressure from the Colonial Office, the official Jamaican boycott has been transformed into an unofficial boycott. The only country to maintain official economic sanctions against South Africa is India; these sanctions were applied as early as 1947.

MACMILLAN'S VOLTE-FACE

In one way or another the idea of the boycott has become international and in the process the South African Government has found itself thoroughly isolated and weakened. This will, no doubt, assist the Congresses in their own struggles for a peaceful end to the repulsive system of *Apartheid*. The extent to which this boycott has grown has, however, brought something of a reaction in Britain. The Conservatives, having stated that they "do not agree with *Apartheid*", have condemned the boycott as a political stunt of the Labour Party and as damaging the Commonwealth connection.

Indeed, Mr Macmillan, after speaking urbane about his convictions on the "political destinies of free men" to the South African Parliament, went on to assure his white audience there that "our differences are transitory". Now, on his return, in a major public speech in London, he managed an astounding piece of *volle face*: he called for understanding of the white man's "plight" in Africa, and the need to assure white interests that their property and security will not be impinged upon by the growth of African nationalism and government. In this speech the "great issue" about the "uncommitted peoples" and about the East-West struggle was not mentioned. It had become clear that the boycott, even as a gesture, had become a factor of some consequence to British politics.

INSPIRATION TO AFRICAN CONGRESS

The impact of the boycott on South African politics has been considerable. The boycott campaign, having secured wide support and having established its place in the forefront of British political controversy, has cut into one of the last few of white South Africa's links with the outside world. It may not bring economic hardship to the South African Government (this was not intended). What the boycott has done is to provide a powerful political demonstration that *Apartheid* is regarded as evil and this has already engendered a cracking up of the edifice of white unity in South Africa. The white parties are splintering into numerous factions, some even conceding the point that the time has arrived when the Africans should be treated like human beings. Those who hold the connections with Britain to be important are asking the authorities to allow the Africans to exercise their choice as well (which they are not in fact being allowed) in the forthcoming referendum on the creation of a republic.

More important, the boycott movement has given heart and inspiration to the African and Indian Congresses in South Africa who have for long sought a non-violent solution to the crisis in South Africa. This is the great merit of the boycott. It is this merit which should enable and win an even wider response from civilized opinion in the rest of the world for boycott and other expressions of opposition to the repulsive doctrine of *Apartheid*.

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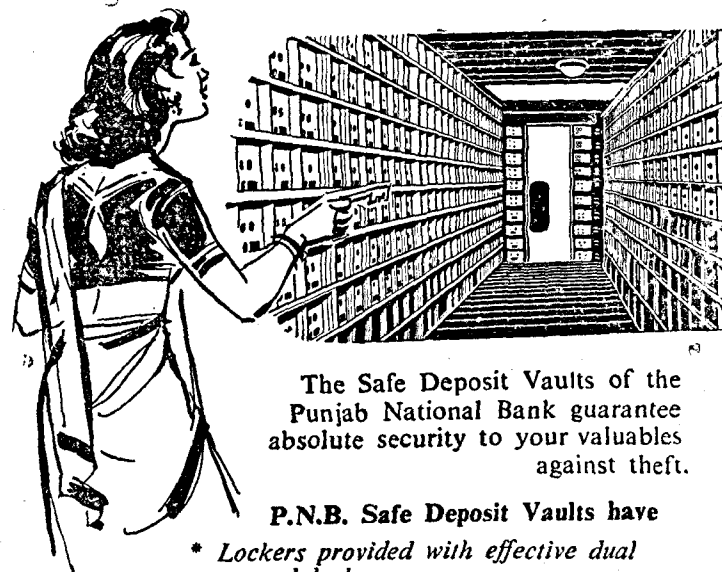


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(ESTABLISHED 1895)

HEAD OFFICE: NEW DELHI

Bank Clerks

Their Place in the Economy

George A Floris

IN Europe, the career of a bank clerk has been regarded as one calling for a vow of poverty. He administers the wealth of the nations, handles large sums of money day by day, yet his monthly salary is hardly more than a pittance.

The bank clerks of twentieth century Europe resemble those monks in the Middle Ages who lived in monastic asceticism yet, in order to raise funds for their monasteries, undertook to keep the books of accounts for rich but illiterate merchants. They can also be compared to the lowly-paid yet efficient and incorruptible Prussian bureaucrats who administered a rising kingdom, later a resplendent empire, for the sake of professional honour and caste prestige.

The bank clerk in Europe, in spite of the inevitable cracks about absconding cashiers, is highly-respected, and is surrounded by a near-romantic glamour, yet he lives on a salary that hardly ever goes beyond the bare necessities of petty bourgeois existence. Unlike in India, the chaprasis in Europe are often better off than the junior clerks. They can take on additional jobs. They act as concierges — kind of darwans — in blocks of flats owned by the bank. They perform spare time work for the directors. Such extra tasks, discharged by bank-servants and messengers, ranged from checking the delivery of coal for the director's private household to receiving the managing director's guests at an important social function.

It is much more difficult for a bank clerk to earn extra money in his sparetime, because he has to keep up appearances. A few of them do professional writing, some banks insist on 'censoring' anything their employees intend to submit for publication in the press, others give private tuition. Those of handsome appearance sometimes make use of the "romantic appeal" of their profession and marry brides with generous dowries. This is advisable for the sake of their career, because the management do not look kindly at employees who marry, financially speaking, below status.

A bank clerk who is too badly off is regarded as unreliable, a security risk. So is one with a flare for "high living".

RESPECTABLE POVERTY

In a European country, where a few years ago declining birthrate was a matter of public concern and any measure of birth control was frowned upon, a deputy director once "congratulated" a bank clerk on the occasion of the birth of his second child with the paternal words of warning: "Two children, wont that be too much?" This writer was once gently admonished when, after five years of service, his director caught him in the lap of luxury, having a frugal meal in a decent yet definitely second class restaurant. When once a new Managing Director was solemnly inaugurated, the representative of the employees' association greeted him with the unusually sincere phrase: "Do lead us from misery into respectable poverty".

It is the "respectable" poverty that the bank clerk truly needs, or else he can not hold down his job. He is expected to be decently dressed on and off duty. He has to keep abreast of events, as part of his professional service. People in Europe expect to get the widest variety of information in their banks, about the best hotel in town, the show most worth seeing, the wisest way of investing money, the general political outlook, the price of a religious service in a local church for a deceased relative. Particularly in England there is no topic that a customer would not want to discuss with his bank manager.

HUNDRED-TO-ONE CHANCE

Today leading Indian bankers might be interested to know what was it that urged poorly-paid European bank clerks to pursue their vocation with zeal and devotion? The secret could be summed up in the famous words of Napoleon: "Each private soldier shall carry the marshal's baton in his knapsack".

While most of the bank clerks in Europe start their careers as poor men and end them as poor men, a few of them are allowed to leap for-

ward and become members of the Board of Directors. The hope, this "hundred to one" hope, stimulates the young bank-recruit during the first ten or fifteen years of his career. When the young, or rather by then middle-aged man discovers at last that the chance has passed him by, that he was not meant to rise among the "selected few", as it was bound to happen in the vast majority of the cases, he is too much in a rut to change his ways. By the time hope fades, he has become a prisoner of routine. So, he has to accept the fact that as during the first half of his career he had taken orders from his seniors, during the second half of his career he will have to take orders from his juniors.

THEY UNDERSTAND THEIR FUNCTIONS

Nevertheless, it is not sheer resignation that keeps the community of bank clerks in shape after their youthful expectations have gone up in smoke. After having eagerly studied, during the years of hope for promotion, the banking profession, they can not help looking at things in a different way. They understand the functions and the responsibilities of every single bank clerk, his importance for the economic life and progress of the country; in other words, for the welfare of his fellowmen.

They appreciate that the bank is the *perpetuum mobile* of the economic system; it converts incomes into savings and creates from the accumulated savings — by means of expert investment — further incomes. Over and above, in the socialistic pattern of controlled society the bank constitutes a mutually convenient buffer between the authorities and the individuals or — as in Indian conditions — between the public sector and the private sector of the national economy.

NO LADDER TO THE TOP

This constructive force for enlightenment and co-operation cannot operate in India today, because a young bank clerk, ambitious and capable as he may be, has not even the most remote chance of rising above the rank of manager. Managership, highly coveted as it may be, is still not the "top prize"

that might excite the imagination and spur the junior clerk to widen his knowledge in correspondence colleges, evening classes and serious reading. As it is, the directors in the State Bank of India are Government nominees, while in the private banks, the Board is made up by the representatives of the shareholders.

If the spokesmen of the Government and the stock exchange could be persuaded to reserve just one or two directorships to those emerging from the ranks on the "let merit have it" basis, they would experience a staggering improvement in the spirit and discipline of the bank clerks. Apart from raising the morale of their erstwhile colleagues, the new "ex-clerk directors" would complement with their valuable inside experience the wider general outlook of the "shareholding directors" and thus make a positive contribution to the discussions on Board level. The selection of a few capable individuals for the Board should, of course, not be confused with the complex problem of workers' corporate participation in the management.

A NEW SPIRIT NECESSARY

Unless the bank clerks of India are given access to such a staircase, narrow as it may be, leading up to the top of their professional pyramid, no amount of past or future concessions of other nature will ever induce them to make a common cause with their paymasters. In this context it may as well be remembered that the Indian banks are alone in the world to close their doors to the customers at 2 pm. Elsewhere the banks keep open until 3 pm, in the capitalist as well as in the communist world. However, as we have just seen, not even such a unique concession, obtained as a result of a previous strike, could put an end to the seething discontent within the rank and file.

A new spirit among the bank clerks of India is all the more necessary, because repeated bank strikes may scare away the hesitant depositor at a time when India's fundamental trouble is not the much-decried shortage of food or lack of industrialisation, but the sore inade-

quacy of capital which prevents the nation from exploiting its vast natural resources. While banking habits are on the increase in the cities, 80 per cent of the country's population still lives in the rural areas. Although there are numerous small and large landowners who have financially benefited from the developments of the last decade, of India's 600,000 villages only about 20,000 have post office savings facilities and banks are only in the remote cities. A great deal of persuasion will therefore be required to induce the rural population to go all the way to the nearest bank and deposit their surplus income, formerly invested in gold jewelry, silver bangles or hidden in pillow-cases or haystacks.

We cannot expect the bank clerks to abandon their struggle for improved terms of services. However, both employers and employees should realise that further strikes will not only slow down future progress, but are likely to jeopardise even what has already been attained on behalf of Indian banking.

Adjudication and Collective Bargaining

P J Phillip

THE system of compulsory adjudication has developed, from what was once regarded as a purely war-time measure, into a dominant institution moulding the pattern of industrial relations in India. Despite the celebrated 'Giri Approach', opposition to the continuance of the system is wearing off. Perhaps the most intriguing feature of the situation is that trade union leadership in India has plumped for the retention of this machinery. The purpose of this article is to appraise the impact of compulsory adjudication on labour movement and industrial relations in India, and in the light of the conclusions drawn, to analyse the motives underlying the present attitude of our trade union leadership.

It is axiomatic that labour movement can never develop and flourish within the framework of a system based on compulsory adjudication, or for that matter any system which seeks to circumscribe the scope or reduce the effectiveness of collective bargaining. If collective bargaining is to be permitted at all, labour should be allowed to exercise it *simpliciter*. To curtail it within the narrow limits set by the adjudication machinery is to defeat its purpose. "Just as an individual bargain is not free if one of the parties has not the right to refuse to close on the other's terms, so a collective bargain can have no meaning unless the parties have full right to refuse to close the bargain if they are not satisfied; and this means . . . on the worker's side to refuse to work on the master's terms — in other words to declare a strike". (Maurice Dobb, *Wages* (1956), p 168)

UNDERMINES TRADE UNIONISM

The contradiction inherent in Government's policy which seeks to develop collective bargaining and adjudication machinery simultaneously thus stands revealed. But the system of compulsory adjudication does not stop with destroying all that is implied by collective bargaining — it goes on to undermine the institution of trade unionism itself. When matters that vitally affect the workers' interests are decided outside the pale of collective bargaining, the *raison d'être* for trade unions virtually disappears in the eyes of the rank-and-file, who

are more interested in concrete results than in the less tangible aspects of unionization.

Secondly, under a system dominated by adjudication machinery, the trade unions are shorn of their militancy and agitational potentialities. Consequently it destroys the emotional and psychological atmosphere conducive to the growth of workers' solidarity. The strike represents the most spectacular phase of union activity. It is often the threat of a strike accompanied by a clarion call to stand by or fall with their organization that brings about the emotional integration of the rank-and-file. The worker is aroused from his lethargy and kept at a martial pitch in preparation for a show-down.

STRATEGIC VALUE LOST

Thirdly, under a system which recognises the unfettered right of labour to employ economic sanctions, the threat of strike acquires a coercive import and a strategic value which are wholly absent in the Indian set-up. Under the former, it is often immaterial whether the strike is called or not. The threat of a sudden and concerted withdrawal of labour power swings over the board table like the sword of Damocles. The imminence and proximity of the strike impart an element of pliability to the attitude of the management. Consequently, a threat of economic sanctions is often all that is necessary to reach a mutually acceptable settlement.

In India on the other hand, with the adjudication machinery looming in the background, the threat of economic sanctions by labour is bereft of all its strategic and coercive implications. True, Section 23 of the Industrial Disputes Act, 1947 does not prohibit strikes altogether. But the workers' right to strike is hedged around with so many restrictions that this most powerful weapon of organised labour is reduced to an innocuous instrument. We have barely touched upon certain aspects of adjudication which tend to destroy the motive force of trade unionism. But they are sufficient to justify the belief that under a thorough-going system of compulsory adjudication, labour movement will languish and wither away.

LABOUR IN PLANNING

An argument which is often bandied about is that labour movement in India is too weak and unorganized to bargain with the employer on a footing of equality. So, Government has to step in, *via* the adjudication machinery, to secure for the workers what they cannot exact from the employer by their inherent strength. This is myopic approach at its worst. Are we going to infuse life and vigour into the labour movement of India by introducing an institution which perpetuates and aggravates the very situation which necessitates its retention? What the apologists of the present system refuse to recognise is that the interposition of adjudication machinery in employer-employee relations is at once the cause and effect of the weakness of our labour movement. Sweep away the incubus of compulsory adjudication, and we will have cleared the decks for the emergence of a sound and healthy trade union movement.

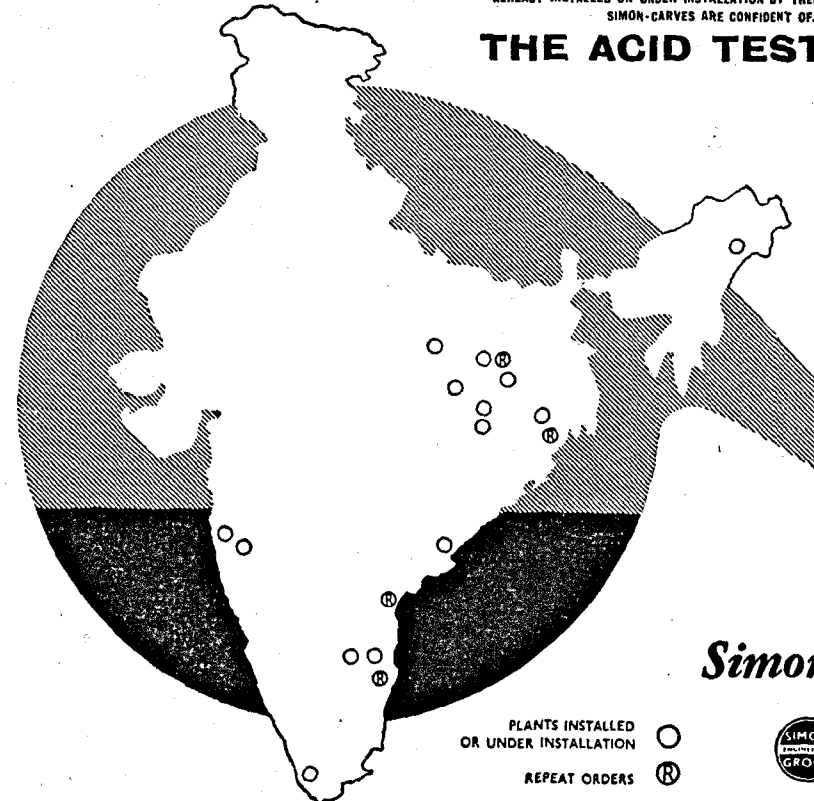
Another line of argument on which considerable stress is laid by Government spokesmen runs as follows: In a country like India where planned economic development is undertaken, it is undesirable to leave the vital field of labour-management relations to the caprices of the parties concerned. This line of reasoning finds its most concise expression in the speech of Shri Shantilal Shah at the ILO Conference, 1955, when he said: "An under-developed country moving forward to achieve a planned target cannot afford the hazards involved in leaving labour-management relations outside the pale of State action". The assumption that the withdrawal of restrictive provisions will usher in an era characterised by a spate of 'wild-cat strikes' is implicit in this approach. Strikes there are bound to be; but to assume that the workers would continue to remain impervious to the consequences of a battle of attrition is to give too low a rating to their prudence and sense of judgment.

VOLUNTARY NEGOTIATIONS

The more fundamental weakness associated with this approach stems, however, from the peculiarity of an industrial dispute which marks it off from all other disputes. In the case

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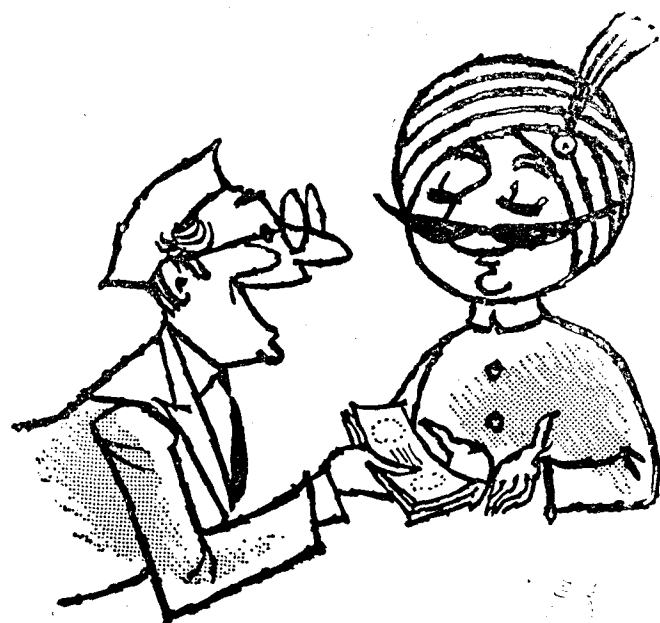
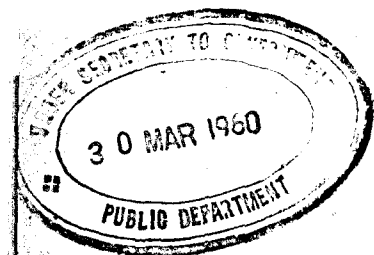
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of the former, the parties involved are not merely disputants; they are also the two wings of the industry, and their mutual co-operation constitutes the essence of their relationship. Consequently, a decision forced upon them by a third party is bound to touch off the sparks for more serious disputes if, as often happens, it leaves any of the parties dissatisfied. Perhaps it is due to an awareness of this fact that those who defend the present system also take care to pay lip-service to the principles of collective bargaining and voluntary settlement of disputes by mutual negotiations at the plant level. We have already seen why the adjudication system and collective bargaining are uneasy bed-fellows. We shall therefore confine our attention to the scope for voluntary negotiations in the present set-up.

If industrial harmony is essential for economic progress, the proposition applies *a fortiori* in the context of planned economic development. The delicately balanced programmes of our Five Year Plans are bound to go hay-wire if the expected degree of co-operation on the part of labour is not forthcoming. To that extent the emphasis laid by Government spokesmen on plant-level bi-partite negotiations in a spirit of constructive cooperation, in order to minimise the incidence of work stoppages, is understandable. What is less understandable, however, is the manner in which it is sought to be accomplished.

IMPOSED FROM WITHOUT

The impulse for cooperative effort should germinate from within; it cannot be imposed from without. When industrial 'peace' is imposed by an outside body on terms not satisfactory to the workers, the suppressed resentment of the latter manifests itself in sabotage and go-slow tactics. The consequences of these are even more ruinous than a strike, for the latter, with all the abuses to which it is open, has at least the merit of clinching the issue, leaving little doubt in the minds of the parties as to where they stand. But when an outside body forces its decision on the parties, a threatened conflict is merely turned into guerilla warfare.

When the guerilla situation prevails, the unions can hardly be expected to send their ambassadors to serve on the joint committees. To be sure, they will send their most

adroit fighters to air, magnify and dramatize differences. Thus the joint committee, instead of reducing tension and ironing out differences, is reduced to a forum for mutual recrimination and mud-slinging. The cat-and-mouse relationship that prevails in many joint committees in India reflects the failure on the part of our policy-makers to realise that it is idle to expect that the atmosphere in these committees will not take on its tincture from the general tenor of employer-employee relations.

COOPERATION — ONLY BETWEEN EQUALS

Furthermore, cooperation presupposes the absence of too glaring an inequality between the participants. Cooperation between an all-powerful employer and a weak and unorganized union is a contradiction in terms. Whatever may be the safeguards — statutory or otherwise — cooperation will then degenerate into abject surrender by the weaker party. The test for the success of cooperative technique in industrial relations in India is the performance of the Works Committees and the Grievance Processing Committees. The former have become, according to the findings of the 16th Tripartite Labour Conference "moribund and incapable of producing good results." (Sixteenth Tripartite, (An AITUC Publication) p 47) We have no formal Grievance Processing Committees with well-defined steps to be followed. Wherever they exist, they function on sufferance and in an extremely attenuated form. The following remark by a member of a management is revealing — "A modicum of cases has to be conceded by management in order to prevent the union representatives from walking out." (Cited by Charles A Myers in *Industrial Relations in India*, p 228) In other words, the union representatives' score-board would have remained blank but for the intentional fielding lapses of the management!

FEET UNDER THE SAME TABLE

Let us face the situation candidly. There is today a chasm that separates the worker from the employer in those spheres where trade unions remain too weak to try conclusions with the management. The employer's representatives in the Joint Committees make no attempt to conceal their brow-beating attitude.

They dispose of grievances and suggestions in a brusque, perfunctory manner. As for the workers' representatives, they squirm under the glare of their opposite numbers, and are more anxious to get out of the conference chamber and be done with it than get in. This is no reflection on the calibre of workers' representatives. Indeed in the circumstances in which they find themselves, they could have hardly behaved otherwise.

In the absence of a strong, democratic and self-reliant union to back them up, the workers' representatives can never command that degree of confidence and authority so essential for the success of co-operative effort. As Ernest Dale has put it: "When the workers' organisation is weak, or is torn by factionalism, their representatives may be afraid to serve on the Joint Committees; if they do serve, they will be afraid to commit themselves to anything; and if they do commit themselves, they stand the danger of being denounced as stooges of the management, for there is a general notion that 'feet under the same mahogany table don't kick'". The conclusion is inescapable that the development of a strong trade union should precede the introduction of Joint Consultative Machineries. As things are, we are putting the cart before the horse.

DETERIORATION ON THE LABOUR FRONT

Industrial strife in India is, in a large measure, symptomatic of the undesirable features associated with our labour movement. It is often not realised that there is a negative correlation between the strength and coverage of trade unions on the one hand and the frequency and severity of industrial disputes culminating in strikes on the other. In a recent study, *Strikes Experience in Five Countries*, it has been shown, on the basis of statistical evidence, that with the increase in strength and coverage of trade unions

(a) an increased percentage of the employed labour force has been drawn into strikes,

(b) over the years such strikes have been growing shorter in duration,

(c) consequently, despite higher rates of participation, the loss of working time per wage-earner has been steadily diminishing.

Let us examine the trend of industrial unrest in India. The Index Numbers of industrial unrest (for the Manufacturing Sector) during 1950-56 (base 1951 = 100) are as follows :

Year	Index Number of Industrial Unrest
1950	420
1952	73
1953	90
1954	94
1955	133
1956	141

Source : *Indian Labour Statistics*, p 67.

These Index Numbers, it must be emphasised are bound to give an attenuated picture of the actual situation. This is because they are worked out on the basis of man-days lost due to industrial disputes resulting in work stoppages. In India a number of industrial disputes are driven underground rather than solved by the restrictive provision of the present system. In fact, the discrepancy between these Index Numbers and the actual state of industrial unrest increases in direct proportion to the frequency with which the adjudication machinery is invoked to forestall strikes. Nevertheless, if we ignore the Index Number pertaining to 1950 which is largely inflated by the long-drawn-out strike of the Bombay Textile workers, the table shows an unmistakable trend towards deteriorating industrial relations.

A recent I L O Monograph has brought out this trend even more forcibly : "... during 1955 to 1957 the figures of disputes have shown an upward trend and the man-days lost have almost doubled over the average of the past four years". (*Recent Developments in Certain Aspects of Indian Economy-IV* (1959 ed) p 17) This underlines the fact that a lasting solution to the problem of industrial unrest in India should be sought in measures which encourage the development of trade unions on sound and healthy lines. We cannot eliminate industrial strife by setting up a plethora of bi-partite and tri-partite committees any more than we can cure a deep-seated malady by treating its symptoms.

WHY DO UNIONS WANT ADJUDICATION?

What rational explanation can one offer for the attitude of trade union leadership in India to the conti-

nuance of adjudication machinery, seeing that it is manifestly inimical to the real interests of labour? An answer to this question should be sought in the organizational pattern and the political complexion which our trade unions have acquired in the course of their evolutionary career. This may be examined from two stand-points :

- the general pattern of trade union growth; and
- the internal structure and external relations of individual unions and federations.

(i) Political parties wedded to basically different ideologies have parcelled out among themselves the industrial labour force of the country. The anxiety of each party to secure the largest slice of the proletarian pie leads to incessant canvassing activity at the plant level, which, in turn, manifests itself in the emergence of multiple unions, inter-union rivalries and intra-union factionalism.

(ii) Whereas in a country like U K, the Labour Party owes its origin and sustenance to the labour movement of that country, the causal relationship has been, more or less, the reverse in India. This state of affairs need not *per se* jeopardise the interests of labour. But it does jeopardise their interests when, as is the case in India, it is the tail that wags the dog. Political elements occupy the highest echelons of the union hierarchy and thus control and direct the movement. In the large majority of cases, these elements use labour organisations as mere spring-boards for political power and prestige.

How does all this explain the present attitude of trade union leadership to compulsory adjudication? With the withdrawal of adjudication machinery, the recognition of a single union in each industrial unit as the exclusive bargaining agent would become an urgent necessity. This will touch off hectic activity all round characterized by realignment of forces and the fall of spurious unions; for, in the changed context of things, workers' temptation to rally behind the exclusive bargaining agent will be too strong to be countered with political clap-trap and party slogans. Out of the ashes of the dead unions would emerge a single, organised union — a contingency which the political bosses of the unions can-

not view with equanimity. They are unwilling to risk a show-down because in the situation in which they are placed, they have everything to lose and not much to gain. They would prefer to continue to be leaders of their respective unions at least until such time as they gain enough social and political stature to be leaders in their own right. If they have already made their mark, they will still play for safety because the political repercussions of a possible collapse of their unions are bound to inhibit their attitude.

So, in the final analysis, it is the motive of self-aggrandisement and considerations of political strategy by top-level leadership that dictate the policies of most of the trade unions in India. The new line of offensive launched by the non-INTUC organisations lends further support to this thesis. For, while affirming their faith in the adjudication principle, these unions have charged the authorities with wilful manipulation of the machinery to favour INTUC unions. Thus, by shifting public attention away from the inherent weakness of the machinery and towards its 'modus operandi', an attempt is being made not only to draw a red-herring across the track, but also to provide fresh ammunition to the political arsenal of the Party under whose hegemony these labour organisations flourish. Those who espouse the cause of Indian labour should realise that the millennium of industrial democracy will dawn only when organised labour can bargain from a position of strength. The adjudication system will only take us further away from this goal.

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Capital Formation in an Underdeveloped Economy

Ignacy Sachs

The paper analyses the process of capital formation in a three sector model of an underdeveloped economy.

The economy is divided into a pre-capitalist sector, a capitalist sector (sub-divided into private, foreign and government) and of the foreign enclave.

Alternative ways of disposing of the surplus in each sector are examined and areas of actual capital formation indicated.

These areas can be increased through appropriate redistribution of national income, resulting from structural reforms in limiting cases and also through less radical (and less efficient) policies.

The analysis may be found relevant in the context of an economy attempting to 'take-off'.

The paper is adapted from a wider study of the role of the State in the process of economic growth.

OUR model will take as its point of departure the composite socio-economic character of the countries of the Middle World. Elements and even entire sectors of the economy, belonging to different stages of social development, co-exist and interact here. This has been to a certain extent acknowledged in studies of *dual or plural societies*, which, however, suffer from various limitations, the most important being, in our opinion, the inadequacy of the criteria used for demarcating the different sectors. None of the dichotomies, viz, "subsistence-export oriented", "rural-urban", "agricultural-industrial", "diffuse-concentrated", "indigenous-implemented", offers a satisfactory mould, as all of them miss the essential point: the prevailing type of productive relations. The real issue between pre-capitalist and capitalist modes of production is thus obscured.

Moreover, the usual approach is predominantly static, for it attempts to draw precise borderlines between the sectors, assuming thus their physical contiguity, while in practice the frontier is a perpetually moving one, as the capitalist sector advances into the pre-capitalist. This advance takes the form of progressive changes in relations of production and short of revolutionary explosions and profound structural changes, it becomes extremely difficult to allot to it datelines, or to dot it on the map. This limitation cannot be entirely eliminated but its effects can be modified somewhat by stating it at the outset.

Finally, we have to keep in mind that any reduction of the complex reality of the socio-economic panorama of the Middle World has to be a simplification, the more so because the panorama, in the transitional stages, shows a great diversity

of forms, and the impact of more advanced economies and societies and the resulting "demonstration effects" further this diversity.

With these reservations, we shall proceed on the basis of a three-sector model; the three sectors and their respective participation in the gross total product T being

L : the pre-capitalist sector;

M : the capitalist sector;

N : capitalist foreign enclave.

We can write: $T = L + M + N$

To ascertain the volume of capital formation taking place within the country, we have to study successively the ways of utilisation of the products L, M, N.

Pre-Capitalist Sector

This is a sector where strong built-in "depressors" exist and usually production is stagnant and no enlarged reproduction takes place. Only a part of the population participates in the market economy, and that, too, to a small degree. Intermediaries and money-lenders usually play a very important role in this sector, which is inversely proportional to the poverty of the peasants who are compelled to take usurious loans for consumption and ceremonial purposes. Upper village classes have a strong "hoarding propensity". At the same time institutional sanctions favour conspicuous consumption to confirm the social status of the privileged strata. In many countries, considerable part of the surplus is sterilized by unproductive investment in landed estate. Finally, due notice should be taken of the transfer of a considerable part of this surplus to the capitalist sector in the form of trading profits of the merchants who act as intermediaries between L and M and in particular dispose

of the produce of L on the capitalist market—internal and international.

In this pre-capitalist sector the product L may be divided in two parts, corresponding to:

KL : self-consumption, including current consumption and replacement, assuming thus simple reproduction in Marxian terms⁽¹⁾; and

SL : surplus, in which we shall include conventional conspicuous consumption to emphasize its potential alternative use as investment surplus.

The surplus SL may be subdivided, in turn, as follows:

SL₁ — hoardings (including unproductive investment in purchase of landed estates);

SL₂ — conspicuous consumption, partially engrossing the total demand on the capitalist market⁽²⁾;

SL₃ — investment within L of a non-productive character (e.g. loans advanced by money lenders to finance consumption);

SL₄ — occasional investment in productive ventures in M⁽³⁾;

SL₅ — taxes, which we shall assume are wholly transferred to M and call TL;

SL₆ — profits of the capitalistic traders, derived from product exchanges between L and M and accruing to M. In some countries they may represent quite a considerable sum.

Thus capital formation properly speaking is negligible and amounts to SL₄, while the transfers of SL₅ and

SL_6 to M affect in a positive way the capital formation in M.

Capitalist Sector

We shall now analyse the process of capital formation within M as such. The following inter-relations with L should be, however, observed:

(i) The positive impact of an underdeveloped environment to the extent to which it can be exploited by capitalist traders;

(ii) A two-pronged negative influence of L due to its narrowness as an outlet market and to its absorbing capacity of investments, necessary to speed up the process of transforming L into M.

Were the investment capacity, generated in M, to be uniformly distributed all over the whole economy, it would be considerably watered down. A simplified numerical illustration will elucidate this point. Let us assume a two-sector economy, with equal shares in the national incomes and with 75 and 25 per cent of working population, respectively. Let us further assume that the precapitalist sector is stagnant and no further employment opportunities exist there, while in the capitalist sector the overall capital coefficient is 3. From these data, we shall see that an increase of 1 per cent in national income will require an investment

of 6 per cent in the income generated by the dynamic—viz capitalist—sector, while an investment of 3 per cent when spread over the whole economy, will bring only a half-per cent increase in overall national income. Turning now to the “employment optics”, we find that in our example, a 1 per cent increase in the overall employment would require from the dynamic sector an increase of employment by 4 per cent.

In practice, the compulsions of this situation lead to a concentration of investments in developed parts of M, where they find better “external economies” and better opportunities of profit. L is left to itself, the net result being a growing inter-regional disparity in levels of income, comparable to the growing gap between the developed and underdeveloped countries, unless this disproportion is corrected by planning, made effective by public investment.

Turning back to M, considered in itself, we find here private and public enterprises, with or without foreign participation. Reducing for the sake of simplicity all kinds of mixed enterprises by assimilating them to one of the three types: private national, private foreign or public enterprise we can sub-divide M into

three corresponding sub-sectors, which we shall call respectively: P, F and G, and we can write: $M = P + F + G$. By definition the mode of production in all the three sub-sectors being capitalistic, we can divide their respective products in shares proportional to:

C—constant capital (cost of raw materials + replacement of fixed capital);

V—variable capital (wages); and

S—surplus value (or, in western statistics “value added” less wages)

Assuming that all the wages are spent in consumption⁽⁴⁾ and that no situation arises in which decapitalisation takes place⁽⁵⁾ we shall be only concerned with the utilisation of S.

PRIVATE (NATIONAL) SECTOR

The surplus SP is utilised in one or more of the following ways:

kp—consumption of the capitalist class (to a considerable extent conspicuous⁽⁶⁾);

tp—taxes; and

ip—capital formation.

To the surplus generated in P, properly speaking, we may add SL_6 . For sake of uniformity, we shall denote the share of SL_6 diverted to capital formation by il ⁽⁷⁾.

FOREIGN CAPITAL

The surplus SF is disposed in the following ways:

tf—taxes;

if—capital formation within the country (the so-called reinvestment of profits);

df—part remitted abroad as profits and dividends⁽⁸⁾.

PUBLIC SECTOR

The process of capital formation in the public sector has to be analysed together with the disposal of the fiscal revenues of the State. We shall assume that the total yield of taxes is higher than current non-developmental expenditure and we shall not take into consideration any time lags⁽⁹⁾. With these assumptions, we can say the total surplus ig produced by public enterprises is invested and the total capital formation within the State sector amounts to:

$$ig + a(tl + tp + tf + tn),$$

a being a coefficient of proportionality (public investment-revenue ratio) and tn taxes collected from the foreign enclaves.

Foreign Enclave

The capitalistic foreign enclave, as defined by Singer, Rostow and Myrdal, amounts really to a special case of foreign enterprise, with this difference that it is wholly financed from abroad and works entirely for the foreign market, in such a manner that its participation in the national economy is reduced to the wages paid to the local personnel, which we can consider as engrossing VM and the taxes and royalties tn . The whole profits after deduction of taxes may be assumed to be expatriated and we shall denote them as dn .

We can, thus, summarise the capital formation taking place in our three-sector model:

Private Sector
 $ip + il + if$

Capital Formation

Public Sector
 $ig + a(tl + tp + tf + tn)$

Abroad⁽¹⁰⁾
 $df + dn$

The whole process of capital formation may be illustrated by the diagram⁽¹¹⁾ given on p 524.

The possibilities of increasing capital formation within the existing institutional pattern are extremely limited. There is a very strong institutional sanction for the uses of

SL in favour of SL_1 and SL_2 . As SL_3 is usually associated with usurious interest, it becomes extremely difficult to divert SL_3 for productive but less profitable investment. SL_3 is limited to a great extent by the low productivity and the stagnation predominant in L and any policy of increasing SL_6 , i.e. the profits of the intermediaries would be highly objectionable on social and ethical grounds; besides, only a part of the increased profits would go for productive investment.

An increased participation of L in the process of capital formation is thus made dependent on deep institutional reforms, leading to the transformation of L either by its direct integration in M or by the creation of a cooperative set-up which may offer a transitory semi-capitalistic path towards a socialistic economy⁽¹²⁾. A radical land reform affecting the distribution of land ownership and the abolition of feudal privileges seems to be a precondition both of an increased productivity and of the utilization of idle rural man-power. It would seem, that the theory of “big push” could be also extended to this field, in the sense that piece-meal reforms are hardly effective.

It is necessary to shake the anachronic structure of ownership and bring to the agriculturist immediate relief by reducing his outgoings through the abolition of a superior holder or at least the reduction of levels of legal rent and its enforcement. Speed and boldness would seem essential factors to the success of this operation. A successful land reform gives rise, in turn, to “a kind of sociological multiplier” without which the utilisation of social labour meets in practice with serious obstacles.

Capitalist Sector: Hindrances to Investment

We shall analyse one by one the

promotion of investment through indirect means (protection, fiscal advantages, price policies) or of compulsory savings. It requires in the limiting case a structural reform, namely the socialization or the integration of P in G, but some reduction of kp and the corresponding increase of ip are possible through less radical policies mentioned above.

Let us consider now the case of possible tax concessions. It is frequently argued that a reduction in tp is the safest means to achieve a higher rate of ip. The validity of this assertion remains, however, to be proved. A decrease in tp although thought as an incentive for an increased personal saving may instead lead to an increase of kp if the “propensity to magnificence” is, on account of “demonstration effect” and other circumstances, stronger than the “saving propensity”. Moreover, if we assume the current expenditure of the state constant, a decrease of tp will affect adversely the public investment-fiscal revenues ratio. Even a well conceived policy of tax concessions tends to accentuate the uneven distribution of the national income—a trend considered socially undesirable as contrary to the principles of economic democracy.

Finally, it should be remembered that an increase in ip does not by itself give any guarantee that these funds will be channelled in projects most suitable to developmental priorities, as expectation of profit is not a sufficient test in this respect. Practice shows, for instance, that an excessive share of investible surplus is earmarked by Latin-American capitalists to sumptuary residential building and real estate speculation on account of “propensity to magnificence”, but also as a means of safe placement in inflation-ridden economies.

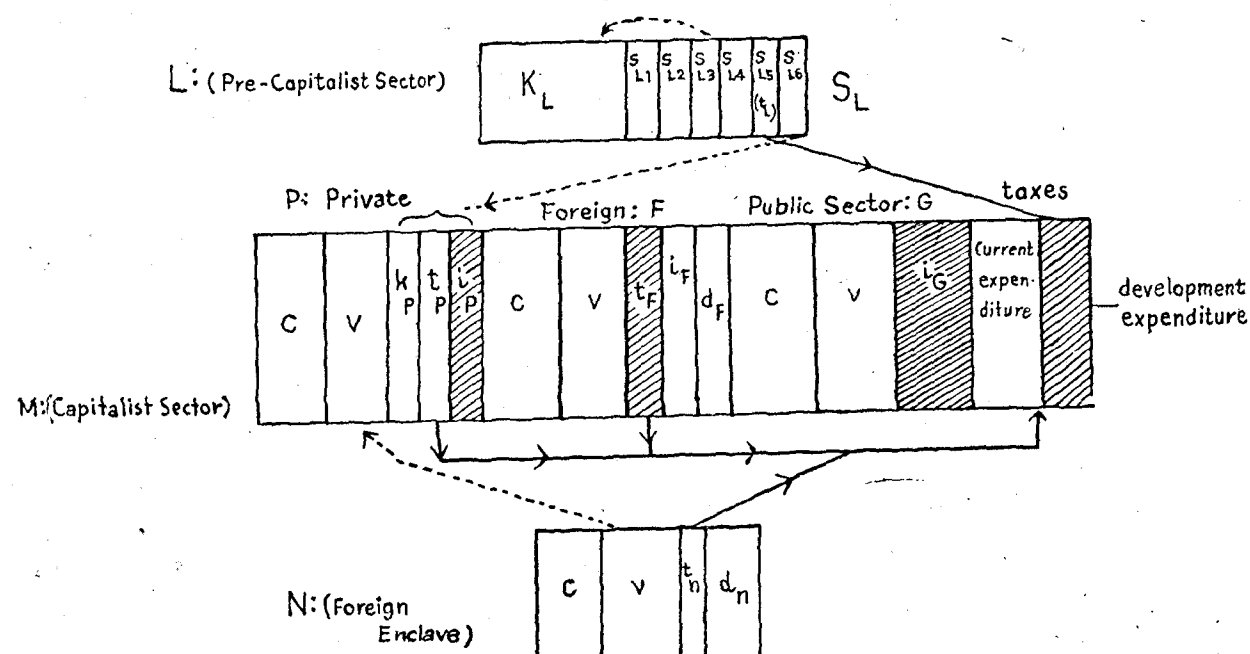
Thus, the case for tax concessions for the private sector as an investment promoting policy should be approached cautiously and all the pros and cons in each particular case should be carefully weighed.

FOREIGN PRIVATE INVESTMENT

Again, assuming a fixed fiscal pattern, the lower df , the higher will be if . At the limiting case, df may be reduced to zero by nationalization,⁽¹³⁾ i.e. by the integration of F in G or P.

Partial results may be achieved through laying down of regulations

Areas of Capital Formation



Explanations: Full lines indicate flows which are essential for the process of capital formation. Dotted lines indicate flows indirectly relevant. Taxes have been regrouped within G. Areas of capital formation are indicated.

limiting the expatriation of profits. (A particularly efficient way would be to consider the profits reinvested as domestic capital.)

Capital Formation in Public Sector

The amount of capital formation within the public sector depends on the following factors: the size of the public sector, the price-policy pursued, the distribution by branches of the public enterprises, the efficiency of management. Whenever the State is called upon to provide socio-economic overheads on a large scale (as is usually the case in underdeveloped economies), to enable its speedy expansion, the maximisation of capital formation within the public sector seems desirable. We have thus to contemplate again the structural reforms already mentioned, depending of course on the political pattern of the country⁽¹⁴⁾, as a means of giving the initial strength to the public sector. Within the existing public sector a price-policy leading to accumulation of profits is to be commended. This is hardly possible as long as public enterprises are confined to utilities, as the possibility of profits generally increases as we pass from utilities to heavy and then to light industries and finally to trade.

A big public sector in an underdeveloped economy has been also advocated on the ground that it makes it possible for the State to pool considerable resources and also to acquire strategic controls over the economy. These are in order to enable the State to use in a planned (i.e., theoretically the most rational) way the scarce investment surplus. If the public sector has to perform this role, capital formation within this sector has to be supplemented by high taxes. These taxes should not affect, however, the level of wages. That is why the scope for indirect taxation is limited and we come to the conclusion that an increased revenue has to depend mainly on increased TP, TF and TN, not carried, however, beyond a limit at which production ceases to be at all profitable.⁽¹⁵⁾

Condition Precedent for Take off

What has been said on F, applies *a fortiori* to N.

If we relax now the initial assumptions, we come to the obvious and normal case of increased capital formation in a growing total product, further modified by changes in capital output and wage output

ratios under the pressure of technical progress and social struggles,⁽¹⁶⁾ and a progressive integration of L in M through industrialization and the development of a capitalistic or cooperative agriculture. It would seem, however, that the above discussion gives an idea of the possible ways of increasing the capital formation both by means of structural reforms and less radical policies, leading to a redistribution of the national product. Such a redistribution undertaken by the State seems to be a *conditio sine qua non* of any attempt to "take off" and does not lose its actuality in the subsequent stages of growth. The State with its developing public sector and its active interventionist policies appears as the principal character on the stage.

Notes

(1) In other words: $SL = L - KL$. This is not always true, as institutional rigidities may create a situation where $SL > L - KL$, and obviously instead of simple reproduction we have decapitalisation.

(2) The material exchanges between sectors will concern us only in case of transfers of value affecting capital formation. For sake of simplicity we may ignore the impact of increased demand due to conspicuous consumption in L on capital formation in M.

(3) An implicit assumption of this model is the progressive substitution of M for L. We can thus assume that new productive investments are capitalistic ventures, either within M or incorporating L into M. As a rule, SL_4 hardly occurs and therefore we shall ignore it in the subsequent discussion.

(4) In other words, no personal savings take place.

(5) For institutional reasons, S never decreases to 0; if a situation arises when $S > M - (V + C)$, the equilibrium is reestablished through limitation of V or/and encroaching upon replacement of fixed capital, i.e., non-fulfillment of simple reproduction, in spite of simultaneous potential capital formation due to the generation of S.

(6) As in M hoarding plays a far less important role than in L, we are grouping it together with conspicuous consumption. Rigorously speaking, sumptuary housing construction, an offspring of the "demonstration effect" should be included also here.

(7) We can assume this share to be $IL = \frac{1}{Sp} \cdot SL_4$

(8) *df* engrosses the profits of the capitalists in the capital exporting countries and thus contributes to capital formation abroad. It should be noted that *df* does not represent the whole drain, as we have excluded from our model foreign trade, which in the asymmetric relationship of dominating and dominated economy may produce further drain.

(9) In particular, taxes are collected and disposed of in the same year of production.

(10) Assuming that all the profits expatriated are invested.

(11) As this is merely an illustrative diagram, no importance whatsoever should be attached to the relative areas of the different sectors, sub-sectors and their portions.

(12) The role played by the co-operative sector is affected in many ways by the general pattern of the economy.

(13) In this context, nationalization does not apply forcibly a simultaneous socialization, although a nationalization-cum-socialization scheme should be theoretically the most effective.

(14) Both "nationalization" and "socialization" have been applied at different occasions in non-Socialist countries. The question of possible compensation does not impair the validity of the above reasoning, as long as the compensation is distributed over time in such a way that it constitutes every year a part of the sums previously drained abroad. We are no more at the limiting-case, but there is a net increase in domestic capital formation, equal to the difference between the profits drained abroad and the compensation actually paid.

(15) In the limiting-case, it would be preferable for the State to take over the enterprise.

(16) The impact of technical progress on capital-output ratios cannot be foreseen before hand and it is equally probable to expect capital-intensive and capital-saving instances of technical progress. On social grounds, S should not be increased at the expense of V, as it would amount in a static economy to a decrease of real wages, while in a developing one it would at least provoke a decrease in the relative share of total product accruing to the wage-earners.

Inter-Industry Mobility within the Household

A Comparative Study of India and Japan

Suranjan Sen Gupta and Ranjan Kumar Som

IN India where most of the gainfully employed population work in household enterprises as own account workers or as unpaid household labour (they constituted 65.8 per cent of the gainfully employed in India in 1953-54, 69.0 per cent in the rural sector and 43.8 per cent in the urban, according to the National Sample Survey¹), a study of the relation between the household industry and the industries of the gainfully employed population in the household should be of importance. Such a study has been made in the National Sample Survey (NSS) Report Number 14, on basis of the NSS 4th round (April-September 1952) data.

In this note India has been compared with Japan, a moderately developed country in Asia. The proportions of gainfully employed population in different sectors of economy (industry) and the industrial immobility within the household are the items of comparison.

The distribution of gainfully employed population in different sectors of economy (industry) by sex for the two countries, India and Japan, is shown in Table 1: the data for India relate to NSS 4th round (1952) and those for Japan to a 10 per cent sample tabulation of the 1950 Census. Of the total gainfully employed population in India, 76 per cent are in agriculture, forestry and fishing industries, whereas in Japan the proportion is only 48 per cent. Industries other than "agriculture" are therefore being benefitted by the major portion of the man-power of Japan. A comparison by sex reveals a more striking feature: two out of five male workers in Japan but 3 out of 4 in India are in agriculture. The sex-differential in the distribution of persons in industries for Japan is quite well marked; but it is not so for India. When ranked in descending orders of proportion, the relative position of the industries, however, remain fairly the same for both the countries.

¹ National Sample Survey Report Number 14, "Some Characteristics of the Economically Active Population". Government of India, 1958-59, (NSS Draft Number 14, October 1956).

Table 1 : Percentage Distribution of Gainfully Employed Persons In Industry : India and Japan

Household Industry	Country	Male	Female	Total
(1)	(2)	(3)	(4)	(5)
1. Agriculture, forestry & fishing	India	78.0	61.6	75.8
	Japan	40.2	61.4	48.4
2. Mining	India	0.4	0.2	0.3
	Japan	2.3	0.5	1.6
3. Manufacturing	India	9.3	9.1	9.2
	Japan	18.5	11.8	15.9
4. Trade & Commerce	India	5.0	1.5	3.9
	Japan	11.9	11.7	11.8
5. Transport & Construction	India	3.7	0.9	2.8
	Japan	13.3	2.0	9.0
6. Services	India	6.6	5.4	6.2
	Japan	13.6	12.4	13.1
7. Others	India	—	1.3	1.8
	Japan	0.2	0.2	0.2
8. All Industries	India	100	100	100
	Japan	100	100	100

Source : (1) India—NSS No 14, *op.cit.* p 24.

(2) Japan—Ten per cent sample tabulation of the 1950 Census.

Table 2 : Percentage Distribution of Households and Index of Inertia In Household Industry : India and Japan

Household Industry	Percentage of Households		Index of Inertia	
	India	Japan	India	Japan
(1)	(2)	(3)	(4)	(5)
1. Agriculture	61.9	34.9	82.5	85.3
2. Forestry, fishing & livestock	2.6	3.7	55.1	41.3
Sub-total (all agricultural industries)	64.5	38.6	81.2	82.5
3. Mining	0.3	2.4	55.1	46.1
4. Construction	2.1	5.2	56.3	24.0
5. Manufacturing	5.6	18.0	69.3	47.0
6. Trade & Commerce	5.2	14.2	54.0	54.8
7. Transport and Communication	3.2	6.7	27.3	19.7
8. Services	12.5	14.6	46.0	31.6
Sub-total (all non-agricultural industries)	28.9	61.1	51.6	40.5
9. Not specified	6.6	0.3	—	—
10. All industries	100	100	66.2	68.0

Source : (1) India—NSS No 14, *op.cit.* p 24.

(2) Japan—Ten per cent sample tabulation of the 1950 Census.

INDEX OF INERTIA

In NSS Report Number 14, an Index of Inertia was formulated which was a measure of the degree of association between the household industry and individual industry. This Index is the percentage ratio of persons having the same industry as the household industry to the total number of employed persons having that particular industry as their household industry, leaving out of count, from both the numerator and the denominator, the principal earners of the households whose industry determined the household industry.

By definition, for India, the household industry is the principal industry of the principal earner of the household, and for Japan it is the industry of the head of the household. Comparability will suffer little for this difference in definition because of the fact that the head of the household is usually the principal earner of the household.

Indices for different household industries are shown in Table 2. Excepting for agriculture, where the maximum immobility is observed for India as well as for Japan, the immobility indices for all other industries in India are higher than those for Japan. The overall indices are, however, very close, being 66 per cent for India and 68 per cent for Japan.

FACTORS RESPONSIBLE FOR IMMOBILITY

In India, specially in the rural sector, people generally take up gainful activity at an early age mainly due to economic reasons, and also because of lack of schooling facilities: these young persons take up some such work as cattle grazing and other types of agricultural occupations for which very little skill is required, or in some cases they work as helpers at the same time as apprentices in the household enterprise. Once a young person has taken up gainful work at a tender age, when he has not learnt the techniques of any work, he continues to work for the household enterprise, and after that the possibility of his changing the industry becomes remote.

Table 3 shows the sex ratio (number of males per 100 females) of the gainfully employed population engaged in different industries. For India the sex ratio is the lowest in the agriculture industry (183) and the manufacturing industry

(217) comes next; transport industry appears at the other end of the scale with the highest sex ratio (3571). For Japan also the lower sex ratio is in the agriculture industry (104), followed by trade and commerce (160); transport industry again returns the maximum sex ratio. The ranking of the industries by the relative order of magnitude of the Indices of Inertia give almost similar patterns for both the countries. That means, for both India and Japan, the majority of the female workers are engaged in the household industry.

The percentage of economically active population to the total population in four age groups are shown

in Table 4 by sex. For Japanese males the proportion of the economically active in the age group 15-19 is 51 per cent, and 94 per cent in the age group 20-64. The proportions of economically active Japanese females in these two age groups are very close. A considerably high proportion of Japanese females, as compared to the India, in the age group 15-19 are economically active and this may also be one of the causes of higher immobility of female workers in Japan: it is also known that the proportion of total population is higher in Japan than in India in those age groups where participation in economic activities is at a peak.

Table 3 : Sex Ratio (Number of Males per 100 Females) of Gainfully Employed Population in Different Industries: India and Japan

Industry	All-India rural	All-India urban	Calcutta	All-India	Japan
(1)	(2)	(3)	(4)	(5)	(6)
1. Agriculture	181	222	937	183	104
2. Forestry, Fishing and Livestock	348	271		338	
3. Mining	485	500		510	
4. Manufacturing	153	495		217	
5. Construction	324	769	577	420	1659
6. Trade and Commerce	413	1786	373	699	160
7. Transport	1961	4762	1548	3571	813
8. Services	208	334	334	257	172
9. All industries	193	415	1442	212	158

Source : (1) NSS No 14.

(2) NSS No 17, "Report on Sample Survey of Employment in Calcutta" p 38

(3) U N Demographic Year Book 1955, p 538.

Table 4 : Percentage of Economically Active Population by Age Group And by Sex : India and Japan

Age group (years)	Country	Male	Female	Total
(1)	(2)	(3)	(4)	(5)
1. 0-14	India	12.5	7.1	9.9
	Japan	—	—	—
2. 15-19	India	75.6	39.3	57.0
	Japan	51.0	47.7	49.6
3. 20-64	India	95.2	48.0	72.2
	Japan	94.0	52.9	72.9
4. 65 and above	India	53.2	12.3	31.6
	Japan	56.1	24.0	37.5
5. All ages	India	58.5	29.7	44.4
	Japan	54.5	33.8	43.7

Source : (1) NSS No 14, op cit p 59.

(2) Year Book of Labour Statistics, Vol xxii, 1951-52, ILO, p 8.

From the Chair

Indian Sugar Mills Association

Presidential Address of Shri Sahu Jagdish Prasad

Decontrol of Sugar, Necessary for Increasing Production and Bringing Down Prices

IN his Presidential address at the 27th Annual General Meeting of the Indian Sugar Mills Association, held at New Delhi on the 24th March, 1960, Sahu Jagdish Prasad, President of the Association said:

DECLINE IN PRODUCTION

To us in the sugar industry, the last year has again been a year of declining production, shortages and high consumer prices. Against the peak figure of 20.29 lakh tons in 1956-57, production in 1958-59 was only 19.18 lakh tons. This drop of 1.11 lakh tons over the last two years may by itself not appear to be serious; but it has to be considered in the context of an addition of 3 lakh tons to the installed capacity of the industry during the same period. In effect, therefore, the actual drop was much larger.

STEADY RISE IN CONSUMPTION

Against this decline in production, consumption of sugar in the country has been rising steadily. From 19.86 lakh tons in 1956-57, consumption last year rose to 20.66 lakh tons. It would have been still higher at 21 lakh tons or so but for Government's restricting the releases from mills following short-fall in production. This year too consumption has been kept within limits through Government's deliberate policy of regulated releases at the rate of 1.75 lakh tons per month. Even at this rate, this year's consumption will be 21 lakh tons.

PRICE CONTROL

While deterioration in crop conditions contributed towards the fall in production, the main reason was the imposition of control on ex-factory prices of sugar and that too at uneconomic levels, particularly when there was no control on the other two competitors for cane i.e. gur and khandasari. As was pointed out by my predecessor last year, the controlled price levied in July, 1958, was much below the price that was agreed to in the discussions

between the representatives of the industry and the Government in July, 1958. Far from giving an incentive to the industry to produce more, the controlled price did not even cover the cost of production fully. Last year, when the sugar recovery came down from 9.93 to 9.60 in U.P. and from 9.91 to 9.78 in Bihar due to inferior quality of cane and the production costs increased further, the industry approached the Government for appropriate upward revision in prices to compensate the factories for this loss. But the Government did not find its way to revise the prices and the factories had to suffer further. It is true that the matter of fair price was referred by the Government to the Tariff Commission whose report is presently under Government's consideration, but meanwhile two seasons have passed and the third is on, without redress of the industry's grievance regarding uneconomic prices.

While therefore the sugar industry was faced with an unremunerative price, the gur and khandasari interests being free from any such stifling controls, took advantage of the position by attracting cane away from the factories.

ADVERSE EFFECT OF KHANDASARI GROWTH

Sugar production is to a great extent affected by the production and prices of gur and khandasari. If, because of better gur and khandasari prices, the cane grower gets higher returns by converting his cane to gur or selling it to the khandasari, increasing supplies of cane normally meant for sugar factories are diverted to gur and khandasari and sugar production to that extent suffers. This is what has precisely happened during the last two years.

The net realisation of a sugar factory in Northern India after paying a tax element of Rs. 13.16 per Md. from the ceiling price of Rs.

37.85 is only Rs. 24.69 per Md. Against this, there being no control on khandasari prices, the khandasari manufacturer's net realisation is about Rs. 38/- to Rs. 40/-, after paying a tax of only Rs. 3.24/ Rs. 4.16 per Md. Thus, khandasari producer gets easily 50% more for his product than the crystal sugar manufacturer even though khandasari is comparatively a much inferior product. Similarly, the gur producer, who is free from any tax burden, realises Rs. 16/- to Rs. 18/- per maund even though the sucrose content of gur is only about half that of sugar. The excess realisation of the gur producer as compared to a crystal sugar manufacturer, on the basis of the sugar content, thus becomes obvious.

The excess realisation enabled the khandasari manufacturer to increase his production at the cost of crystal sugar. The sugar factories in West U.P., Central U.P. and the Punjab have been the main sufferers of the competition from power crushers and khandasaris, and the drop in their production at 34%, from 1956-57 peak level has been quite severe in spite of the substantial expansions effected by them. In certain individual cases, the decline has been as high as 50 percent. The nominal excise duty levied on khandasaris from March last year, has hardly made a difference to the relative advantages of khandasaris. The result is that last year's khandasari production is estimated to have increased from under 1 lakh tons before 1956-57 to about 3.50 lakh tons. On every maund of sugar-cane diverted from the sugar factory towards khandasari manufacture, the country has lost approximately 1.5 seers of sugar, due to the inefficiency and low recovery of the latter as compared with the former. Thus, the diversion of cane to khandasari made possible by control on sugar prices has not only reduced production of sugar factories, but it has also resulted in the actual loss

of about 1.5 lakh tons of sugar in the process. This is an avoidable waste at least partially of the limited food resources available to the country.

It might be of interest to note here that it is only in the controlled area that sugar production declined, while in other regions there was actually some improvement.

RISE IN PRICES

With a widening gap between production and consumption, reserve stocks in the country declined from 4,28,000 tons at the close of 1956-57 to 3,30,000 tons in 1957-58 and to 1,53,000 tons at the close of the last season, that is, 1958-59. But for restricted releases from the mills, reserve stocks would have declined further. This apparently, created a bullish psychology in the markets and prices. Government, instead of going to the root of the problem and appreciating the need for maximising production and devising ways and means accordingly, tightened controls further. The proportion of direct allotments to Government nominees was gradually increased. In June last, the quota of U.P. and North Bihar mills was cut down to 30 per cent, while that of Punjab suspended altogether. In July, there was complete suspension of releases to mills and the entire quantity was taken over by the Government for sale by their allottees. Government also fixed the basis of prices to be charged by the wholesalers. In some places, rationing was also introduced. But, all these measures did not improve the situation.

CRITICS OF THE INDUSTRY NOT JUSTIFIED

Understandably, there was strong resentment against rising prices in the Parliament and elsewhere. But, unfortunately for the industry, the debates and discussion in Parliament and elsewhere instead of helping a proper assessment of the position, only led to much uniformed and unjustified criticism of the industry. It was evident from the then Food Minister's statement in Lok Sabha in August last that the prices continued to be at a reasonable level until the beginning of May and the controlled rate fixed for U.P., North Bihar and the Punjab were generally effective. In July, the Government took over the entire stocks with the mills in the controlled area. Profiteering by

the mills, if any, could therefore have taken place only during the months of May and June. During these two months, the total quantity of sugar released by the Government was 3.75 lakh tons. Out of this quantity, 1.31 lakh tons was allotted directly by the Government to their nominees, 1.24 lakh tons was given for sale to factories situated in non-controlled areas and the balance 1.20 lakh tons was released to mills in the controlled area. The allegation about profiteering thus could relate only to 1.20 lakh tons which was sold by mills in the controlled area. This quota of 1.20 lakh tons forms only 32% of the total release. It is hardly convincing, and even against the established concepts of economics, to suggest that the factories which contributed only 32% of the supply could manipulate the prices or exploit the situation to push up the prices.

The actual position was that while fall in production created fears of shortage, the manner and timing of control and the faulty distribution arrangements made thereafter turned this into a scare of scarcity which resulted in the rise in prices. It is significant that even though Government control over distribution has been complete for about 9 months now, the position has hardly improved and prices continue to be high. It is, therefore, unfortunate that even though the industry is in no way responsible for supplies and prices in the market now, criticism against it still persists from some quarters. Our critics do not sufficiently appreciate that a sugar factory is under law obliged to deliver whatever it produces to Government nominees at Government fixed prices. And if after the goods leave the factory, and are allotted to different markets as per Government arrangements, the prices in the wholesale or the retail market rule high, the industry can hardly be blamed. It only shows that the distributive arrangements and machinery evolved by Government have been faulty and have not been able to replace, with any amount of success, the normal distribution channels. The result is that the psychology of scarcity which resulted from a short-fall in production in the previous two years persists this year also in spite of the increase in production.

The fact is that the method of approach to such problems adopted

by the Government is fundamentally different from the approach advocated by the industry. Whenever the country experiences shortage of some commodity the usual action taken by the Government is to control its distribution. But so long as the supply remains insufficient to meet the demand, no amount of regimentation can prevent the continuance of scarcity conditions, and the consequent rise in prices. Controls can never provide an escape from the normal law of supply and demand. It is exactly with this in view that the industry always advocates tackling the production angle in such cases. If production is sufficient to meet the demand, prices will inevitably find their normal level.

SHIFT IN EMPHASIS FROM DISTRIBUTION TO PRODUCTION

I am glad to find greater appreciation at the hands of the Government of the view point advocated by the Industry, as a consequence of which, there has been a shift from emphasis on distributive measures only to increased production. The new sugar policy initiated by the Food Minister this year, is a great step forward in this direction, as it provides incentives for increased production both to the growers and to the Industry.

The incentives have had wholesome effect on production. By 7th of March this year, we had produced 2.98 lakh tons more than last year, the actual production by that date being 17.26 lakh tons against only 14.28 lakh tons for the corresponding period last year. There have, however, been disquieting reports of increasing pressure on cane supplies from khandsari since last month. This, I am afraid, might affect the position to some extent, which otherwise would have been still more promising.

MAXIMISATION OF PRODUCTION

As stated by me earlier, and as duly appreciated now by Government also, it is only by increasing the present production appreciably to a level where the fear of scarcity will no longer exist and a satisfactory stock position will be built, that the sugar price position will get stabilized. This year there is sufficient cane available. Sugar factories have also the requisite production capacity. Production could, therefore, be raised still further if

factories were in a position to attract requisite supplies of cane for their crushing. This could be possible only if, in competition with Khandsari and gur, sugar factories could draw their supplies of cane to crush to their maximum capacity. It is in this context that the Industry has been urging removal of control on sugar prices. The abolition of controls would on the one side, remove the scare of scarcity and on the other would enable factories to draw sufficient cane supplies by paying competitive cane prices.

There has been criticism that such a policy might raise the consumer prices still further. There is, however, no ground for such an apprehension. It is true that for paying competitive cane prices the ex-factory prices will have to be raised from the present controlled rate of Rs 37.85 nP per maund. But this by itself will not mean higher prices for the consumer. Even this higher price will be lower than the overall price he has to pay now, not only for crystal sugar but also for its alternative, khandsari sugar and gur.

RIGID COST STRUCTURE

We often hear criticism that the Sugar Industry in this country has, in spite of the protection at the cost of the consumer, not tried to make sugar available to the consumer at cheaper prices. This has the natural implication that the Industry here is either not working as efficiently as its counterparts in other countries or it is making undue profits at the cost of the consumer. But in making such allegations, the fact of the rigid and regulated conditions under which the Industry works here is conveniently overlooked. These are too well and commonly known to require a detailed mention by here. In fact, as Government spokesmen themselves have often admitted, sugar is the most regulated industry in the country. A look at the Industry's cost structure will show how rigid it is. Against the ex-factory price of Rs. 37.85 nP per maund fixed by the Government, the price of cane accounts for Rs. 16.55 nP, taxes for Rs. 13.16 nP, manufacturing charges including salaries and wages for Rs. 6.05, leaving only Rs. 2.19 nP to meet overhead expenses, to allow for profits subject to taxation, and also to provide for reserves out of which to replace machinery when worn out, at today's enhanced costs.

which is more than seven times the original installed value.

HIGHER TAX BURDEN

It should be realised that one of the main reasons for the relatively higher prices that the consumer has to pay is the heavy burden of taxes. The way in which the burden has increased over the last few years shows that the Central and State Governments treat the sugar Industry as an inexhaustible source of ever-increasing revenue. State Governments collect about Rs. 10 crores annually as cane cess and spend a very meagre portion of it on sugarcane development which is the primary object of the imposition of this cess. The Central Government raises about Rs. 58 crores a year through excise duty. Sugar factories also pay annually Rs. 1 crore as Co-operative Societies' commission. The tax burden of the Industry has increased by about 4.5 times since 1946-47.

CANE DEVELOPMENT

Besides, the high incidence of cost of cane also accounts for comparatively higher cost of production of our factories. Adequate quantity and quality of sugarcane is of basic importance to a healthy and growing sugar Industry. And here, much remains to be done. Although sugarcane development schemes were started in 1948-49, not much improvement has been effected so far. Although in the matter of total cane production we are nearing the target set for the Second Plan, in the matter of yield per acre and the sugar contents in cane per acre, we have made hardly any progress. Our position when compared to other cane producing countries is also very backward.

The target of 100 million tons of cane fixed by the Indian Central Sugarcane Committee for the 3rd Plan will necessitate raising the yield per acre to 20 tons or about 50% more than the present average. The effort required to effect such an increase will be tremendous. But unless something really substantial is done and concerted and co-ordinated steps are taken, the position cannot improve.

POOR FINANCIAL POSITION

The imposition of control brought to the fore the uneconomic nature of the Industry's working and its poor financial position. I may here refer to the results of the study

conducted by the Association of Indian Industry and Trade for the seasons 1954-55 to 1957-58. It covered the factories producing 88 per cent to 92 per cent of the country's output of sugar and should, therefore, be considered as fully representative of the Industry. The study has shown an alarmingly poor financial position of the Industry. Many units are actually incurring losses and returns on capital and also reserves are declining. The Industry in the North, particularly, is faced with near-crisis conditions,

NEED FOR ADEQUATE ALLOWANCE FOR REHABILITATION

While on this subject, I would like to refer to the urgency of rehabilitation and modernisation in the Industry. Most of the existing plants were put up over 25 years ago, and are due for large scale replacement and modernisation for which large funds are required. As will be appreciated, the prices of sugar machinery between 1931 to 1937 and now have increased by six to seven times. For example, the cost of a Co-operative sugar factory that has gone into production recently, namely, Bazpur in Nainital District, is Rs. 1,40,00,000/-. If compared to the cost of a factory of identical capacity erected between 1930 and 1936, it shows a rise of more than 650 per cent. It is quite clear, therefore, that the normal depreciation will be wholly inadequate to cover even a fraction of the rehabilitation charges.

Moreover, all the funds available with the Industry including equity capital, depreciation and reserves of all kinds have been employed for expanding the capacity of the factories and are represented by the current block. As a matter of fact, over a period of 10 years or so, the borrowing of the Industry as a whole against the block, apart from current borrowings from stocks etc., has increased very substantially. The consumer has been directly benefited by the increase in capacity because this has led to a lower cost of production, being taken into account when the reasonable price of sugar for him is determined. I would, therefore, urge upon the Government to formulate a realistic price policy, which, besides meeting the cost of production fully, would also provide for the rehabilitation requirements which is necessary to ensure the Industry's growth and development.

Around Bombay Markets**Dalal Street Still Unsettled, But...***Thursday, Morning*

MARKETS had quite an uneasy time last week. Cotton piece-goods, art silk yarn and metal markets reported quite a few cases of defaults involving fairly large sums. The defaulting parties included some big and respectable names. And the scare that followed reports of payments troubles in certain markets led to a hurried rush for the withdrawal of deposits in a few banks on March 22. No convincing explanation has been offered for the payments 'crisis'. Can it be that the recent credit squeeze has put certain parties in an embarrassing position? Doubtful but the possibility cannot be ruled out. Very probably, the prevailing acute stringency in the money market has exposed the extremely vulnerable position of some of the traders who had entered into commitments far beyond their control. The seasonal influences apart, the prolonged strike in the State Bank and the reluctance on the part of banks to discount hundies are believed to have produced a marked decline in the volume of floating funds. Reports have also been current that the Life Insurance Corporation has begun to withdraw its funds placed with banks on call basis. These funds, it is reported, will now be kept with the State Bank. This can have a significant influence on the money market's resources.

Dalal Street last week beat a further retreat. It was an all-round decline, cash shares faring even worse than the speculative counters. Selling in cash shares was not heavy, but buyers were hard to find. Speculative counters suffered not merely from lack of support but also came under considerable bear pressure. Of course, now and then, some of the big professional operators who have still a huge stake in the market could be seen lending cautious selective support to prevent a further rot in the market. The undertone of the market at the close of Wednesday's session appeared to be fairly steady and held out the hope of a technical rally.

ONLY SMALL FRY SHAKEN OUT
Last week's decline has brought the market to an important support

area. Whether adequate support would be forthcoming to produce a sizable rally, it is difficult to say. The market seems to be well-liquidated; but only in a way, because it is only the small fry who has been shaken out. The few prominent professional operators who had been dominating the scene for long do not appear to have succeeded in reducing their commitments appreciably. But since the market has come down by about 12 per cent from its recent peak, a technical rally could come about any time.

The market might derive some comfort from the fact that the carry forward charges in Calcutta on March 23 in respect of the two market leaders, namely, Indian Iron and Hindustan Motors worked out to around 10.5 per cent. The credit squeeze, it was feared, would push up the badla rates to around 12 per cent. But in assessing the badla rates in Calcutta it is necessary to bear in mind that since these two counters are actively traded both in Bombay and Calcutta it is easily possible to transfer speculative interest from one centre to another. Secondly, the volume of speculative activity in Calcutta is much less than in Bombay. Thirdly, the full effect of the credit squeeze has yet to be felt because the new measures are to be enforced over a period of time. Anyway, the trend of badla rates in Bombay next week might provide a better idea about the impact of the credit squeeze.

It is arguable that the reduction in the total supply of bank credit resulting from the recent curbs is unlikely to be of such magnitude as to cause a change in the basic outlook for equities. But what is the basic outlook, is a moot point. Few will deny that the recent boom had lifted equities to levels which could not be explained in terms of profits and dividends. Inflationary psychology had been the main force behind the boom. And now the authorities are trying to bring inflationary trends under control. Whether they can succeed in their aim is another point. In purely market terms there has come about a change in psychology and the mood of

despondency will take time to dissipate.

RELAXED CONTROL OF CREDIT

Market circles believe that the Reserve Bank might soon modify its directive banning badla transactions by the banks and allow them reasonable time to withdraw completely from the market. A gradual withdrawal from the market would have been welcome but such a step now would expose the Bank to the charge that its initial action was hasty. The total amount of bank credit involved is by no means very large and it is well within the means of the market to manage. Only the big speculators who have been playing havoc with market will feel embarrassed. That should not cause any concern to the authorities.

Excessive speculation must be discouraged. But the recent fall in prices need not be viewed with alarm. For despite the sharp decline, the average yield on popular counters comes to barely around 4 per cent. Those who continue to talk in terms of growth prospects of most concerns would do well to note the cut in dividends by Dunlop Rubber and Mahindra and Mahindra. It is perhaps too early to ask investors to bear in mind the prospect of a heavier dose of taxation in the first two years of the Third Plan.

In the recent decline cash shares have not fared much better than the speculative counters. Guest, Keen Williams which had been bid up to Rs 49 have come down to Rs 41. Likewise, Union Carbide have de-

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clined from Rs 46.50 to Rs 43, Larsen Toubro from Rs 34 to Rs 30.25, Dunlop Rubber from Rs 39 to Rs 35.50, Indian Oxygen from Rs 38 to Rs 33, Phillips from Rs 26.50 to Rs 24.50, Metal Box from Rs 39.40 to Rs 36.50 and Indian Aluminium from Rs 26.75 to Rs 24.75. The colourful Colour-Chem have fallen from Rs 350 to Rs 290 and Birla's Hindustan Aluminium Rs 2.50 paid are available at Rs 2.25.

Oilseeds

EXPORT ACTIVITY DULL

SOME stray deals in groundnut oilcakes and the sale of a few hundred tons of castor oil was all that exporters had to report last week. And what is worse, few were inclined to take an optimistic view about the export outlook in the near future. Oilcakes will continue to sell but they are unlikely to reach anywhere near the 1959 figure. Linseed oil is unsaleable, Indian price being out of world parity. Groundnut oil is not saleable even with the incentive of an export quota of 3-1/2 tons of expellers for each ton of oil.

The price disparity is as high as about £11/12 per ton while the margin on expellers is no more than £2 per ton. Castor oil will perhaps have to be sold on the terms of the overseas buyers. Should exports of oils be allowed to suffer on account of price disparities? Both the trade and the Government need to apply their mind to this problem.

The outlook for linseed oil has been affected by the setback in overseas prices following reports indicating prospects of larger new crop sowings in Canada and the U.S. The re-emergence of offerings in oil by the Argentine and the acceptance of lower prices for its stockpile oil by the U.S. have been the other contributory factors. Indian linseed oil continues to be dearer despite the sizable decline in local prices in recent weeks following the growing pace of new crop arrivals.

Export interest in castor oil has also been at a low ebb. Hopes that the U.S. would take large quantities of Indian oil due to lack of supplies from Brazil have been belied. Exporters here have been particular-

ly disappointed by the absence of buying by the Communist countries which took substantial quantities by this time in the past three years. Shipments of castor oil from Bombay between January and March 13 have exceeded 10,000 tons but that has not affected the spread between futures and spot prices, the latter being at a discount of about Rs 6 per candy. France took about 200 tons of castor oil last week but paid no more than £122 per ton for BSS. The U.S. was reported to have purchased some 600 tons but the price realised was rather low. The latest U.S. quotation was mentioned around 14.30 cents a pound for Commercial.

Unencouraging overseas advices and the continued flow of arrivals in upcountry markets emboldened bears to press further sales which pushed castor futures down to a new low of Rs 168.37 per candy on March 23. It had touched a high of Rs 189.12 on February 15. A pretty steep fall indeed. But there is no indication yet that the downward trend has spent its force.

The weakness in castor had an unsettling influence on groundnut which also drifted lower despite poor offerings in the spot material. Groundnut oilcakes receded after holding firm earlier in the week. Overseas inquiries did not result in any important business. Only groundnut H.P.S. were eagerly sought after but the lack of any export quota prevented exporters from making large commitments. New Delhi will be well-advised in releasing an early quota. Foreign demand must be tapped when it exists.

Cotton

PRICES RECEDE

IN cotton, too, an easier feeling prevailed throughout last week. Prices suffered sizable losses which were particularly marked in the ready section. Futures eased by about Rs 12 per candy—Jarilla August was marked down from Rs 769 to Rs 757 while losses in ready ranged between Rs 25 and Rs 50 per candy. But the decline has not brought spot prices anywhere near the ceiling. Lack of sufficient quotas for indigenous cotton with the mills, the more expeditious utilisation of import licences, prospects of increased arrivals of foreign cotton in the near future and the general feeling of gloom in outside markets—all these factors contributed to last week's setback in cotton.

The Textile Commissioner's insistence on the utilisation of import quotas for securing any further allotment of quotas for Indian cotton has begun to have its effect. The figure for the quantity licensed has risen from 469,094 bales to 593,530 bales between February 27 and March 12. Actual arrivals, however, are still on the low side, merely 268,199 bales upto March 12, but they are expected to pick up soon.

With the further downward revision of indigenous crop estimates, the industry is reported to have pleaded with the Government for raising the import allocation this season to 15 lakhs. The Government is already committed to 12.5 lakh bales of which 10.2 lakh bales have already been released. Reports from Washington indicate that the authorities there have issued purchase authorisation for one lakh bales of cotton already released for import by New Delhi. Prospect of a further quota of one lakh bales

under P.L. 480 are rated high. Meanwhile the recent Indo-Pakistani trade agreement will enable India to import about 20,000 bales of cotton below one inch from Pakistan. A like quantity has already been imported.

Larger imports should have a sobering effect on prices. But even the plentiful supplies of foreign

cotton cannot rectify the imbalance between demand and supply in indigenous cotton. Not all the mills are able to make use of their import quotas. Quotas received under the incentive scheme can be surrendered at a profit but allocations received on an ad hoc basis and spindleage are reported to have posed a problem for many mills.

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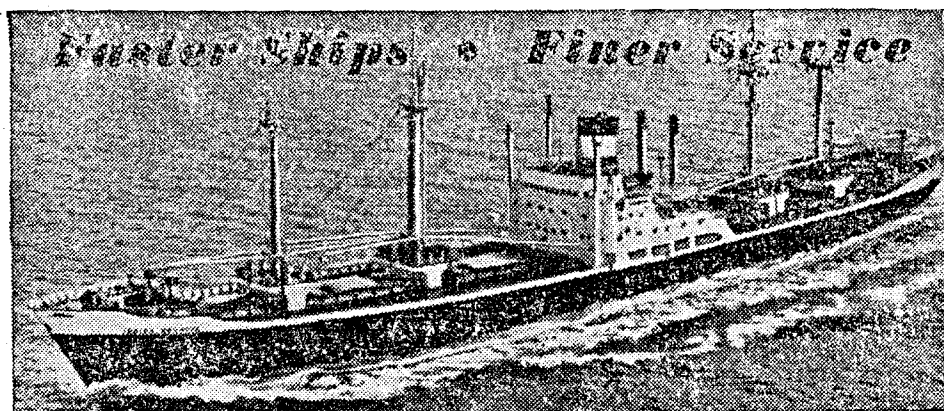
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Higher Sugar Production

PRODUCTION of sugar in February, 1960, was higher at 4.73 lakh tons as compared with 4.10 lakh tons in February 1959, bringing production for the first four months of this season to 16.12 lakh tons, nearly 3 lakh tons more than in the corresponding period a year ago. Production this season is, therefore, likely to reach the 22 lakh ton mark. It was 20.36 lakh tons in 1957-58, fell to 19.68 lakh tons in the subsequent year, but recovered to 20.08 lakh tons last year.

Offtake of sugar was, however, lower last month at 1.56 lakh tons against 1.96 lakh tons in February last year. Total despatches upto February 29 were 6.28 lakh tons against 6.92 lakh tons in the corresponding period last year. Closing stocks are, therefore, higher. On February 29 they were 11.25 lakh tons compared to 9.72 lakh tons this time last year.

Mahindra & Mahindra

THE financial results of Mahindra & Mahindra Ltd, for the year ended 31st October, 1959 are as follows:

	1957-58	1958-59
	(Rs Lakhs)	
Sales	1769.00	927.47
Depreciation	12.04	11.14
Taxes	31.25	19.00
Net Profit	19.12	25.14
Development Rebate		
Reserve	4.01	2.12
Reserves	5.50	5.00
Carry Forward	0.98	1.18

The Directors recommend payment of:-

- Dividend @ 6% p a (without deduction of income tax) on 25,000 Redeemable Cumulative Preference Shares of Rs 100 each.
- Dividend @ 6½% p a (without deduction of income tax) on 30,000 Preference Shares (6½% Redeemable) of Rs 100 each; and
- Dividend @ 12½% p a on the 13,20,000 Ordinary Shares of Rs 10 each.

Directors report that adequate provisions have been made, before recommending the above dividends, for the payment of income-tax and super-tax on the Company's profits for the year 31st October 1959. However, under Section 18 of the Indian Income Tax Act, 1922, as amended by the Finance Act of 1959, the principal officer of the Company is required to make de-

ductions, in respect of the incomes of the shareholders represented by the dividends to be declared. These deductions will, of course, have to be made out of the dividends on the ordinary shares. However, in view of the fact that the Preference Shareholders are entitled to their stipulated dividend 'without deduction of income tax', Directors recommend

that, without prejudice to the Company's legal rights in the matter, and pending clarification of the position as regards such preference dividends, the Preference Shareholders may be paid their respective fixed preference dividend and the Company pay to the tax authorities the amount required to be deducted under Section 18.

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Capital subscribed ..	Rs 2,50,00,000
Capital paid-up ..	Rs 1,25,00,000
Reserve Funds ..	Rs 1,60,06,000
Deposits ..	Rs 80,98,74,000
Working Funds over ..	Rs 100,00,00,000

THE BANK OF BARODA LIMITED

(Estd: 1908)
Head Office: Baroda

JWV-EE 197

CURRENT STATISTICS**BANKING RETURNS (Rs. Crores)**

Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note Circulation	1841.93	1837.90	1806.55	1692.60
2. Rupee Coin	123.74	123.69	126.55	130.16
3. Deposits				
(a) Central Govt	52.62	50.64	50.75	51.17
(b) Other Govts	60.45	29.76	26.47	36.01
(c) Banks	85.84	71.63	75.59	74.22
(d) Others	97.27	95.04	108.52	120.65
4. Foreign Securities	163.01	163.08	163.01	178.01
5. Balances Abroad	31.96	32.27	39.84	38.75
6. Rupee Securities	1451.93	1442.11	1417.29	1281.36
7. Investments	234.51	207.49	202.80	259.68
8. Loans and Advances to Govts	20.64	29.49	24.63	20.69
9. Other Loans and Advances	155.12	135.61	121.23	113.03
Scheduled Banks				
1. Liabilities:				
2. Demand (net)	748.56	738.94	726.01	727.33
3. Time (net)	1136.42	1137.64	1122.86	896.24
4. Total	1884.98	1876.58	1848.87	1623.57
5. Cash in hand	56.58	47.07	44.28	42.00
6. Balances with Reserve Bank	68.38	79.57	76.55	64.10
7. (5) + (6) as % of (4)	6.63	6.75	6.54	6.53
8. Borrowings from Reserve Bank	56.33	46.69	49.33	46.42
of which				
Usance Bills	7.49	6.70	4.84	6.16
9. Advances	920.67	909.50	889.20	840.81
of which				
State Bank's	178.33	175.71	172.25	188.45
10. Bills Discounted				
(a) Inland	117.77	112.88	112.98	99.81
(b) Foreign	45.00	46.03	46.84	38.61
(c) Total	162.77	158.91	159.82	138.42
of which				
State Bank's	16.94	16.09	17.14	13.46
11. Bank Credit (9+10c) as % of (4)	57.48	56.93	56.74	60.31
12. Invest in Govt Sec	760.00	757.48	759.43	618.74
of which				
State Bank's	386.35	381.85	369.28	272.45
13. (12) as % of (4)	40.32	40.37	41.08	38.11
Cheque Clearance	198.01	163.67	198.52	217.16

† For Reserve Bank and Cheque Clearance week ended 11-3-1960. For Scheduled Banks week ended 18-3-1960.

Bombay Money Rates (% per annum)

(Selected Scheduled Banks other than State Bank)

	11-3-1960	Week Ago	Month Ago	Year Ago
Call Money				
From Banks	3½	3½	3½	2½
Deposits				
Seven Days	3-3½	3-3½	3-3½	3½-3½
Three Months	3½	3½-3½	3½	3 4
Six Months	2½-3½	2½-3½	2½-3½	3-4

Bombay Bullion (Rs and nP)

	24-3-1960	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	130.56	129.31	131.37	121.12
Forward	129.31	128.75	130.50	120.25
Silver (per 100 tolas)				
Spot	217.03	217.19	215.00	200.12
Forward	215.84	216.94	214.69	200.12

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Week Ended	5-3-60	27-2-60	6-2-60	7-3-59
Group and Sub-Group				
Food Articles	117.6	118.6	118.3	114.6
Cereals	103.5	103.3	105.1	102.4
Pulses	92.1	92.9	96.3	114.2
Fruits & Vegetables	120.8	116.1	108.6	117.7
Milk & Ghee	109.7	114.6	108.3	110.7
Edible oils	137.2	136.1	138.6	120.9
Fish, Eggs & Meat	110.7	108.1	113.4	103.8
Sugar and Gur	143.2	145.4	144.2	128.3
Others	164.2	167.9	166.8	151.7
Liquor & Tobacco	96.3	95.8	96.4	101.7
Tobacco	94.0	94.0	94.6	100.5
Fuel, Power, Light & Lubricants	117.9	117.9	117.9	115.9
Industrial Raw Materials	131.2	131.1	132.2	115.0
Fibres	123.9	123.6	123.4	107.2
Oilseeds	139.6	139.0	141.8	125.3
Minerals	95.2	95.2	95.2	102.9
Others	131.8	133.2	133.3	111.4
Manufactures	116.3	116.3	116.2	108.0
Intermediate Products	121.8	120.7	120.6	109.6
Finished Products	115.4	115.6	115.5	107.7
Textiles	115.0	115.5	114.8	101.5
Cotton	124.7	125.6	124.8	111.0
Jute	97.1	97.2	95.8	80.8
Woollen	104.2	104.2	104.2	105.9
Silk & Rayon	102.6	102.9	103.8	94.2
Metal products	145.1	145.1	145.1	113.3
Chemicals	105.2	105.5	106.5	110.6
Oilcakes	142.0	140.8	147.0	140.1
Machinery and Transport equipment	106.3	106.1	106.0	106.0
Others	113.8	112.5	112.8	113.6
All Commodities:	118.9	119.4	119.4	112.5

ELECTRICITY GENERATION

(Monthly Averages or Calendar Months)

(million kWh)

	Output	Industry	Sold (incl others)	Total
1957	906	488.7		732.4
1958	1,031	550.5		830.3
1958 Jan	974	530.4		788.2
Feb	920	500.4		752.2
Mar	969	528.6		791.8
April	1,004	542.0		810.5
May	1,046	560.3		840.3
June	1,014	529.4		810.7
July	1,057	559.6		846.0
Aug	1,041	552.1		831.9
Sept	1,054	556.6		843.1
Oct	1,073	574.9		869.8
Nov	1,050	567.9		869.5
Dec	1,113	604.0		909.4
1959 Jan	1,156	626.8		930.2
Feb	1,112	596.4		888.6
Mar	1,171	616.8		918.3
April	1,162	630.5		941.9
May	1,242	668.0		999.4
June	1,202	661.5		969.3
July	1,250	679.9		999.2
Aug	1,244	679.9		994.9
Sept	1,237	686.1		996.2
Oct	1,267	—		1,025.0
Nov	1,234	—		994.0

Source: Ministry of Irrigation and Power.

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RIGID TUBES for pills

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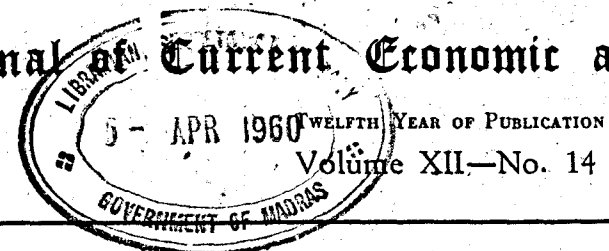
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THE ECONOMIC WEEKLY

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Federation and Government

THE relationship between the Federation of Chambers of Commerce & Industry and the Government of India is neither that of open hostility nor of cordial amity. What exactly this relationship is, however, more than a little difficult to understand. That the Federation, either from discretion or self-interest, presents it differently to the world outside from what it appears to be to the people in the country is something that has come to be accepted as a matter of course. That does not make it so very confusing any more. What does is the inner and the outer relationship between the two maintained within the country.

Moreover, it is not a relationship which is static and unchanging. It has been changing and, of late, the two have been moving closer or at least there is a great deal of demonstration to that effect. Every important function of the Federation is attended by the prominent members of the Cabinet led by Pandit Nehru himself. The Businessmen's Convention organised by the Federation early this year was a great success and the Federation has been invited for consultations and has been generally associated in a consultative capacity with various planning groups.

But, if one were to go by the text of the address of the President at the annual session and Pandit Nehru's speech at the inauguration of the session, one would hardly notice this change. The outgoing President of the Federation, Shri Madan Mohan Ruia, repeats the usual demand that the area and scope left to the private sector should be widened—after all, that is the economic credo of the Federation—that taxation should be reduced in order to augment individual savings and winds up by attacking "the premise that seems to influence public thinking" in this country that "financial gain is something less noble or less exalted in purpose than the other forms of reward" and claiming that "No system (which?) has ever devised a more clean or honest basis for rewarding the performance."

Pandit Nehru retorts that "as a war could not be left to be fought to any forum of free enterprise, in the same way, only through planned approach and not through individual enterprise could a nation go forward in a short time", and Ruia gets this back about financial gains: "I believe as an ideal—it may be difficult to reach it—in an egalitarian society with no great differences. I dislike the vulgarity of the rich as much as poverty of the poor. Both are degrading".

This is, however, only long-range gun fire. Shri Ruia tried to establish closer contact by invoking the spectre of "unjustifiable and unscrupulous incursions into our national boundary by China." In fact, the most important resolution before the Federation at this session was national defence—and the need for accelerated economic development. But Pandit Nehru refused to be trapped. Referring to the dangers confronting India mentioned in the Presidential address, he said "I do not pretend to say that the crisis before us at the present moment is a crisis of war." In fact, while emphasising that a basic change had come about in our frontiers and that it was a long-term affair, Pandit Nehru, nevertheless, turned the war on the other camp. "Now the ultimate crisis of

war is not upon us, but surely there are other crises upon us, the crises which a country has to face when it seeks to go ahead at a fast pace, especially a country which has a vast population."

In defence, in short, the Federation fancied a welcome addition to its armory for driving 'an element of flexibility' in the Government's industrial policy and a meeting ground between the business community and the authorities for formulating "an ideal programme of action". This was reinforced by the suggestion that while consideration of State policy might make it necessary to confine or restrict the manufacture of certain basic products of defence in the public sector, private enterprise should be allowed to raise production by utilising the basic products in nu-

merous intermediary stages. Finally, while fixing targets in various industries, there should be no strict demarcation of spheres of capacity under the present conditions.

While Pandit Nehru agreed entirely with the President he does not seem to have made any concession in the tussle between the two sectors. "There is a vast field for private effort. After all, the public effort necessarily has to be limited in scope. But it may and it does, I hope, control the strategic points of our economy." The strategic points, however, are not those arising from the needs of secrecy in defence production. The latter question has been raised very pointedly by Shri J R D Tata in another connection. Shri Tata deplored that in matters of defence there was "far too

much secrecy in India even in things of little importance or in regard to facts well known to any potential enemy". Since scientists, engineers and other highly-trained personnel have a role to play in the military preparedness of the country, he stressed the need for a greater degree of co-ordination between them. J R D made this point in his presidential address at the General Assembly of the Indian Institute of Science and his observations on the necessity for co-ordination will be widely endorsed, especially in view of his welcome efforts to develop design engineering, hitherto a neglected field, at this Institute which is best-equipped for this purpose. If the country has to be self-reliant, it cannot depend indefinitely on imported expertise.

The Defiant Ones

THOSE whom the Gods wish to destroy, they first make mad. There is something of the method of lunacy in the way in which the Government of South Africa seems to be pursuing the relentless path of disaster. The suspension of the pass laws, announced last week, had given the hope that the champions of White Supremacy in Cape Town were suddenly seeing some sense and were taking steps to lessen the dangerous tensions which have been building up in the country for decades and which exploded in the riots at Sharpeville and Langa. But the hope proved short-lived. The suspension of the laws has been promptly followed by warnings that they will soon be re-enforced again. In addition, the necessary legal machinery is being got ready to outlaw all the main political organisations of the Africans. Highly provocative and intimidatory raids have been carried out at the offices of the Pan-African Congress, the African National Congress and several other organisations; and now more than a hundred leaders of national and liberal opinion have been arbitrarily arrested and placed behind bars.

The South African Prime Minister is in one of his frequent moods of defiance—defiance of world opinion and of African nationalism at home. Each one of these acts which he has now taken to "bring the situation under control" is intended to be a slap in the face of South Africa's international critics, and a

threatening fist-shake under the nose of African nationalists. He derives so much satisfaction from these gestures of defiance that he is quite unmindful of the fact that, in the process, he is rapidly digging his own grave. He is determined to ride to self-destruction on the wave of sheer cussedness.

But whatever his intentions now, or whatever were the original motives behind the suspension of the pass laws, Dr Verwoerd has set a direction from which there may be no returning. He probably suspended the pass laws because he either thought it himself or was advised to the effect that this would be the best way of taking the wind out of the sails of the pass-law defiance campaign. If there were no pass laws (for the time being), there would be nothing immediately to defy. This would mean that in a short time the momentum of the campaign would wear off and the movement itself would fizzle out, enabling the Government to go back to "normal" without difficulty. But the Africans were not fooled by the ruse. They discovered the comparative insignificance of the pass-law suspension and condemned it as such, and went a step further to demand a permanent abolition of the laws. To dramatise their demand, they burned their passes by the hundred. The future now depends on how long the burn-the-passes campaign can be kept up, and how completely it can succeed.

No one understands all this more clearly than the South African Government. It can be expected therefore to do everything in its power—including the imposition of the most inhuman measures—to defeat a total defiance of the pass laws. This explains the crazy measures it is now engaged in taking. The defiers have been made leaderless by the arrests of these weeks; and we can be sure that the African organisations will be banned without much delay. In this way the successors of Smuts and Malan hope to postpone the day of reckoning in South Africa. In point of fact, however, they are only drawing it nearer. It is a childish miscalculation for the South African Government to imagine that by banning the African National Congress and the other nationalist organisations, it will have snuffed the flame which might burst into a big fire.

South Africa, which has for so many tortured years, been the scene of racial oppression and inhumanity, is now passing through the most decisive period of its history. The first mass revolt against White authority is brewing up. It is unimportant if it succeeds at its first attempt, or whether it will merely be the fore-runner of a really decisive assault yet to come; the material thing is that the tide has turned and nobody can any longer reverse it.

Executive Interference

COMMANDER NANAVATI's case still remains a cause celebre, but for a reason altogether different from what first made it so. During his trial in the Lower Court and later in the High Court, he was allowed to remain in naval custody and to appear in the dock in full naval uniform. This had added glamour and made him an idol in the public eye. When the High Court delivered judgment and sentenced him to imprisonment for life and issued a writ for his removal to jail, the writ could not be served because the Governor of Bombay issued an order under the special powers conferred on him by Article 161 of the Constitution, suspending the sentence, until the appeal to the Supreme Court had been disposed of. It is this executive interference with the judicial process which elevates the affair to a political issue of great significance. It raises the basic question of the limits of the powers of the executive in a Parliamentary government and the question of the independence of the judiciary in such a government.

The Governor's order suspending the High Court sentence not only shocked the public, the Full Bench of the High Court composed of five judges sat to consider the unusual and unprecedented situation created by the return of the unexecuted writ and warrant of arrest issued by the High Court. Though two of the judges were inclined to hold that the Governor's order was invalid—the other three did not think so—they decided not to dissent from the view taken by the majority and the judgment was unanimous that the order was not illegal. The Full Bench held, however, that the powers under which the Governor had acted, could not be exercised arbitrarily and except for good and sufficient reasons and on this particular occasion, the judgment left no room for doubt, they had not been applied with due consideration. Though not invalid in law, the Chief Justice, delivering the judgment said that such an order was likely to create an impression that it had been made in order to accord special treatment to a particular person and as such was "likely to impair the confidence of the public in the impartial administration of justice."

The most important question, however, which needs to be answered is, has there been any contempt of law, in spirit if not in letter? There is no doubt of powerful official influences which have sought to get this case dealt with on the basis of special treatment, which has not been extended to other categories of

service personnel, like the naval rating who has been prosecuted at the same time for a similar offence. To what extent can the supremacy of the civil law be modified, even in the field of procedure, without impairing the equally fundamental principle of equality under the law?



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STP 44

Weekly Notes

New Import Policy

THE drastic curtailment of imports enforced in 1957 had a depressing effect on industrial production in the following year, during which the index of production rose by barely 3 points. The effect of these drastic restrictions became fully apparent only in the year ended September 1959 when the payments deficit, as measured by the decline in foreign balances at the Reserve Bank, was reduced to a nominal amount of Rs 3 crores. External assistance and somewhat larger exports were partly responsible for this improvement, but a lower import bill was the principal factor which halted the external drain. This, however, led to severe shortage of raw materials and components which handicapped industrial production.

A significant relaxation was announced for the half year beginning October 1959. According to official estimates, this would have entitled a larger import bill of about Rs 180 crores. Whether and how far this estimate has proved correct it is too early to say. That despite this significant measure of relaxation, and the payment of Rs 34 crores to the I M F, the period is expected to close with a surplus of more than Rs 15 crores suggests however, that the relaxation was fully justified.

This improvement in the payments position has encouraged further relaxation in import policy which has been announced for the half year beginning this month. The principal features of this policy are a further liberalisation of import of essential raw materials and components and non-ferrous metals; expansion of items for which actual users will be granted licences; extension of choice of basic period for infant foods, contraceptives, paper, essential oils, printing machinery, machine tools, chemicals and dyestuffs; and extension of the facility of annual licensing. Larger home production, on the other hand, has permitted curtailment of quotas for items like tubes, some textile stores, chemicals and motor vehicle parts.

The new policy, it is expected, would entail an import bill of Rs 180 crores, the same as in the pre-

vious licensing period. This expectation, however appears optimistic in view of the considerable relaxation of quotas for some commodities and latitude allowed for choosing the basic period. Moreover, prices abroad are generally higher than a year or two ago. Perhaps there is no cause for anxiety, even if the import bill turns out to be larger than Rs 180 crores, for we should be able to afford it. Exports have been somewhat better of late; some of them might be further stimulated by larger imports of components. External assistance should continue to maintain a steady pace. And no extraordinary capital payments fall due in the current half-year.

Western India Oil

WE are grateful for the correction that Western India Oil Distributing Co Ltd is definitely not a subsidiary of Hindusthan Organisers Private Ltd. (The managing director's letter appears in the correspondence columns of this issue.) But since the officers of the company, on enquiry, declined to enlighten us on the relationship, if any, between the two companies and even flatly refused to give us the names of the Directors and referred us to the Registrar of Companies for such information, we had to take the trouble of looking up the documents of these companies at the Office of Registrar of Companies. These documents have brought some interesting facts to light.

Western India Oil was registered in December 1932, with some prominent figures like Phiroze Sethna and Hussienbhoy Lalljee as subscribers. Its subsequent career was somewhat chequered. In 1957, its paid up capital was reduced from Rs 50 lakhs to Rs 12 lakhs. In 1958 the Patel family, which owns Hindusthan Organisers Private Ltd, appears to have entered the scene when it received an allotment of shares worth about Rs 5 lakhs. A further Rs 12.5 lakhs (50,000 shares of Rs 25 each) is proposed to be invested by Naranbhai P Patel India Private Ltd, who are referred to in the directors' report for 1958 as 'financiers' of the company. As a result, the Patel

family, its associates and relatives, would own more than 70 per cent of the equity of Western India Oil. There are other shareholders from Bombay, Ahmedabad, Madras, Kerala and Pakistan.

Western India's sales during the year ended December 31, 1958 fetched Rs 92 lakhs against Rs 43 lakhs in the previous year. Profit before tax was Rs 1.44 lakhs against Rs 2.04 lakhs, which brought down the accumulated loss to Rs 15 lakhs. Fixed assets are valued at Rs 13 lakhs, of which Rs 9 lakhs is write-up on revaluation. The annual report for 1958 does not give any operational details. The report for 1957, however, mentioned that only two cargoes of kerosene were received during the year due to the disruption of Suez traffic; there were also references in it to a 25 lakh gallon installation at Kandla, increase in tankage at Madras, Bombay and Delhi, and some sales in Central India.

Hindusthan Organisers Private Ltd was registered in September 1956. Its paid up share capital at the end of 1958 was Rs 1.46 lakhs. Its principal asset was a call deposit of Rs 1.93 lakhs with Naranbhai P Patel India Private Ltd. The Directors and principal shareholders of Hindusthan Organisers Private Ltd are related to the Patels, who received the special allotment of shares in Western India Oil in 1957. A majority of its shares, incidentally, is held by residents in East Africa. Being a private company, details of its operations cannot be gathered from the documents filed with the Registrar of Companies.

Food Cost-Output Ratio

THAT after remaining absolutely stagnant for several decades, Indian agriculture has been showing some signs of life is a welcome and encouraging finding of economic historians. To this, there has been no follow up in the sense that no one seems to know for certain what are the factors which have brought about this improvement. True, the Agriculture Ministry or the Planning Commission assume that there are definite technical co-efficients which determine the relationship between different inputs and the output in agriculture. The experi-

ence of the Grow More Food campaign over the years, however, has demonstrated over and over again how deceptive and undependable these co-efficients can be. Now that the targets for the Third Five-Year Plan are being set, and the Planning Commission has to reconcile the claims of the different ministries and make its final recommendations on the allocation of resources, the question has come up once again, what is it that determines the volume of production in agriculture?

The final decision, of course, is always the resultant of the two pulls, one of the Minister concerned on the Cabinet and the other, operating through the person of the Prime Minister, emanating from the basic Plan-frame. As the latter pull works through an intermediary while the former works directly, the result is a deviation, very considerable at times, from the optimum worked out by the Plan technicians. The problem, however, goes much deeper, for what after all are the instruments which the technicians work with, in arriving at the optimum?

There are those who swear by the monsoon and who firmly believe that increases in the food production attributed or imputed to the spread of minor irrigation, distribution of better seeds or fertilisers, or improved techniques would be wiped out, if the monsoon failed and correspondingly, there may be unaccounted for increase in food production if the rains are adequate and evenly distributed over the country and if they come in time necessary for successful agricultural operations.

Between the tenuous technical co-efficients at one end and the unpredictable monsoon at the other, the Agriculture Ministry has worked out a cost formula for food production in money terms. And it is a formula which dislodges the Law of Diminishing Returns which is supposed to apply to agriculture. It has been worked out on very simple straightaway premises. In the Second Draft-Plan, agriculture was given an allocation of Rs 294 crores against 10 mn tons increase in food production as target. Subsequently, the target was raised to 15 mn tons, but no corresponding increase was made in the allocation of funds in agriculture with the result that we shall get only 10 mn tons increase in the Second Plan period, which the Agriculture Ministry had been

paid for, according to its own estimates. No more money, no more food—what could be simpler?

Applying the same cost basis, the Ministry put up a demand for Rs 1,000 crores for achieving the target of 35 mn tons increase (from 75 mn to 110 mn tons) in the Third Plan. If food production has to be increased 3½ times, the cost will increase in exactly the same proportion. To have established Constant Returns in agriculture is itself a major achievement, but the Ministry is too modest to claim any credit for it. True, the Prime Minister is on record for saying that Rs 900 crores spent on agriculture since the First Five-Year Plan had not yielded the expected results, he had even asked "where has the money disappeared?". But at that time, he had not been appraised, presumably, of the Law of Constant Returns in agriculture and of the proportionality, inexorable and unchanging, between food and finance. The target *ex ante* is necessary finance; only *ex post* is it food.

Nuclear Developments in Switzerland

BRITAIN seems to have slackened a little bit on the development of atomic power for commercial utilisation. This includes manufacture of equipments for reactors also in which, it looked for a time, Britain might make a serious bid for export markets. America, however, has not entered the race at all for though development in this field has been tremendous, the private firms engaged in the manufacture of atomic equipments have to work under such severe government restrictions that any possibility of their making a bid for export markets has been ruled out. Moreover, as in everything else, in atomic reactors also, the U S scale of production, the size of the reactor developed, put America out of the world market, for paradoxically enough, it is the most underdeveloped parts of the world, lacking other sources of power, and also the most difficult to reach, which offer the best market for nuclear energy. And that market is for small sized reactors.

Switzerland, which has already made considerable progress in the atomic field, appears to be the only country which has not relaxed its efforts. This is for the very good reason that Switzerland has no other domestic sources of energy except hydro-electricity and in a few years'

time, all the likely possibilities of utilising this source of power would have been exhausted, while energy requirements would still be going up by leaps and bounds. Hence banks have been actively sponsoring nuclear development, two consortiums of industrialists have been formed for the construction of experimental reactors of entire Swiss manufacture, and other projects are under way. The Swiss programmes do not seem to have been affected in any way—at least not yet—by the recent changes in the oil supply position and prospects, such as the emergence of Sahara oil which has to find a market in western Europe and the steady outflow of Russian oil into the same area.

Nuclear Plant For Export

A HANDOUT issued by the Swiss Trade Commission describes the situation as follows:

Switzerland is primarily interested in the atomic field because of her own needs. At present, the Swiss Economy consumes 78,000 million kwh of gross energy per year—three-quarters of this amount coming from abroad—representing an increase of 33,000 million units in the short space of ten years. This energy is accounted for as follows: 45 per cent by liquid fuels, 23 per cent by coal, 22 per cent by electricity, 7 per cent by wood and peat, and 3 per cent by gas. True, the country produces 99 per cent of its requirements of electricity from its own numerous hydraulic resources. But fifteen years from now, the total output of hydro-electric energy will not exceed 34,000 million kwh. Any needs beyond this ceiling—and consumption is increasing by 4 to 5 per cent each year—will have to be supplied by thermal power stations, and use will certainly be made of fissile materials.

In order to satisfy home demand, the Swiss machinery industry will be required to manufacture the plant for the nuclear power stations within the country. But working as it does chiefly for export, it will naturally also look for outlets for its new products to other countries, especially as numerous countries now being developed cannot possibly think of constructing big hydro-electric installations, which require complicated and expensive substructures and a vast transport set-up which those countries do not possess. Better than any other source of power, nuclear energy will make it

possible to develop those parts of the world that are not yet fully equipped and are still difficult to reach. At present exporting some 60 per cent of its steam boilers and electrical appliances, and as much as 75 per cent of its steam turbines, Swiss industry is getting ready to supply the production goods and complete plant that will be required for nuclear power stations during the next few decades.

The reason why Switzerland can make a confident bid for export outlets in this field is that it comes within the area of her comparative advantage and special competence. Atomic constructions do not lend themselves to mass-production methods, the part played by skill and workmanship in them being so much greater. The special advantages which have enabled Switzerland to develop the manufacture of turbines, generators, alternators, etc., all of which have a high export component, will count in the nuclear field in which Switzerland expects to make good.

Retention by Growers

AFTER the record food crop last year, when food prices showed no signs of coming down at a time when the crop normally begins to move to the market, the situation was thought to be so unusual and paradoxical that the Agricultural Ministry had a rapid survey conducted of the pace and pattern of flow of rice and wheat into the markets and the subsequent disposal by the wholesalers and millers. The survey was also intended to assess the factors responsible for any changes in the behaviour of the producers, traders and consumers in the current crop season. But it had to be completed in three weeks and so it was confined to only a few markets in different parts of the country. The findings were reported piecemeal at the time in the press but are still of some interest. They have now been published in a full length report. The date on the imprint line is 9-1-1959, whatever that may mean, the date of placing the print order or of actual printing. And 1959 is mentioned as the year of publication. Even so, it is a creditable performance on the part of the Manager of Publications, Government of India, that the report should be available to the public as early as the third week of this month.

The occasion for the enquiry was that the market prices of foodgrains "were on the whole found to respond to the level of production secured in the year". The preface says that "there was general evidence to show that the shrinkage in market arrivals was one of the major reasons for it." The findings of the survey support this conclusion. The *post mortem* also discloses that increased retention by large and medium producers brought about this.

This conclusion emerges from the analysis of wheat and rice arrivals in selected markets of Punjab, U P, Bihar, West Bengal, Andhra, Madras and Madhya Pradesh during the 1958-59 season. Except in West Bengal, and to a lesser extent in Bihar and Andhra, traders, according to the report, were not responsible for the price increase. Producers satisfied their post-harvest cash requirements by selling other crops like gram, peas, dhals, cotton, oil-seeds and gur. Large disbursements of Government and co-operative funds also helped to strengthen the retention capacity of the producers. Vertical integration of well-informed large producers, traders and millers, and an abnormal flow of funds and new entrants into the rice trade, together with decline in production in traditionally surplus districts, queered the pitch in West Bengal. In Punjab and U P, however, there was no organised effort on the part of the trade to thwart Government policies.

State Trading: Subtlety Needed

STATE TRADING appears to have been a success only in the surplus States of Orissa and Punjab. It might have been successful in Madhya Pradesh also, had it been announced and implemented earlier. In U P, Bihar and West Bengal, it was a conspicuous failure and defeated its own purpose. The comparative success of State trading in Punjab and Orissa offers some useful lessons. It is hardly likely to succeed in an area which is permanently or even temporarily deficit, where it would merely lead to drying up of supplies and raising of prices by either producers or traders or both.

Even in surplus areas, a minimum of subtlety and organisation is necessary. A comparison of the schemes in Punjab and U P brings out this point clearly. In Punjab, Government assumed only the power of prior purchase of the whole or part

of daily arrivals of wheat, gram or barley on payment of prices which resulted from the normal process of bidding in selected markets. Government agents did not participate in any transaction fixing the price of foodgrains but no one was allowed to buy any part of the daily arrivals before the Government had made its purchase. Food officials are reported to have prevented traders from making high bids by threatening to cancel their trade licences. According to the report, "the Punjab State Trading Scheme was a very intelligent and subtle device to procure supplies of wheat at reasonable prices. It achieved simultaneously the objectives of providing a floor for the foodgrain prices (and) procuring stocks without undue restrictions on the traders".

In U P, on the other hand, all traders who held in stock 50 maunds or more were required to surrender compulsorily 50 per cent of their opening stock on 5th May 1959 and of all their future arrivals and purchases at fixed prices. This involved a full-fledged regime of price control accompanied by a compulsory levy at prices below prevalent market rates. This prevented wholesale traders from building up stocks for speculation but, simultaneously, prevented Government from acquiring sufficient stocks to supplant wholesale traders. Unlike Punjab, distribution channels in U P were poor and prices went up very high. **Ministry without Rejoinder?**

"... He added that the Government's statistics on food production were unreliable. He suspected that sometimes the figures were produced merely to please higher authorities and had no relation to the real state of affairs"

— Shri R G Saraiya at the 33rd Annual Session of the Federation of Indian Chamber of Commerce.

"The Balwantray Mehta Committee on Plan projects has revealed that the all-India average of additional food production in the Community Development and National Extension Service areas is only 10.8 per cent as against the figure of 20 to 25 per cent hitherto quoted by official spokesmen.

"The variation in individual States ranges from 2.7 to 19 per cent. Only Andhra shows an increase of 41.4 per cent"

— *Times of India*, 28 November, 1957.

Calcutta Letter

Mass Food Agitation

FOOD crisis and sky-rocketing food prices are nothing new in West Bengal. In September last, there was an outburst of mass agitation against the State Government for supply of food at reasonable prices. Again the Left parties are going to convene a conference on food and should the Government fail in redressing the situation, the agitation this year may take a more aggressive form, as people's discontent has been mounting with shooting food prices. The price of rice in Calcutta is again on the rise. In fact, it has been rising ever since 1956 as will appear from the following official minimum retail prices: Rs 18 per maund on January 19, 1955, Rs 16-14 on January 18, 1956, Rs 20 on January 16, 1957 and Rs 26 on January 15, 1958. The current price for medium coarse rice in Calcutta is Rs 29 per maund.

This is a serious state of affairs in all conscience; only the Government of West Bengal does not think so. Its food policy runs in terms of a series of negations; no procurement of paddy, no floor price, no ceiling price; and free trade in foodgrains. The Food Zone formed with West Bengal and Orissa, the West Bengal Government believes, will be enough to cope with the situation and the Centre can always be bullied or cajoled into doing the rest.

WHO HOLDS THE STOCK?

Neither the growers nor the consumers are happy. It is true that in the absence of Government procurement, new paddy coming on the market will go down in price and the peasants will again be forced to sell to the jotedar-cum-stockholders and there is every likelihood that a substantial part of the new crop will get into the hands of the jotedars to whom the peasants are heavily indebted, and as soon as the crop comes into the hands which can hold it, prices will begin to shoot up. The poor Bengali will be held to ransom and made to pay a price for his daily rice which will scandalise everybody else except West Bengal's Food Minister, Shri P C Sen.

Dr B C Roy complained last year that the producer was becoming

more and more price-conscious and that his propensity to withhold his produce from the market was getting stronger. This propensity to withhold would grow even stronger with an increase in real income, not of the peasants but of the substantial producer-cum-stockholders—the jotedars. Dr Roy also stated, having in mind the findings of the survey conducted by the Agro-Economic Farm Management Research Centres in July last year, that "the large producers now occupy a position of great importance in the price economy of the area surveyed". These large producers, it is well-known, freely give credit to small producers on condition of repayment in grain and thus acquire command over stocks at the time of harvest. So, if the Government is not keen the produce will be in the hands of the stock-holders and the market supplies will come out only in trickles, to extract the maximum price that the consumer can be made to pay.

ORISSA RICE MYSTERY UNRESOLVED

What of the surplus rice which is being and will be imported from Orissa? Big business will avail itself of this opportunity and has indeed started doing so. Some are afraid, not without reason, of the stockholder-cum-businessmen acquiring a dominant position in the matter of Orissa rice also. The Government has taken some steps in order to prevent Orissa rice from getting into the hands of the profiteers. A Rice (Eastern Zone) Movement Control order has been issued. Transport of rice along the five-mile belt on West Bengal-Orissa border has been restricted. Only rice movements on Government account or under military credit notes are allowed. The Central Government has passed the Calcutta Rice (Movement Control) Order prohibiting movement of rice from Calcutta to other places without prior permit from the State Government.

But though the ban on the entry of Orissa's surplus rice to deficit West Bengal has been lifted, and new supplies have been coming to the market, prices have nevertheless been rising steadily. The Govern-

ment has also been forced to reduce the quota of rice for ration card holders by half a seer a week, from early this month. Supplies to fair price shops have similarly declined.

While on a round of talks in Calcutta with traders and officials, the Food Secretary, Shri Mathew hinted at profiteering. This is confirmed by the fact that while 40,000 tons of rice had left Orissa for West Bengal by January 31, the receipts, according to the trade, did not exceed 14,000 tons! What happened to the balance? It had obviously gone into the bowels of the hoarders. Even more paradoxical, before the initiation of the Eastern Zone, rice had been selling in Calcutta at Rs 21 a maund; now it sells at Rs 29 per maund!

CHIEF MINISTERS' CONFERENCE

To cope with this situation, it was decided at the Food Conference between the Chief Ministers of West Bengal and Orissa held on 8th February that:

- (1) To keep out middle men, and to restrict their profits. Calcutta rice-millers would be allowed to purchase paddy directly from Orissa.
- (2) Rice-millers should hand over a part of the milled rice from this paddy to the West Bengal Government for distribution through fair price shops.
- (3) The Centre should be approached for increasing its allocation to West Bengal.
- (4) The railways should be more prompt in removing transport bottlenecks.

But these are not enough. The market has hardly taken any notice of them; the price of rice shows no sign of coming down.

Failing control over distribution, Dr Roy has fallen back on bullying the Centre. In his meeting with Shri S K Patil last month, he frankly admitted that the formation of the Eastern Zone had not improved matters and that West Bengal was facing a deficit of 6,00,000 tons of rice, and that the earlier expectations of a good crop despite floods, had been belied.

(Continued on p 550, column 3)

More about Bank Rate Reply

THERE is nothing in Shadan's Rejoinder in your issue of the 26th which helps to remove the doubts which I expressed about the bank rate. I am in fact puzzled by his statement that he did not advocate an immediate rise. If he did not, what was the provocation for Shadan to comment on this issue at all? Surely, we are not discussing the effect of bank rate changes in a vacuum. The author of the article "Expansionary Forces in the Economy" as well as myself were arguing against raising the bank rate in the situation. The "other consideration" to which Shadan refers might go well with the text-bookish treatment of the subject, but it is totally irrelevant when one has in mind the present Indian economy.

Shadan argues that since he has already stated that "if we accept the argument that changes in bank rate have no effect on decisions to invest . . . this is almost the end of the matter", I should not object to his argument in favour of a rise in bank rate. The burden of my song was that the doubts which he expressed about interest inelasticity of investment are unwarranted in the present Indian conditions and, therefore, his case for a rise in bank rate is considerably weakened. I took trouble to counter Shadan's argument because I have doubts about his doubts regarding lack of responsiveness of investment to interest rate changes. More surprising, after asserting — and rightly so — that "thirty years of controversy about the interest-elasticity of investment have not finally decided the question" Shadan still argues in a way that suggests that he pins his faith in interest-elasticity of investment!

Shadan has led himself to believe that I do not regard interest as a price and that it should be an important factor in any policy action. Far from it. True, that interest rate is a price but it does not follow from this that a rise in this price will always lead to curtailment of demand. It all depends on the degree of elasticity of demand which in present Indian circumstances is very low. Besides, it is misleading to argue that a rise in

bank rate invariably implies a rise in the cost of loanable funds in the market. In fact whatever price rationing is possible has already taken place in India in the form of an upward adjustment of market rates of interest, as I pointed out in my earlier comment. Because of this, I mentioned that it would be unnecessary to raise bank rate.

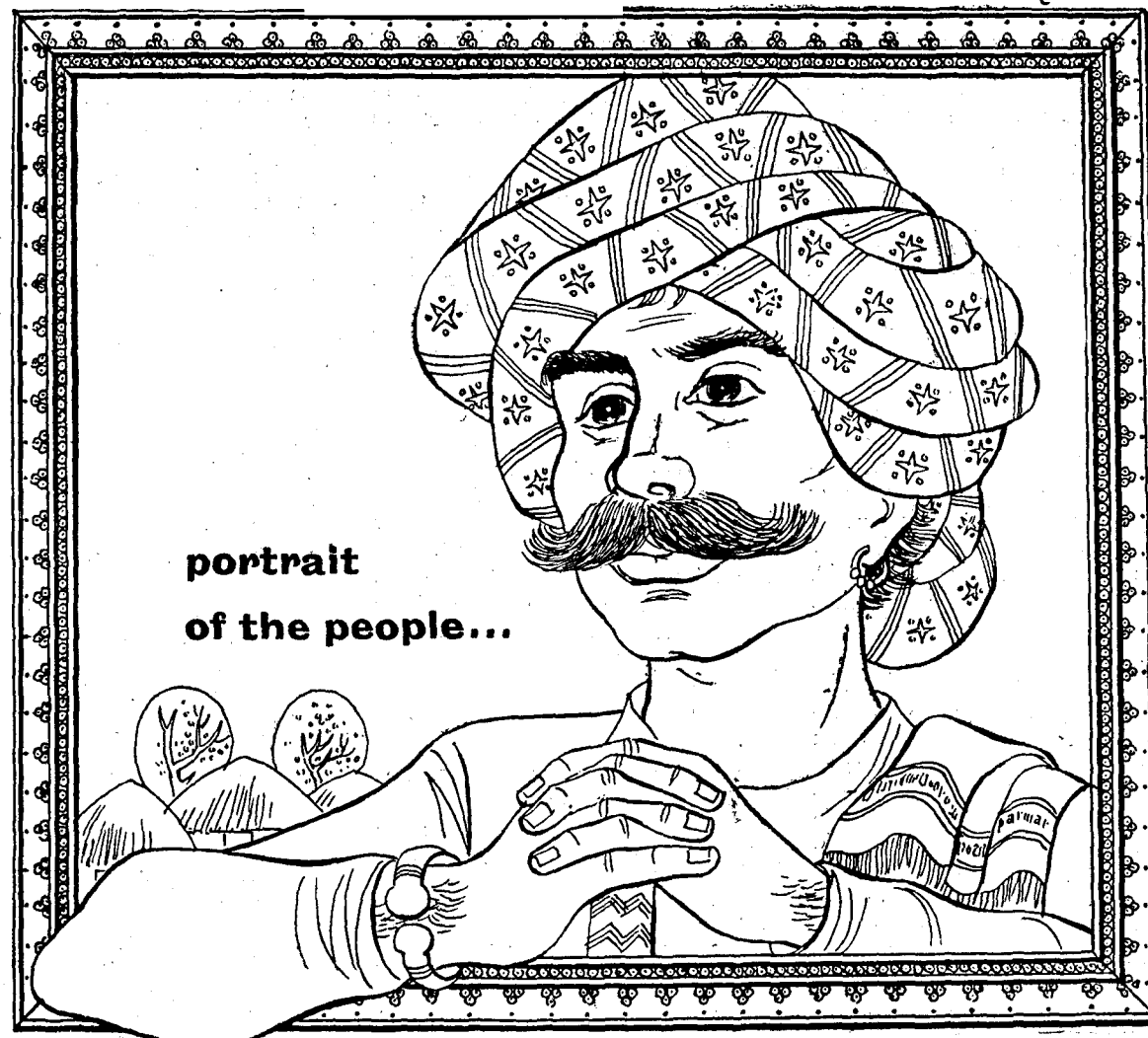
Shadan also states that I "failed to realise that the object is not to bring down total private investment but to see that it does not exceed certain desirable limits". Should Shadan not realise that these cases are as different from each other as tweedledum from tweedledee? If a rise in bank rate cannot bring down total private investment, then, it will also not be able to keep such investment within certain desirable limits. I repeat that if an increase in bank rate is to affect only "marginal borrowers", it would be folly to take recourse to it as its effect would also be marginal. I am glad that Shadan now states that "a rise in bank rate does not preclude the taking of other steps as well". However, the question is not whether other measures should be taken along with the upward adjustment of bank rate but whether only the other measures by themselves would not be adequate to meet the type of problem that has arisen. If the answer is positive, then, a change in bank rate should be obviously ruled out.

Let me also inform Shadan that a rise by itself in the outstanding borrowings by scheduled banks from the Reserve Bank in the current year as compared to last four years does not mean that the banking system does not have excess liquidity at present. The relevant figures would be the proportion of outstanding borrowings from the R B I to the total scheduled bank credit and the liquidity ratio. Thus, the scheduled bank borrowings from the R B I as a proportion of their total bank credit, on March 4, 1960 was 4.4 per cent which was much lower than 6.8 and 9.4 per cent on the corresponding dates in 1956 and 1957 respectively and only slightly higher than 4 and 3.7 per cent in 1958 and 1959. Further,

the ratio of liquid assets of scheduled banks defined as unencumbered Government securities, cash on hand and deposits with the R B I to their total time and demand liabilities stood at about 45 per cent on March 4, 1960 and March 6, 1959, as compared to 42.3, 35.7 and 37.5 per cent on the nearest corresponding dates in 1956, 1957 and 1958. Surely, these figures do not suggest that there is no excess liquidity in the banking system. Apart from these, Shadan's figures are also incorrect. The outstanding scheduled bank borrowings from the R B I on March 4, 1960 are higher than those on the corresponding dates only in 1958 and 1959 but lower than in 1956 and 1957, the relative figures being Rs 81.3 crores and Rs 48.5 crores. I am pulling out these figures not from my own hat but from the same source as Shadan's. Incidentally, will he kindly enlighten me how "a rise in bank rate may itself reduce the liquidity of banks?"

What is "queer" about my argument that there was an under-estimation of private investment in the Second Plan except the ignorance of Shadan about the revised estimates now given out about private investment in the First Plan period? The figure of Rs 2,400 crores was given in the Second Plan on the assumption that private investment in the First Plan would come to about Rs 1,600 crores. Now that it is estimated at around Rs 2,200 crores, does it not follow that private sector investment in the Second Plan period should be higher than Rs 2,400 crores, if it is to remain consistent with the over-all growth rate projections laid down in the Second Plan? To suggest this is not "to throw out the Plan" but to rectify its structure which Shadan mentions probably in a fit of absent-mindedness as a "carefully drawn up Plan".

I am sorry that my rhetoric is lost on Shadan when I stated that instead of raising the bank rate in order to please foreigners, we should better scale down the size of the Plan itself. What I wanted to indicate was that raising the bank rate to reduce the extent of price

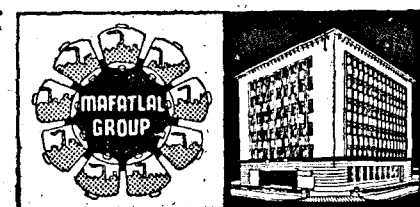


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rise via its dampening impact on investment amounts in effect to scaling down the rate of investment. I mentioned this not because I believe in paring down the size of the Plan but because I wanted to throw in bold relief the absurdity of Shadan's reasoning underlying his advocacy for an increase in bank rate. He should realise, therefore, that his analogy is inapt and meaningless. The foreigners' insistence on raising the bank rate is not at all analogous to the bankers' request to keep the account "in a particular way"; if anything, it is like forcing the client to be satisfied with a smaller amount of loan than his business requires, which means a lower scale of his business operations.

'BHOODANI'

Bombay,
March 28.

Ministries of I & B and Finance

IN your Weekly Notes (26th March) you rightly refer to relations between Ministers of the Union Government and also to the relations between the I & B Ministry and the film industry.

This however is not the first time such a thing has happened. The I & B Ministry was not consulted, when drastic restrictions on import of raw film were imposed by the then Minister for Commerce and Industry, Shri Morarji Desai. True, at that time, the protest from the I & B Ministry was not so openly voiced.

But for such a state of affairs, the I & B Ministry has to thank itself. Its record during the present Minister's regime has been of constant skirmishes on this or that account with the film industry if not with the radio manufacturers or merchants associations. It was a common saying in that Ministry that the film industry was in the hands of undesirables, as if the report courteous could not be hurled back!

When the Government derives a great amount of revenue from the film industry and when moreover, the Government productions of newsreels and documentaries can only be shown through the good offices of that industry it ill becomes the Ministry to have such constant differences with the latter. One naturally expected good relations and cordiality between the film in-

dustry and the Ministry of the Union Government. Unfortunately, they were not there and what is worse, no effort was made to restore them.

The trends prevailing in the capital must be noted. There are at least two Ministers in the Union Cabinet, who believe that they know the interests of the film industry better. When a seminar on film industry was arranged by the Sangeet Natak Akademy, the I & B Ministry non-cooperated. In fact, it tried its best to dissuade the Government from patronising the seminar, if one has understood Prime Minister Jawaharlal Nehru correctly. In his inaugural speech, Panditji narrated how a whispering campaign was going on against the holding of the seminar.

To complete the picture it is better to remember that two leading spokesmen of the film industry saw the Prime Minister separately on two different occasions during the past few months, to acquaint him with the woes and sufferings of the industry. The very fact that they had to seek an interview with the Prime Minister for this purpose speaks volumes about the confidence (or the lack of it) the film industry has in I & B Ministry.

S R TIKEKAR

Saraswat Bank Building,
Bombay 4
March 28.

Distribution of Soviet Oil — A CORRECTION

WITH reference to the article under the caption "Distribution of Soviet Oil" appearing in *The Economic Weekly* of the 19th instant, we have to correct certain mis-statements contained in the article.

In the first place, the Western India Oil Distributing Co Ltd, is not a subsidiary of Hindustan Organizers Private Ltd.

Secondly, your mention of "skeleton organisation" is incorrect. We have two installations, one at Bombay and the other at Madras, and we have been functioning with a fully staffed office.

Lastly, you are quite wrong when you say that "once in a blue moon it used to hit the headlines when it succeeded in getting a small consignment of Soviet Oil". We have been getting our supplies from

Abadan and regular cargoes are being received.

We should have thought that before publishing any news you would have made sure of your facts. In fairness to us we shall be grateful if you will please publish this letter in a prominent position in the next issue of your Weekly.

S R KOTHAVALA
Chairman.

The Western India Oil
Distributing Co, Ltd,
Alice Building,
Dr D N Road,
Bombay 1
March 24.

(Continued from p 547)

The disparity between despatches from Orissa and receipts in West Bengal is not only in respect of stocks reported by the trade. The West Bengal Government acknowledged at the end of last month that 45,000 tons of paddy and rice had come from Orissa on Government account upto the middle of the month. Despatches from Orissa, however, during this period, were 1,00,000 tons. And larger the disparity, the more do retail prices tend to shoot up. The Food Minister does not deny that prices are so much higher this year. In fact, he gave out that the average price of rice this year was Rs 2½ to Rs 3 higher per maund than the average last year. But he is unable or unwilling to account for this rise. He dwelt upon a lot of complex variables like the relation of food supply to the increase in population, the apathy of the Bengali youth to take to business and such other utter and irrelevant nonsense. Apart from the rise in prices, he gave out a set of very disturbing figures which show a steady decline in yield over the years. The problem is getting worse day by day, another independent index of which is the increase in the number of people who are depending upon the Government test relief. In 1955 this number was about 1½ lakhs. By November 1958, it had risen to 5 lakhs. Today it must be substantially higher.

Against this background, the assurance of the Food Minister that Government would despatch rice to all the districts from April onwards will not help to dispel the gathering clouds. Another mass food agitation, probably better organised than the one witnessed last year, is definitely in the offing.

PL 480 Aid: Procedure for Utilisation

K S GILL

THERE has been, of late, a controversy as to the disinflationary and inflationary implications of the existing procedure for the utilisation of PL 480. This note is an attempt to explain the position.

The U S government supplies surplus agricultural commodities against payment of rupees. The rupee equivalent of the dollar cost of these commodities plus 50 per cent ocean freight cost is deposited in the U S government account in India, hereafter the counterpart account. This account was formerly with the State Bank but since the latest PL 480 Agreement (November 1959), it is to be maintained with the Reserve Bank in respect of further accruals of rupees. Also according to this Agreement, out of the rupee proceeds, 40 per cent will be given to India as loan and 40 per cent as grant (for mutually agreed plan projects), 5 per cent will form the Cooley funds (to be used by U S Export-Import Bank) to assist American business direct or through their associates in India, and 15 per cent will be reserved for other American uses.

EXISTING PROCEDURE

The accounting procedure is as follows. The government pays to the counterpart account for the food grains received by debit to the capital head "85-A — Capital Outlay on Schemes of Government Trading". The sale proceeds of these commodities are credited to the same head. As there is no state trading in cotton, payments for PL 480 cotton are made by the importers directly to the counterpart account. A part of the rupees paid into the counterpart account are received back by the Government of India as grants. This is credited to revenue and figures under "extraordinary receipts". The amount is, however, transferred (by debit to revenue) to the Special Development Fund (through which U S aid is channelled) and figures in the capital receipts under "other deposits and advances" which include

The views expressed are those of the author and are not connected in any way with the position he holds in the Division of Perspective Planning, Planning Commission.

the accretions to the Special Development Fund. Another part is received back as loan and is credited directly to capital, figuring under "new loans". It is then transferred (by debit to capital head "Transfer of Development Assistance from the Government of U S A") to the Special Development Fund and also figures in the capital receipts under "other deposits and advances". The approved projects are then financed by debit to Special Development Fund. All grants and loans from the counterpart fund are thus routed through the Special Development Fund to ensure that they finance only the mutually agreed projects.

THE IMPACT

The impact of PL 480 aid may be explained with the help of the accompanying table. The banking system includes the Reserve Bank of India. The net liabilities of the banking system to a given sector are the total of bank liabilities to the given sector (including the latter's holding of bank notes and deposits) less the debts of that sector held by the banking system. The various columns indicate the successive stages in the flow of PL 480 aid.

Col. 1: The Government of India pays Rs 160 crores for the PL 480 supplies by borrowing from the banking system. The money is credited to the counterpart account. Liabilities to the Government go down (i.e., Government liabilities to the banking system go up) while that to the rest of the world go up by Rs 160 crores. Col. 2: The Government realises Rs 130 crores as the sale proceeds of PL 480 sup-

plies. The amount is credited to its bank deposit. Business and households pay for these supplies by reducing their net lending to the banking system. Bank liabilities to the Government go up and that to business and households go down by Rs 130 crores while that to the rest of the world remain unchanged.

AMOUNT PAID AND AMOUNT RECEIVED

The difference of Rs 30 crores between the amount paid by Government for PL 480 supplies and the sale proceeds realised by it means that to this extent either the supplies have gone into stock or have been sold at a loss. Actually, the large outlay in recent years provided in the capital budget of the Central Government under "Schemes of Government Trading" is largely due to the losses incurred on Government trading in PL 480 and other food grains. These losses, first met out of capital as above, are then written back to revenue in a number of instalments. The total proposed to be thus written back in the 1960-61 budget amounts to Rs 8.99 crores, of which the write-back of losses on PL 480 wheat will be Rs 5.5 crores — the balance is accounted for by write-back of accumulated losses on Burma rice (Rs 3 crores) and on American loan wheat (Rs 0.49 crores). That a single instalment of annual write-back of PL 480 grain losses is now as high as Rs 5.5 crores suggests that the cumulative total of such losses by the end of 1960-61 would be very substantial.

The decrease in net liabilities of the banking system to business and

Changes in Net Liabilities of the Banking system
(Rs crores)

Creditor	Change in net liabilities			
	1	2	3	
(1)	(2)	(3)	(4)	(5)
(1) Rest of the world	+ 160	+ 160	+ 160	+ 30
(2) Government administration	— 160	— 160	— 160	— 160
		+ 130	+ 130	+ 130
			— 130	
(3) Business and households		— 130	— 130	— 130
			+ 130	+ 130

households is the measure of the disinflationary impact on the economy at this stage of the consumption of PL 480 supplies. Inflationary pressures exist when net bank liabilities held by business and households are in excess of the amount which they are prepared to hold at the current level of their money income and the total (by money value) of their negotiable assets. This excess is, of course, not the cause of inflationary pressures but rather, together with the inflationary pressures, is a consequence of the *ex-ante* gap between investment and saving of an order that entails excessive resort to bank credit to finance investment. Inflationary rise in prices is the mechanism through which the economy adjusts the level of money income and of the total (by money value) of negotiable assets to the amount of net bank liabilities which business and households are obliged to hold. Any factor that reduces the amount of such net liabilities naturally has a disinflationary impact on the economy. And the consumption of PL 480 supplies is such a factor.

OFFSET TO DISINFLATIONARY EFFECT

Col. 3: The amount of net bank liabilities held by business and households are shown in col. 3 to have been restored to the old amount in two ways. In col. 3.1, while the counterpart account with the banking system remains intact at Rs. 160 crores, the Government finances Rs. 130 crores of expenditure by borrowing from the banking system. Bank liabilities to Government decrease (i.e., net government liabilities to the banking system increase) by Rs. 130 crores and that to business and households (which receive payment for the goods and services supplied to Government) increase by Rs. 130 crores. In col. 3.2, the counterpart deposit is drawn down by Rs. 130 crores to finance U.S. Government of India, or business and household expenditure. As a result net bank liabilities to rest of the world go down and that to business and households (which supply the goods and service on which this amount is spent) go up by Rs. 130 crores. In both the cases, the original disinflationary impact of the consumption of PL 480 supplies has been offset by the inflationary impact of the finance of expenditure by drawing down the

counterpart deposit.

It follows that non-inflationary finance accrues in a period through consumption of PL 480 supplies in that period measured by the sale proceeds of these supplies. One method of tapping this would be to finance expenditure, to the extent of such consumption, by debits to the counterpart deposit. An alternative method would be to keep the deposit intact and instead to expand bank credit to government business and households. To the extent it is tapped in one way, the balance available for tapping in the other way is reduced.

SUGGESTED CHANGES IN PROCEDURE

It would be desirable to make the following changes in the procedure for the utilisation of PL 480 aid:

1. Since the amount of non-inflationary finance accruing in a given period is measured by the sale proceeds of PL 480 supplies in that period, losses incurred on such supplies reduce the availability of such finance. To the extent such losses could be avoided, a given consumption (in physical terms) of PL 480 supplies would yield larger non-inflationary finance.

2. The counterpart account should bank with the Government of India (rather than with the Reserve Bank of India) just as the Railway Depreciation, Railway Reserve, Railway Development, P & T Renewals Reserve, P & T Development, P & T Revenue Reserve, Telephone Development, Shipping Development, etc., funds do at present. In that case, the credits to the counterpart deposit will show up as capital receipts to the Government under (preferably non-interest bearing but possibly interest-bearing) deposits and advances. Such receipts will yield, in a given period, non-inflationary finance to the Government to the extent of sale proceeds of PL 480 supplies realised by it in that period less the debits to the counterpart account to meet U. S. rupee outlays other than loans to Government of India. The debits of this account to finance U. S. grant of loans to Government of India will then be of no significance except to transform government external debt from deposit obligations into loan obligations. The receipts under the loan head will be offset by disbursements under the deposit head so

that there will be no room for the misunderstanding that the former represent a further inflow of external aid. Of course, the suggested change in accounting procedure can be made only by agreement with the U. S. Government.

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Parliamentary Democracy in India

Procedural Improvements Not Enough

C V H

WHILE parliamentary democracy in India, as a political ideal, is still exposed to hazards arising from the attitudes of certain political parties and criticisms from others, the mechanism of the system functioning through Parliament is being progressively perfected. The mechanism can be an important factor contributing to the success of the system, but it cannot be the sole factor.

The distinction between the two is evident. We may evolve satisfactory and even precise rules and procedures to guide the work of parliamentary institutions, as in fact we are doing, and thereby enable Parliament to carry on its work smoothly and efficiently. But the roots of the parliamentary system lie in the democratic ideal, and they have to be fostered outside the confines of Parliament and among the masses of people. Unless the roots are vitalised and made to acquire self-developing potentialities, the branches of the system represented by Parliament and the State Legislatures cannot draw the necessary sustenance.

An attempt will be made in this article to analyse, in broad outline, the situation with regard to both the branches and roots of the system. The analysis will be confined broadly to the working of Lok Sabha, which is the most important branch of Parliament.

CONGRESS PREPONDERANCE

Because of the preponderant position of the party in power, the inevitable implication of which is that all—or most—Government decisions are decisions of the Congress party, Parliament's instrumentality in decision-making as such is restricted. The Opposition parties express their points of view, and on some issues on which they feel strongly they express themselves strongly, as the P S P did on the China issue and the Communists on the Kerala issue. Apart from that, consultations may go on through Special Committees, as on food. But the Opposition, as such, cannot be considered to have much part, except imperceptibly,

and in an indirect way, in shaping Government's policy.

There is, however, a number of indications to show that Parliament is becoming a more effective instrument for expressing public opinion and voicing public grievances. It is also becoming increasingly effective in restraining the executive and ensuring the latter's response and accountability to national sentiment and will, which finds expression—in a broad manner—in the House through elected representatives of organised political parties and others. Through the evolution of various mechanical devices and enforcement of rules of procedure, the day-to-day working of Parliament is being better regulated.

FREQUENT ADJOURNMENT MOTIONS

The Opposition groups try to make up for their inability to influence policy by resorting to frequent adjournment motions and protest walks out. Time and again the procedure by which and the purposes for which adjournment motions can be brought forward have been spelled out by the Speaker.

The criteria for admission of adjournment motions are only too well known—among other things, adjournment motions should relate to matters of urgent public importance for which the Central Government is responsible. But a count of motions attempted in any session would, however, indicate that all the time something very serious or very extraordinary is happening within the sphere of the Central Government's responsibility, that requires to be drawn attention to or for which the Government should be censured. It is strange that this procedural device should be so popular, despite it being self-evident that even if an adjournment motion is admitted, it would not be possible for the Opposition groups, disparate as they are, to muster the support of the prescribed number of members for its being moved.

Nevertheless, if in every session adjournment motions are given notice of with monotonous regularity on matters which obviously are out-

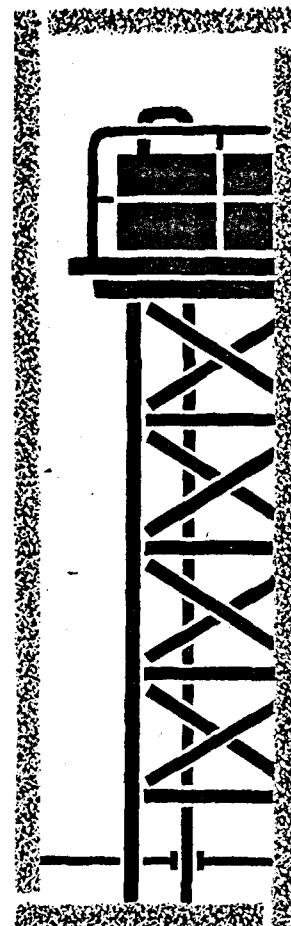
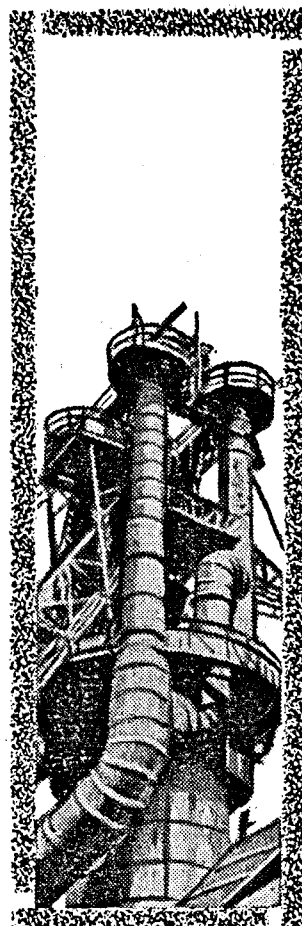
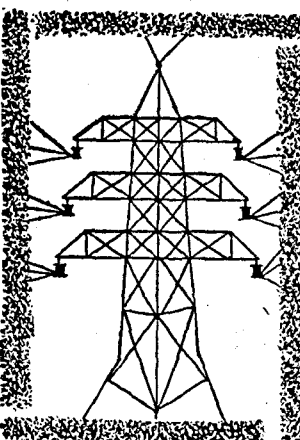
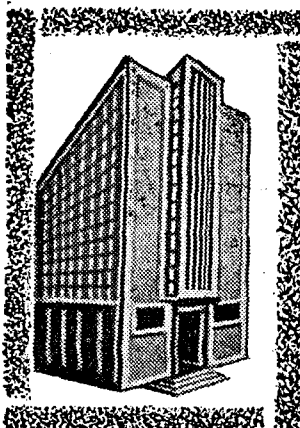
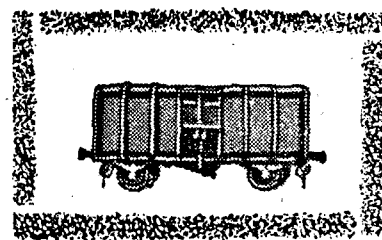
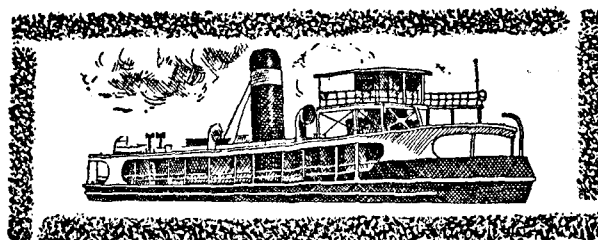
side the purview of Parliament (and are, therefore, as regularly disallowed), it is not because those who attempt to bring forward these motions are unaware of their inadmissibility: the only explanation for it is that members probably find this an effective method of drawing attention to themselves, of demonstrating their protest against the monolithic Government majority.

SPEAKER'S RULINGS MUST BE RESPECTED

Refusing permission for a large number of notices for adjournments must be embarrassing to the presiding officer, because of the inevitable protest in the form of a walk-out that follows his ruling. Some members persist even after the Speaker's warning that a motion is inadmissible, in bringing it up again under the guise of a point of order or by interrupting the proceedings after question hour when the next item on the agenda is called or is about to be called. Parliamentary procedure demands that members show due respect to the chair's rulings. This, unhappily, is not always forthcoming. So persistent was the attempt to move an adjournment motion last session that the protesting member had to be suspended for a day. On another occasion, the persistence of another member in questioning the chair's ruling compelled Prime Minister Nehru to suggest, as Leader of the House, the removal of the member from the chamber.

The Speaker's rulings on different matters, as they arise, are valuable because they create precedents and precedents serve to eliminate waste of time. Besides adjournment motions, the Speaker's observations on two other matters during the last couple of sessions on raising points of order fall in this category. While the inherent right of members to a point of order for putting objections to something which is being said in debate or for seeking clarification on some point is undisputed, it does not justify raising too frequent points of order by one or more members

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on points which do not obviously call for any clarification. Too many unjustified points of order interrupt the proceedings, and enable members to make observations, which are themselves irrelevant to the business on hand. It is difficult to prevent a point of order from being raised when it can be done spontaneously and without previous notice, but it is essential for members to realise that it should be relevant and should be designed to secure clarification of a specific position or to object to an irrelevant point being made in debate.

PARTY WHIP

The place of party whips in the working of the parliamentary system came up prominently in the last session of Lok Sabha. It has an important bearing on the functioning of the party system, through which the Parliament works. The whip is the instrument for keeping party members on the *qui vive*, especially when an important debate is in progress, on which votes may be taken. The issue came up sharply during the debate on the motion to amend the Constitution to extend the period of reservation of seats in Parliament and the legislatures for scheduled castes and scheduled tribes. The motion had been introduced by Government. The Congress Parliamentary party was apparently divided on the issue and at least a section of the party was reluctant to support the amendment. However, a policy decision having been taken, the Government could not risk a defeat through the abstention of its own supporters at the time of voting. An urgent whip was issued calling for the presence of every member in the House if and when a division was called. It evoked inadequate response and if at the moment of recording the votes, the mechanical vote-recording device had not gone out of order, the amendment would have been voted out, resulting not only in loss of Government's prestige but probably in a demand for its resignation.

The episode has, however, a wider significance for the working of parliamentary government, because it raises questions of party discipline on the one hand and freedom of conscience of members on the other. While the parliamentary system depends for its successful

working on the enforcement of rigid discipline on party members, the question is whether the tyranny of the party whip should be such that even when members honestly feel that a particular party position or decision is not in the public interest or is wrong from their standpoint, they should rigidly obey it. The recalcitrants in the Congress Party had to pay dearly for ignoring the three line whip on this particular occasion, by foregoing part of their emoluments as a 'fine'.

ACCOUNTABILITY OF THE EXECUTIVE

One of the cardinal rights and privileges of Parliament is to enforce the accountability of the Executive to Parliament. This is done efficiently by the Lok Sabha through various devices—interpellations, calling attention motions, half hour, one hour and two hour discussions on specific issues raised by members, which the Speaker admits at his discretion. By far the most important of the agencies through which Parliament ensures that the responsibility of the ministries to it is discharged are the Estimates and the Public Accounts Committees. Representative of all sections of the House, these two Committees provide an effective check on Government policies and programmes. They scrutinise not only the estimates of expenditure prepared by ministries but also the methods of spending funds voted by Parliament, so that there is neither mis-spending nor unauthorised spending.

Their functions were explained by the Speaker of the Lok Sabha while inaugurating the annual meetings of the Estimates and the Public Accounts Committees for 1959-60. About the Estimates Committee, the Speaker said that "whatever policy is laid down by the Parliament, your business is to see that that policy is carried out—not independently or divorced from its financial implications". He pointed out that it was mainly a financial committee and "it is only where a policy involves expenditure and while going into the expenditure you find the policy has not worked properly, you are entitled and competent to go into it". On the work of the Public Accounts Committee the Speaker said that "on your work depends further economies that could be achieved in this country." Especially when we

consider the manner in which we have undertaken a large number of projects in the Second Five Year Plan, he said, "every pie that you will save will go towards making the future Plan successful".

COMMITTEE ON GOVERNMENTAL

ASSURANCES: AN INNOVATION

Another body through which Parliament exercises its right of ventilating public grievances and getting them redressed is the Committee on Governmental Assurances. This is a purely Indian innovation. This committee functions as a watchdog of Parliament to ensure that assurances given by Ministers on matters brought to their notice on the floor of the Lok Sabha are actually implemented. This committee places Ministers on their good behaviour, as it were, by making a report to every session of the Sabha and pins them down to their statements made on the floor of the House.

The Speaker, as the guardian of the prestige and dignity of the House and the custodian of its rights and privileges, plays a vital role in enabling the parliamentary machinery to operate smoothly. By his observations on various matters arising in the course of a debate, by his formal rulings on points of order raised by members, which may range from efforts to secure simple clarifications of some rule or procedure to matters involving interpretation of Constitutional provisions, by his right to regulate debates and pronounce on the admissibility or otherwise of various motions—the Speaker exercises enormous influence on the working of the House. His observations in the course of the debates and his rulings on various issues, all of which form part of the official proceedings, become precedents in respect of similar situations which may arise in the future and in course of time acquire the status, significance and sanctity of conventions and become part of the parliamentary tradition. Thus is the base of the parliamentary system in India being broadened from precedent to precedent and from convention to convention.

RELATIONSHIP BETWEEN PARTY AND ITS LEGISLATIVE WING

A significant feature of the parliamentary situation in India is the dominating position of party organisation *vis a vis* their legislative

wings. For the Congress party, this has far-reaching effects not only on Government policies but on the functioning of the Government. This extra constitutional relationship between the Government party and its organisational wing is an inescapable outgrowth of the circumstances in which parliamentary democracy has been established. All important policies and programmes are first mooted, discussed, and decided upon in the party conclave before becoming accepted official policies. If this procedure indicates the primacy attaching to party leadership of the Congress, it has also been responsible for obviating serious friction between the two wings of the party.

It remains, however, a matter for conjecture whether this smooth relationship will continue if (a) the chief of the Congress organisation happens to be an assertive person, with a mind and will of his own, or (b) if the present Prime Minister's dominant personality, which provides the connecting link between the organisational and the parliamentary wings, is removed. For the time being, the one safeguard against the party leadership, which also dominates the Government, utilising its position for unconstitutional ends is the intrinsic predilection of this leadership for democratic ideals and its respect for constitutional proprieties. It will be a sad day for parliamentary system if this safeguard disappears for any reason.

SUPREMACY OF LEGISLATIVE WING

This relationship is, however, undergoing a change the extent of which is at present imperceptible. One clear indication of this is the growing importance attached by the Congress and also other parties, excepting the Communists, to the parliamentary side of party activities. This was one of the points made in a note prepared by Shri J Rameshwar Rao at the instance of the Congress Parliamentary party. Generally speaking, in a parliamentary democracy, unless a party has an effective legislative wing, its existence cannot be felt and the electorate—and public generally—will have little use for it.

As political parties constitute the bedrock of democracy and as responsibility for running the Government devolves only on that party which commands a majority, a develop-

ment of the kind mentioned above is inevitable. In the relationship that now exists between the British Conservative and Labour party organisations and their parliamentary wings, the former are mainly electioneering agents for their respective party candidates while policies are decided by the latter. We can envisage in the next few years developments in India by which the leaders of parliamentary parties would be either the same as the chiefs of the organisations or the latter will become more or less figure heads. This appears to be quite probable at least in respect of the Congress, when the present generation of top leaders pass away, and more especially when Pandit Nehru is no longer on the scene.

TRUE ALSO OF OPPOSITION PARTIES

What is true of the Congress is also largely true of the Praja Socialist Party. The leader of its parliamentary group has a more or less decisive voice in determining the party line on any important issue in Parliament, though the Chairman of the party and the party executive contribute to the formulation of the broad outlines of party policy. The Communist party, which is the other organised party in the country has also a strong parliamentary wing. But it would not be wrong to say that it regards parliamentary work, despite the Amritsar thesis, more from the propaganda and publicity standpoint than from its firm faith in its utility as an instrument for achieving the political and economic objectives of the Party. Both their protests and their silences in the House are significant. These are primarily intended to expose the weakness of other parties professing socialism or to cover up its own weaknesses and predilections towards a party dictatorship or at least extra constitutional action.

DISTURBING CRITICISM

While sound parliamentary procedures, precedents and conventions are being evolved, doubts are increasingly being raised about the suitability of the parliamentary system to this country. The efficiency and potency of the prevailing procedures for the realisation of national objectives of speedy economic and social progress are also being questioned. The Sarvodaya group led by Shri Jai Prakash Narain have attacked it on fundamental, moral grounds. Others are impa-

tient of the procedure in Parliament, because adherence to them holds up and slows down the progress of the nation in an age of rapid technological change. What is disturbing is that this kind of sentiment, and the suggestion for brushing aside the rules and procedures of Parliament should come from Pandit Nehru from time to time.

The parliamentary system is undoubtedly the best political system for India. It is more widely understood and appreciated than any other form of democratic government like the presidential system or the system of indirect elections. It will nevertheless be conceded that besides perfecting the rules of parliamentary procedure and the mechanics of the system, fundamental modifications are necessary to vitalise and invigorate the roots of parliamentary democracy in this country. These modifications relate to basic human factors because no system can function successfully unless those who are to work it are properly conditioned to make it work.

ABANDON CASTEISM AND COMMUNALISM

Firstly, political parties should display greater awareness than they have done so far of the fact that political democracy thrives only when the electorate is mature, informed, intelligent and vigilant, and that this can be done only by intensive and continuous education of the people of their obligations and rights as citizens of a democratic republic. It is primarily the task of political parties to undertake this educative campaign. Members of Parliament can do this better than others by keeping in touch with their constituencies and by evincing much greater interest in educating them than they are inclined to do at present. As the recent report of a committee of the Parliamentary Congress Party prepared by Shri S N Mishra rightly underlined, Congress party members are probably the worst offenders in neglecting their constituencies. This results in their losing touch with the currents of public opinion in the countryside and functioning in a sort of vacuum.

As a corollary to this is the need for parties to abandon the criteria of narrow casteism, sectionalism and communalism for selection of

candidates for election to Parliament and other legislative bodies and to prescribe instead minimum standards of education and general competence. If political parties, for reasons of their own, are reluctant to impose these qualifications voluntarily, it would be desirable and essential, in the interests of the democratic system, which we have deliberately opted for in our Constitution, to prescribe them by law. It should be remembered that under the existing system, membership of Parliament is a stepping stone to ministerial office and executive responsibility.

WIDER PARTICIPATION ESSENTIAL

Secondly, respect for and faith in parliamentary democracy will grow among the people in proportion to the conviction they gain that their elected representatives are discharging their responsibilities with dignity, diligence and discipline. Theatrical manoeuvres like walks out and frequent interruptions of legislative proceedings by political parties or individual members, and repeated lack of quorum during sittings of the House may be amusing and may occasionally provide some excitement. But this type of behaviour betrays political immaturity, exhibitionism, excessive fondness for the limelight and inadequate appreciation of the need to utilise the opportunity that members are given for serving the public interest.

It should be made a rule that every member of the legislature should have spoken at least on a prescribed number of times in the course of his term as member, or participated in the voting in at least 80 per cent of the divisions for being entitled to re-nomination. True, a number of back-benchers do not have the occasion to speak in debates because the lists of speakers prepared by party whips are confined more or less to a few more prominent members. It should not be difficult, however, for them to secure change of speakers if members specialise in particular subjects and offer themselves as participants. Parliamentary business is complicated and legislative work requires competence. It is for the members to acquire the necessary competence through diligence and industry and to participate fruitfully in the work of Parliament and raise its standard. This is not a proposition to be accepted merely in

theory but one that should be enforced by the party machinery.

Even the fundamental role of Parliament as watchdog of public finances can be discharged effectively only when there is this intelligent participation by members in the business before the House. This responsibility is becoming more and more heavy with the increasing number of public corporations and the enlargement of the rules to ensure that these undertakings carry on their work efficiently and expeditiously; there is also the need to ensure that there is no wastage of public funds or inefficiency and maladministration in their functioning. It is the ordinary citizen's vital interests that are involved in this exercise of continuous vigilance by members of Parliament, for it is he who pays for such inefficiency.

Thirdly, Parliament should not be only, or even mainly, a forum for the publicity of the party or for individual members to project themselves before the public eye. Neither should it be a ring for fighting out narrow regional, linguistic or sectional conflicts. There are other avenues and other agencies like the State legislatures for ventilation of such viewpoints. Parliament is essentially the national legislature. While the Speaker heroically strives through his rulings and admonitions to prevent these essentially regional or State matters from being brought up before the Lok Sabha, his efforts can succeed only to the extent that all sections of the House cooperate with him in his endeavour.

PUBLIC INTEREST MUST BE CREATED

Nothing is more important for the next few years than the continued political education of the masses on the virtues, principles and practices of parliamentary democracy. This is the only way in which the challenges from different sides to the very bases of parliamentary democracy can be effectively countered and subdued. It is also the necessary pre-condition for parliamentary democracy to strike deep roots in the soil, which, according to critics, is not congenial for the functioning of the western form of parliamentary government. Side by side, healthy precedents and conventions should be built up which would keep the structure in good shape and ensure its orderly and harmonious functioning.

Besides the political parties, various organised public opinion organisations, institutions of social and public administration, and other organised groups and associations should be able to contribute in their own way to the creation of this democratic tradition which in the ultimate analysis may be equated to constant and intelligent public discussion and debate on public affairs at different levels. The part which the press can play in the creation of this tradition and in keeping the debate on public affairs alive can hardly be over-estimated.

In his contribution entitled "Decision Making in Indian Parliament", Mr Norman D Palmer observes that despite various handicaps, traceable to the political and social background of India, the parliamentary system "is operating now and seems to be operating with growing effectiveness, in spite of the multitude of problems and obstacles". He adds that "unless a major reversal occurs in Indian politics, Parliament will almost certainly gain in prestige and influence".

It is, indeed, the hope of all those who have laboured for the establishment of the parliamentary system, and are engaged in operating it, that favourable conditions—political, social, economic, etc.—for its successful working should come into existence so that it can strike deep and healthy roots in the soil. If in this process certain forms and procedures have to be evolved, which differ from those prevalent in other countries with similar political systems, because they are called for on the special circumstances and traditions of India, that should not affect adversely the basic foundations of the structure of Indian democracy.

Export of Electric Fans

INDIA exported 38,000 electric fans valued at Rs 38.5 lakhs in 1959. In the previous year, 21,379 fans valued at Rs 21 lakhs were exported.

There were 24 large-scale units at the end of 1959 engaged in fan making which produced 7.31 lakh fans, as compared with 6.36 lakh fans produced in 1958 by 21 units.

The Development Council for Light Electrical Industries has estimated the annual requirement of fans at 8.5 lakhs.

“It is not often realised that the development expenditure needed to bring an oilfield into commercial production, though less hazardous, is generally several times as great as the original exploration effort.”

Extract from a Burmah-Shell publication

An oil derrick in Assam

More Food without Fresh Investment

D S Chauhan

EXPANSION of food production in particular and of agricultural production in general or modernization of agriculture, as such, is usually associated with deepening and widening of capital investment in agriculture. However, significant increases in farm production and larger supplies for consumption are possible through methods which do not require any or require very little fresh investment at the farm level. The present paper deals with some of these methods.

One of our production studies in Uttar Pradesh has shown that the centres of maximum crop intensity and of maximum yield do not coincide. This means that the areas where a particular crop is grown most extensively (i.e., where the area under the crop is the maximum under any crop in the total cultivated area) do not show the maximum yield per acre under that crop. It implies that quite extensive areas are devoted to crops whose yields are comparatively low there.

CROP ADJUSTMENTS

What is true of U P seems likewise true of other States; and thus it appears that in localization of crops, factors other than suitability of physical conditions of soil and climate have exercised quite a determining influence. This is an outcome of diversification of crops which cultivators had to follow in a system of subsistence farming which arose from the isolation of village communities. The latter in its turn resulted from inadequate means of communication and transportation.

Diversity of crops grown is also believed to be a measure of safety against agricultural hazards. But we are inclined to feel that the system of crop mixtures rather than diversification of crops was adopted as the main device against agricultural hazards (though diversity also helped farmers in this regard to some extent). The latter was adopted as the natural pattern of farm production under subsistence farming in isolated villages. As the isolation of villages has tended to disappear, means of communication and transportation have developed and marketing of agricultural pro-

ducts over an extended area has become possible, the basic reason for diversification of crops has disappeared. To say this is not to advocate specialization of the extreme type leading to the cultivation of a single crop in an agricultural area which is neither possible nor desirable.

The point is that now there is no pressing necessity for farmers to go in for such a great diversity of crops as under conditions of isolated villages. Now this practice merely follows a tradition and is not forced by any exigency.

This makes a change of crop easier. And adjustment of crops so as to bring about greater intensity of particular crops in areas which are most suited to the soil, climate and physical conditions, will definitely give higher yields and larger outturn even under existing levels of farm expenses and investment. Except rice and jute in which crop adjustments may not bring about as much additional yields as in the others, in the case of all our other crops, crop adjustments will raise yield and output considerably.

BETTER FARM PRACTICES

The best farm practices in India, it is recognised, can be compared quite favourably with the best in any country of the world. But these are not commonly followed by the bulk of the farmers. In a large section of the farming community and quite a large farming area, farm practices actively followed are far inferior, and give much lower crop yields. The two delegations sent to China by the Government of India have noted it in their reports and given it considerable emphasis that a phenomenal increase in Chinese agricultural production has resulted from the adoption of farm practices of the better Chinese farmers in those parts of the country which are agriculturally advanced. The technical improvements adopted by the average Chinese farmer did not involve much of technological change but only changes essentially in farming technique or in farm practices, which do not add to the costs of cultivation. The Second delegation, consisting of technical experts reported with a great degree of satisfaction that 'there was no-

thing new in the technique of Chinese farmers which was not known to our cultivators'.

What has been demonstrated by China can be realised elsewhere too, provided the better practices of the native farmers are adopted by all those who are now following inferior methods. The best in the country should be known to and practised by the farming community in general. At the farm level, these practices do not add to costs or involve additional investment, yet they are likely to increase output. In executing such programmes which involve mass education and propaganda, some costs may have to be incurred by the Government but not much, since a sufficiently widespread Government machinery already exists. It is worthwhile to note that it is not necessary to search for better methods and techniques in foreign lands, nor is there any special charm in associating the name of a foreign country with such techniques which have only very minor differences from those followed by the best of our own farmers. It is the results achieved and not the name which make the appeal more convincing to farmers.

CHANGES IN ORGANISATION

The general pattern of Indian agriculture is small scale individual farming. Even these small production units are under-cultivated, and under-cultivation results in higher cost and lower production. Only by reorganising these basic units of production, considerable waste can be prevented and even with the existing farm resources, higher yields can be obtained. One of our studies showed that even production on small farms suffers from scarcity of labour. It is paradoxical that in a country having such a great pressure of population on land, even small farms should experience labour shortage and that farm work should suffer, land should not be fully cultivated and production should be less because of, among other things, labour scarcity. Yet this is the actual experience. Reorganisation of the basic units of production, making them large enough for economic operation and better utilisation of labour may

achieve higher production. Such organisational changes also do not involve any additional investment. Consolidation programmes cost very little to the farmers. Similarly, organisation of many of the agricultural services does not involve much investment by the farmers. There is reason to believe that even with the proper mobilisation of existing farm resources, much better results are possible through organisational and institutional changes.

PREVENTION OF WASTES AND LOSSES

Losses of agricultural production are of several types. Standing crops are damaged by various pests and diseases. After crops leave the threshing floor, losses occur in transit and storage. Losses from these sources alone would amount to 20 to 22 million tons for the whole of India. This is a huge loss.

In the case of losses or damages which occur when crops are standing, some can be avoided by proper vigilance which involves only labour while others call for plant protection measures, for which, of course, farmers will have to incur some costs. As regards losses from storage, only a few of the producers store for a long time. To cut down these losses, better storage facilities and adequate warehousing will be necessary but strictly speaking, they are not production costs. For the trade, adequate provision for storage capacity is needed, and this, of course, needs investment. But so far as cultivators are concerned, storage of marketable surpluses by them should not be necessary, if they can be saved from the consequences of seasonal fluctuations in farm prices. These fluctuations can be eliminated through a suitable system of price fixing, establishment of a marketing organisation and warehousing. The first does not require any capital expenditure. The other two, of course, do, but farmers' contribution to them need not be very high.

UTILISATION OF IDLE MAN-POWER

There are many things which enrich the land which are generally termed capital assets in agriculture, e.g. irrigation channels, bunds, tanks, afforestation, soil conservation work and the like. To some extent, these come within the computation of individual farming units also, but very largely, these concern the village as a whole. In the case of most such capital assets, labour costs form by far the largest

proportion; and idle man-power in the villages can be utilised with great advantage in building up such assets.

From the above, it will be seen that even at the existing low level of farm investment, substantially higher output is possible through the measures which have been mentioned. Individually considered, they may not appear to have a great potential but the combined effect of all of them is likely to be impressive indeed. In fact, even if some of them are adopted, output is bound to be significantly higher. Secondly, in the total farm production problem, these can be taken only as an aid. Lastly, these measures need a high degree of mass education, propaganda and institutional and organizational changes. They involve changes from accustomed ways, which cannot be easy and quick.

In a situation of crisis, people become impatient and demand quick results. But things take their minimum normal time to move. In view of the consciousness and enlightenment spreading in the countryside, one feels hopeful nevertheless about the eventual success of these measures, within reasonable time, provided adequate and suitable efforts are made. One should not conclude that progress in agriculture is held

up merely because a higher rate of capital formation does not take place. The capital-output ratios worked out for advanced or even different agricultural situations may be misleading at the existing stage of our agricultural development. At this stage (under the socio-economic frame in which our agricultural activity is being carried on), a much higher rate of growth is possible with a certain amount of investment than that under conditions of modernised agriculture in other countries, with the same amount of investment.

A Question of Utilisation

THE Prime Minister regretted that Rs 900 crores spent so far on agriculture since the First Five-Year Plan had not yielded the expected results. "In no other country has such an outlay on agriculture been made. There are some good results somewhere but largely they are not to the extent anticipated. Where has the money disappeared? I do not mean that the money had been swallowed by some people. There has not been proper utilisation of the money". Good rules have been framed at the top but implementation at lower levels has been unsatisfactory, he said.

—*The Hindu*, November 12, 1959

THE STOCK EXCHANGE

Bombay

Essay Competition

UNDER the auspices of the Shantilal J. Smarak Fund and M. C. Baxi Prize Fund, the Exchange invites essays on the following subjects:

- The Origin and Growth of the Stock Market in India —With special reference to the Stock Exchange at Bombay.
- The Future Role of the Stock Market in India.

The panel of Judges consists of Shri A. D. Shroff, Director of Tata Sons, Ltd., Dr. B. K. Madan, Executive Director of the Reserve Bank of India, and Shri H. T. Parekh, General Manager of the Industrial Credit and Investment Corporation of India, Ltd.

There are three prizes as under:

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| (i) Shantilal J. Smarak Prize | Rs. 2,500 |
| (ii) M. C. Baxi Prize | " 1,500 |
| (iii) Third Prize | " 1,000 |

Additional prizes may be awarded on the recommendation of the Judges.

The last date for submission of essays is the 31st of July, 1960.

Copies of the Rules and Regulations for the Essay Competition can be had from the Exchange on request.

From the Chair

The Central Bank of India, Ltd

Speech of the Chairman, Sir Homi Modi

THE following is the speech delivered by Sir Homi Mody, K.B.E., Chairman, the Central Bank of India, Ltd., at its Forty-ninth Annual General Meeting held on Wednesday, the 30th day of March, 1960:

Ladies and Gentlemen,

In presenting to you the Annual Report of the Directors and the audited Statement of Accounts, I shall begin with a few observations on the economic situation in India and abroad.

During the year under review, there was an appreciable improvement in the political and economic climate of the world as a whole. There was a welcome thaw in the cold war and a general expansion of world trade. Industrial production was on the up-grade and reached higher levels in most countries. At the same time, there was greater awareness, on the part of the industrially advanced nations, of the necessity of helping in the economic development of under-developed areas, and it is possible foreign aid on a substantially larger scale might be available to our country in the coming years, with prospects of a more even spread amongst the countries which are in a position to lend.

EXPANSION OF ECONOMIC ACTIVITY

As was to be expected, there was a marked expansion of economic activity in India in 1959. Agricultural production which had slumped badly in 1957-58, staged a welcome recovery in the following year, with the index number moving up from about 114 to 131. This improvement, which was due more to favourable seasonal conditions than to any other factor, should not, however, lull us into a false sense of security, because, with the alarmingly rapid growth of our population, a sustained and accelerating increase in agricultural production is a fundamental condition of our economic progress.

Industrial production also recorded a sizeable improvement and, in particular, there was a substantial increase in the output of capital and intermediate goods. Industries

like iron and steel, nonferrous metals, electric power and automobiles showed considerable progress; consumer goods industries registered only a meagre improvement. The general index which had been moving very slowly in previous years, rose from 139.7 in 1958 to 149.4 in the first ten months of 1959.

FALLING VALUE OF RUPEE

The most disquieting feature in our economy is the persistently upward movement of the general price level. The index number of wholesale prices showed a net rise of 7 points to 117.5 in 1959, and it has risen by a further two points in the first two months of this year. All groups of commodities are experiencing an upward pressure, which is evidently a reflection of the strain which the large development programmes are placing on the available supplies.

A progressive increase in commodity prices implies, of course, a corresponding fall in money's worth. The deterioration in the value of the rupee, which has amounted to as much as 29 per cent since India became independent, cannot be disregarded on the ground that this is a phenomenon which is not peculiar to this country. Indeed, in a pitifully backward economy like ours, the maintenance of price stability is of the utmost importance for the very reason that the people's capacity to bear additional burdens is limited. As the Governor of the Reserve Bank recently stated, the task of maintaining stability in the value of the currency is not within the sole competence of the monetary authorities. For this purpose, as he rightly pointed out, "fiscal and monetary policy must be integrated—fiscal policy including, of course, a policy with regard to deficit financing".

RE-APPRAISAL OF PROGRAMMES NECESSARY

Government should, therefore, undertake a re-appraisal of the programmes they have been pursuing in these last few years. Mounting fiscal burdens, industrial imbalances and abnormal deficit financing can have only one result—a creeping

and, therefore, all the more dangerous inflation, which neither the monetary weapon nor selective credit controls can put right. In this connection, I would reiterate a suggestion I made at the last of the series of instructive lectures delivered by Sir Oliver Franks in Bombay that the time had come for the appointment of an independent body of experts for making a survey of our monetary system at this crucial stage of our development. Such a Committee would be able to tell us, among other things, how far our programmes of development are related to the maintenance of a reasonable price level, to what extent the working of the monetary system has been conducive to the maintenance of stability and how imperative is the need for harmonising the monetary, credit and fiscal policies of Government. My suggestion has received a fair measure of public support, but it may be too much to hope any action will follow.

WELL-BALANCED PLAN NEEDED

Meanwhile, the pattern which Government have set themselves is proceeding apace. The Second Five-Year Plan which started off with a flourish, and which, after its formulation, had its targets periodically scaled upwards with a cheerful disregard of such mundane considerations as means and resources, is nearing its end, with the hard core to which it had to be reduced implemented with the aid of large foreign credits, heavy deficit financing and bouts of fresh taxation. Its chequered career has apparently taught little to our planners. The Third Five-Year Plan is now being hammered out, in respect of which the net foreign exchange requirements are expected to be about Rs 2,000 crores. Even if, as seems likely, foreign credit of this magnitude is obtainable, should we not bestow some thought on the way we are mortgaging our future? Apart from that, are we receiving value for the money that is spent and are the objectives of our economic policy being achieved in full measure? It is time our planners rid themselves of such meaningless slogans as "take-off stage" and "self-generating

economy" and did some hard thinking, always remembering that the Plans are for the people and not the people for the Plans.

It is a matter for satisfaction that, at the present moment, a reconnaissance team nominated by the World Bank and headed by Sir Oliver Franks is engaged in the task of assessing the size, scope and content of the Third Plan and the extent of external aid that its implementation would need. Let us hope the deliberations of this expert body may assist in the formulation of a well-balanced plan which would take India substantially farther on the road to economic advance without exacting too heavy a price in the process.

MONEY SUPPLY LARGER

The inflationary trend has naturally been reflected in the additions to money supply. During the year under review, money supply with the public increased by Rs. 170 crores, the increase being more than twice as large as in the previous year. This was due to an improvement in both the foreign exchange position and in the lending operations of banks. The foreign balances held by the Reserve Bank, which had fallen by Rs. 109 crores in 1958, recorded a net rise of Rs. 24 crores in the year under review, thanks to the generous assistance received by India from foreign countries. Simultaneously, there was an expansion of Rs. 129 crores in the credit advanced by commercial banks to the private sector, compared with an increase of only Rs. 22 crores in the previous year, and this helped further to add to the volume of monetary circulation.

BANK CREDIT

Deposits of Scheduled Banks continued to rise and reached the figure of Rs. 1,827 crores, showing an increase of Rs. 253 crores during the year. An interesting feature is that demand liabilities which had contracted in 1958, now show a modest increase. Presumably, money is becoming more useable owing to the quickened tempo of business activity.

Scheduled Banks' credit moved up during the year by Rs. 99 crores. There has been in the last few years a steady advance in the volume of industrial finance provided by Banks, and this has to a certain extent had the effect of blurring the distinction between the busy and the slack season. As a result of

various factors, the investment portfolio of Banks showed a substantial rise, mostly in Government securities.

CREDIT SQUEEZE

I shall refer to only one other item in this survey of economic and banking conditions. The Reserve Bank have recently thought fit to apply the credit squeeze and have issued certain directives to Banks. The question which arises, however, is how far limitations placed on bank credit can serve as a corrective to the general advance of the price level in the prevailing situation. The experience of selective credit controls is none too encouraging. On this, I shall only quote the following from the Report of the Board of the Reserve Bank issued in August 1959:-

"Selective controls are not designed to correct the general inflationary pressures within the economy; nor is their success to be judged precisely by the extent to which the prices of the relevant commodities have fallen. The controls may be expected to exercise only a limited, perhaps a marginal, effect on prices, more particularly when Banks have large liquid resources".

In this connection, I would invite the Reserve Bank's attention to an article which appeared in the *Financial Times* of the 19th February, which refers to the credit agreement recently concluded in Norway after discussion between the Ministry of Finance and the Bank of Norway, on the one hand, and the Joint Consultation Council representing the country's Banks and Life Insurance Companies, on the other. Consideration might be given to the advisability of instituting some such consultative machinery between the Reserve Bank and the Scheduled Banks in our country.

CENTRAL BANK'S PERFORMANCE

I shall now proceed to deal with some of the salient points in the Bank's Balance Sheet and Statement of Accounts for the year.

You will notice at the outset that the Subscribed Capital at Rs. 3.15 crores shows an increase of Rs. 45,750/- as compared to 1958. You will also find an item of a little over Rs. 1 lac as Share Premium Account. Both these are the result of the decision taken at the last Annual Meeting to allot the Shares represented by fractional Certificates and Coupons that had remained un-

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presented for many years by their original holders.

Another new item, which finds a place in the Balance Sheet, is the Development Rebate Reserve amounting to Rs. 75,000/-, which has been created out of the year's earnings. The Sinking Fund in respect of Lands and Buildings, which used to be grouped in the past with the 'Reserves', has now been placed under 'Other Liabilities' as required by the Banking Companies Act.

You will have noticed that the total of our Balance Sheet figures has crossed the Rs. 200 crore mark. It now stands at Rs. 223 crores, representing an increase of Rs. 24 crores over the figures of the previous year. The aggregate working funds were also higher at Rs. 192.74 crores at the end of the year.

DEPOSITS AND ADVANCES HIGHER

The total of our Deposits again registered an increase and stood at a little over Rs. 180 crores. A particularly satisfactory feature is the way in which Demand Deposits have started moving up. In relation to the total Deposits of all Scheduled Banks in the country, our share amounts to 9.9%, which is a measure of the place we hold in the banking structure of the country.

There was an even larger increase in our figure of Advances which rose to nearly Rs. 120 crores at the end of 1959. This necessitated recourse to borrowings from Banks to a greater extent than in 1958. The advent of the busy season, which normally brings about a heavier demand for bank accommodation for financing the movement of crops, was delayed last year, resulting in funds lying idle for a good part of the second half of the year. In addition, the Reserve Bank's curb on foodgrains advances curtailed the lending activities of many of our Branches located in predominantly agricultural areas. But for this, the average of our Advances for the year, which was nearly Rs. 119 crores, would have been still higher. The peak was touched in May when the record figure of over Rs. 128 crores was attained. Our Bank accounted for 12.4% of all Scheduled Banks' advances outstanding at the end of the year.

The Investment portfolio was augmented in the course of the year by Rs. 1.99 crores and amounted to Rs. 54.92 crores. For the first time after many years, the total market

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value of our holdings has exceeded the book value by a margin of something like Rs. 30 lacs. When we consider how far we have come from the disastrous position which existed in 1952, we have cause for infinite satisfaction at the turn that has taken place in our fortunes.

ESTABLISHMENT EXPENSES

Turning to the Profit & Loss Account, the first thing that attracts notice is the improvement of Rs. 48.68 lacs in our gross earnings, despite the increased deduction of tax at source. Owing to the larger volume of business handled under Advances and Bills, there was an increase of Rs. 44.60 lacs in earnings by way of interest, exchange and commission. Contrary-wise, on the debit side, interest charges were up by Rs. 18 lacs on account of the increase in Deposits. The resultant net improvement in our earning potential was, however, nullified by the heavy increase in total operating cost, of which Establishment Expenses accounted for as much as Rs. 27.83 lacs, reaching the very high figure of Rs. 334.38 lacs, which represents an increase of almost Rs. 1 crore in the past five years. In relation to the gross earnings and net income, the ratio of establishment expenses for the year works out to 37% and 65.1% respectively.

DROP IN NET PROFITS

Despite the expansion in our gross earnings, it is disappointing to find that the net profits, far from showing an improvement, actually disclose a drop of about Rs. 2 lacs from the 1958 figure. The percentage of net profits in relation to gross earnings has been sliding down from year to year, as shown by the decline from 13.7% in 1955 to 11% in 1959. It is primarily due to the incidence of the mounting Establishment Charges, to which I have referred. This downward trend in profits could be arrested in only one way, and that is, by the entire staff striving to improve efficiency, discipline and happier relations between them and the Management, and thereby contributing to the development of the Bank's business. Now that a Tribunal has been appointed with comprehensive terms of reference, I shall content myself with expressing the fervent hope that its findings may result in the creation of happier and healthier conditions for all who are engaged or have an interest in the development of our banking system.

During the year, we opened 18 new Offices and closed down 10 unprofitable ones, leaving 306 Offices at the close of the accounting period.

DIVIDEND

I think I should give some explanation of the Board's recommendation regarding the Dividend payable to Shareholders. The Board decided that, while compulsorily deducting at source the tax payable on Dividend, as required by the law, the Bank should, nevertheless, pass on to Shareholders the two benefits accruing to the Bank, viz., reduction in the tax payable by the Bank from 51½% to 45% and the abolition of the Excess Dividend Tax. As you will remember, an Interim Dividend of Rs 1.90 per share, subject to tax, which is equivalent to Rs 1.33 net, was paid for the half-year ended 30th June. It was felt that if a final Dividend of Rs. 2.40 per share, subject to tax, which works out to Rs. 1.68 net, was declared, the object in view, viz., sharing with the Shareholders the benefits accruing to the Bank, would be achieved. Accordingly, if this recommendation is accepted by you, the Shareholders will get a net Dividend of Rs 3.01 per share, as against Rs 3.50 per share paid for 1958, which, I hope, will not be considered unsatisfactory in view of the prevailing conditions.

After being associated with the Bank for nearly thirty years, Mr. Dinshaw D. Romer recently resigned his place on the Board of Directors. His knowledge of legal and business matters and his sound judgment were of great value, and his colleagues were sorry he had to sever his connection on account of failing health. They have placed on record their appreciation of the valuable services rendered by him during his long association with the Bank.

Before I conclude, I am sure you would wish me to express our grateful acknowledgments to our Vice-Chairman, Mr. C. H. Bhabha, who has been devoting so much of his time and energies to the affairs of the Bank. He has done not a little for the improvement and expansion of its business, and we greatly appreciate the ungrudging service he has been rendering to the Bank. Our General Manager, Mr. N. K. Karanjia, has been continuing to shoulder the heavy burden of his office with rare zeal and devotion,

and it must be a matter of great satisfaction to him that, under his able stewardship, the Bank has been making such satisfactory progress. To Mr. F. C. Cooper, the Deputy Manager, Mr. V. C. Patel, the Chief Accountant, the other Officers-in-Charge at the Head Office and the Branches, the members of the Staff and the Local Advisory Committees at various centres, I would also like to convey our grateful thanks. With goodwill on all sides, I am confident the Bank will play an even more useful and progressive role in the future in the development of the commerce and industry of the country.

Sulphur from Pyrites

PROJECT IN PUBLIC SECTOR

THE National Industrial Development Corporation has set up a subsidiary company for the manufacture of sulphur, sulphuric acid and other products from the pyrites deposits in the Amjor area of Bihar State. The Pyrites and Chemicals Development Company Limited, which will undertake this public sector project, will have an authorised capital of Rs 5 crores. The entire capital will be held by the NIDC.

The project is estimated to cost Rs 6 to 7 crores. The Company will undertake the mining of large quantities of pyrites ore which would be smelted for the production of sulphur. The smelting capacity of the project will be 200 to 300 tons of sulphur every day and it is proposed to expand this capacity later to meet the entire requirements of the country. At present, India imports over 1.2 lakh tons of sulphur annually.

Vigil

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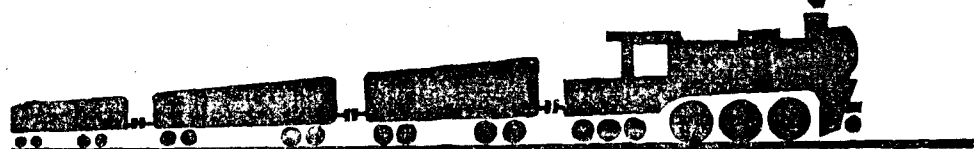
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METRIC SYSTEM

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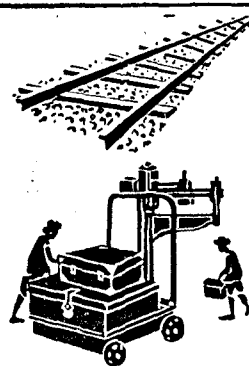
RAILWAYS



From April 1, 1960, the Commercial Branches of the Indian Railways will adopt the Metric System of Weights and Measures.

- Distances will be in kilometres.
(1 KILOMETRE=5 FURLONGS)

- Goods and luggage will be booked in Metric units only.
(1 KILOGRAM=16 TOLAS;
1 QUINTAL=2 MAUNDS 27 SEERS;
1 METRIC TONNE=0.98 TON)



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The Concept of Value Added

Kehar Sangha

IN common usage, value added refers to total value of shipments (or sales value) less the sum of the cost of raw material, supplies, containers, purchased electric energy and contract work. For instance, if total value of the product (say, cotton textiles) shipped amounts to \$1,000 and at the same time the cost of materials, etc., is \$800, the value added would amount to \$200 (\$1,000 minus \$800). In other words, the value added figure of \$200 has been created by the process of manufacture.

While value added is considered as one of the most comprehensive and meaningful measures of economic performance, efforts to determine the factors that contribute to a high or low value added in various industries are beset with insurmountable difficulties, both conceptual and statistical. Value added cannot be determined by any single factor. What factor is predominantly responsible for higher value added in a certain industry? Is it labour, or management, or capital? Insofar as contribution to the product is made it would be utterly impossible to isolate any of these factors.

Labour: Labour alone is not the only key determinant of value added because if value added in a particular manufacturing industry (say, petroleum refining) is high, it does not necessarily mean that workers in petroleum refining are more hardworking and efficient than in another industry in which value added is relatively low.

Management: Probably not, because there is very little, if any, that the management class can directly contribute to the product. Although it is proper to consider that the management decides when, what, and how to produce; nonetheless it would be erroneous to credit high value added to this factor of production alone.

Capital: The nature of capital employed, while it reflects the degree of efficiency of the plant or the firm to a considerable extent, cannot be singled out being the factor which is entirely independent of labour or of management.

There is, thus, a whole conglomeration of separate, though interrelat-

ed, variables which influence the level of value added in one manufacturing industry relative to the other.

CAPITAL EMPLOYED AND COST OF MATERIALS

Among others, the following factors might exert varying degrees of influence on the magnitude of value added.

Capital intensity could be singled out as one of the main determinants of variations in value added between two manufacturing industries. Since value added is expressly the difference between total sales revenue and the cost of materials, etc., the use of capital-using (or labour-saving) equipment will tend significantly to augment the output of an industry within a given period of time, while cost items remain substantially unchanged in a relatively free market, competitive economy. The data for the census of manufactures in the United States show that, in general, for a large proportion of industries the amount of capital expenditures seem to suggest a direct relation to value added; that is, for the industries in which capital expenditure is high, *mutatis mutandis*, the value added by manufacture is also high.

As might be expected from the definition of value added, higher costs of raw material, supplies, containers, fuel, purchased electric energy and contract work will lead to relative reduction in total value added. Low costs of these items, on the other hand, will show higher value added created by the process of manufacture. For certain industries, where elements of monopoly and monopsony are present, these costs probably exert insignificant influence on value added.

PRICE MECHANISM AND INTEGRATION

The sales value of the product depends in part on the level of prices during any given period of time, and thus, the level of existing prices contributes to a variation in value added. Monopoly price, usually supposed to be higher than competitive price with possible exceptions, may lead to a substantial increase in the total sales value. Assuming no major changes in the costs of ma-

terials, etc., therefore, value added in a manufacturing industry with elements of monopoly or near-monopoly will be higher than that having competitive prices.

Both vertical and horizontal integration in manufacturing industries would have some impact on value added. Vertical integration will tend to reduce the cost of raw material and contract work, etc., and horizontal integration will tend to minimize, if not eliminate, possible competition—thus leading to enhanced value added.

Other factors that might be understood to be of importance in causing increases or decreases in value added are product-mix, plant capacity, and effective demand for the product.

VALUE ADDED AND WAGES

One of the important uses that can be made of the value added figures is their relation to wages of workers. The ratio of workers' wages to value added represents the share going to the work force out of its efforts that have gone into the manufacturing process of the product. Let us consider that the ratio of wages to value added is 30 in Industry A as compared with 40 in Industry B, showing a difference of 10 percentage points. The explanations of this differential may be found in the following considerations:

(1) Wages in Industry A may be low, therefore the ratio of wages to value added is relatively low. (Relatively lower numerator in the fraction will tend to reduce the ratio of wages to value added.)

(2) Or conversely, value added in Industry A may be relatively high, therefore a tendency for the ratio of wages to value added to decline.

By the same reasoning, wages in Industry B may be high, therefore the ratio of wages to value added is relatively higher than that of Industry A. Finally, value added figures for the Industry B may be low, therefore the ratio of wages to value added is higher. Any one or a combination of more than one of the possibilities may serve to explain these divergencies in the ratios of

wages to value added in Industry A and Industry B.

WHAT IS THE INFERENCE?

A question can be raised: Does a lower ratio of wages to value added in a particular industry mean labour exploitation? Not necessarily*. The fact of the matter is that the ratio is merely a relationship which depends upon the value of the numerator (wages) and the denominator (value added).

* There, indeed, will be labour exploitation when lower ratio of wages to value added results from lower wages while value added happens to be higher. If higher value added is accompanied by higher wages, there will be no labour exploitation.

Around Bombay Markets

A Technical Rally

Thursday, Morning

EQUITIES last week staged an all-round recovery which was quite impressive in the case of a few counters, namely, National Rayon, Standard Mills, Voltas and Hindustan Motors. In the cash section, Dunlop Rubber spurted on hopes of an early Right issue making good nearly all the decline which followed the disappointment over the dividend cut. Gwalior Rayon and the new Baroda Rayon hit new highs. Improvement in cash shares was due more to scarcity of offerings than to any revival of investment inquiry. And the rally in speculative counters was the result of both short covering and selective professional bull support and some bargain hunting.

NECESSARY PAUSE

Though sentiment was helped by the satisfactory textile results and vague talks about the Reserve Bank modifying its directive on badlas by the banks, last week's rally was purely technical. The panicky decline that occurred after the announcement of credit control measures had brought the market back to an important support area, nearly 12 per cent down from the post-Budget peak which is highest point reached in the primary upward trend. It was only natural that the market should take a pause to reassess the situation, both technical and fundamental. For any further decline could have caused serious doubt about the major trend itself.

A pause was necessary. It came,

tor (value added). We cannot infer from these ratios the extent to which a portion of the product is claimed by the entrepreneurial class, for the value added figure is the total before deductions are made for such items as wages and salaries, rent, interest, depreciation, selling costs, etc. Nor does the higher ratio of wages to value added in a particular industry indicate that its workers are getting more than their counterparts in another industry where such ratio is relatively lower. For example, according to the US census of manufactures data (1947) the ratio of wages to value added in petroleum and coal products is 27.6 as against 47.3 for leather and leather products, yet the average

annual wage per production worker in the former is approximately 63 per cent higher than in the latter.

On the basis of the census data on US manufacturing, some general observations can be made with respect to wages and value added. In effect, capital-intensive industries seem to show a low ratio of wages to value added; the explanation lies in higher value added rather than lower wages. Industries that are labour-intensive, generally speaking, show higher ratio of wages to value added; here the explanation lies in lower value added rather than higher wages. In general, industries that have higher absolute value added also pay relatively higher absolute wages to workers.

And when the market took a slight turn the bears who had gambled after the credit squeeze rushed for cover. The big bulls who had been unable to liquidate their positions earlier, picked up courage and lent selective support. Soon the magic of fluctuations came into play. Equities began to rally. The table below shows that many counters have retraced nearly one-third of the ground lost in the preceding fall. The market last week was at its best on March 30 but the overall performance that day was not encouraging. It looked as if the rally was beginning to peter out.

It is risky to jump to any firm conclusion on the basis of one day's

working. The progress of the rally will be watched with unusual interest by technical analysts because it holds the key to the underlying trend. If the rally were to peter out soon and the subsequent decline were to take the market below the recent bottom, it would be suggestive of a change in the primary trend. It sounds very odd to hint the possibility of a change in the major trend in face of the inflationary impulse in the economy. But there is nothing wrong in expecting the market to come down to a level where equity prices begin to bear a healthier relation to industrial profits and dividends.

The Fall and the Rally

Shares :	Post-Budget Highs	Lows after Credit Curbs	Subsequent Rally
National Rayon	475.50	427.00	465.00
Standard Mills	995.00	811.00	897.00
Voltas	250.00	212.00	230.50
Hindustan Motors	19.28	16.56	17.84
Tata Steel	159.50	144.25	147.25
Indian Iron	24.40	21.84	22.36
Bombay Dyeing	72.70	65.00	67.70
Century	493.00	425.00	450.00
Kohinoor	342.00	310.00	319.00
A. C. C.	149.00	137.50	140.25
Belapur	360.00	324.00	330.00
Bombay Burmah	615.00	550.00	572.00
Prem. Construction	366.00	290.00	310.50
Tata Locomotive	231.00	205.00	210.25

Oilseeds

BETTER TONE

OILSEEDS prices last week recorded fair gains all-round, with castor May up from Rs 168.50 to Rs 173.62 per candy, groundnut May from Rs 207 to Rs 210 and linseed May from Rs 32.06 to Rs 33.12 per cwt.

The rise occurred mostly near the week-end and it was due both to short covering and renewed bull support. Technical considerations alone could have produced a rally because the market had been drifting lower for quite a long while. But buying last week was prompted not a little by the improved tone of overseas advices and a better performance on the export front.

Perhaps the most striking development was the sudden revival of overseas demand for Indian linseed oil and sales put through were varyingly estimated between 1,000 and 1,500 tons. The U K was the chief buyer, paying between £ 105-10 and £ 108 per ton. The Continent and certain Communist countries were also reported to have made small purchases. The sudden improvement in foreign prices, which was attributed to the drying up of offerings from the Argentine and the temporary withdrawal of the U S Commodity Credit Corporation from the market as a seller of stockpile oil, made business with India possible. If the opportunity offered by the recovery in overseas prices is not lost by a corresponding rise in domestic prices, it might be possible to push through sizable export business in linseed oil in the near future.

CASTOR OIL EXPORTS BETTER

Export houses also reported a better showing by castor oil. While the U S virtually kept off the market in the hope of cheaper supplies, the U K and the Continent were believed to have purchased about 1,200 tons of castor oil last week. Commercial variety fetched up to £118 and B S S £123. While last week's rally in castor futures, which promises to continue for some time, can be dismissed as purely technical, a correction of the preceding steep decline from Rs 189.12 to Rs 168.37 — it is possible that the recent floods in Brazil might improve the basic outlook for the commodity. Heavy floods are reported to have damaged the crops in the Ceara State which accounts for nearly 10 per cent of the total

castorseed crop in Brazil. In any case it is expected to reduce substantially the supplies from the summer crop.

This might turn the U S buyers to India for their castor oil requirements in the next few months. Exporters here are awaiting with keen interest detailed news about the extent of damage to the castor crop by the recent floods in Brazil, which holds the key to the price trend in castor after May.

FOREIGN PRICES DECLINE

Groundnut were generally a dull market. Bulls were generally mentioned as sellers, but these sales were well-absorbed because of the satisfactory demand for the spot material, mainly from vanaspati manufacturers. Offerings in ready continued to be restricted. Even so bulls seemed inclined to reduce their commitments because the prevailing prices are on the fairly high side. The long-awaited export quota for 20,000 tons of groundnut H P S was released last week. The quota announcement was quickly followed by a fall of nearly £ 3 per ton in the overseas quotations, from £ 92 to £ 89 for bold quality. Exporters were able to put through business for about 1,500 tons and they seemed hopeful of utilising the entire quota which is valid up to the end of June. An early announcement, it is generally believed, would have helped realise better prices.

Export activity in oilcakes was poor. Only groundnut expellers seemed to move and the prices paid by the U K buyers ranged between £ 33 and £ 33-10 per ton, March/April shipment. Extractions were out of favour but business is expected to pick up after a month or so. Hardly any business was reported done in linseed cake which were quoted at around £ 32. With the old quota valid up to the end of March, the Government has released a fresh quota for 50,000 tons to be shipped up to the end of September. The immediate outlook for linseed cake does not appear very promising. The lack of quota had not impeded exports because the previous export quota had not been fully utilised. An export quota for 15,000 tons of coconut oilcake has also been released but here also the immediate prospects are not encouraging, overseas prices being lower.

Cotton

IRREGULAR, SUBDUED

TRADING in cotton futures last week was an extremely dull affair. Fluctuations were irregular but small. After rallying from Rs 757 to Rs 762.75 Jarilla August drifted idly lower to Rs 754.50 and closed at Rs 756.75 against Rs 757.25 per candy a week earlier. The persistent easiness in the spot section — of course prices are still considerably above the ceiling rates — induced bull liquidation on the rise but offerings tended to dry up at lower levels. Bulls were cautious but bears too were in no mood to be aggressive. The March contract went off the Board at the ceiling rate of Rs 820 with tenders aggregating 4,450 bales which comprised 3,650 bales of Laxmi A, 500 bales of Punjab American 216 F and 300 bales of Cambodia.

The spot cotton market developed further easiness, with Kalyan, Wagad, Kalagin, Laxmi and CO2 recording sizable decline in prices. With their existing quotas nearly exhausted, mills kept off the market. Meanwhile there was a considerable increase in the flow of arrivals of cotton in Saurashtra and Karnatak Laxmi area. Mills who had made purchases in excess of their quotas in the hope of further early releases were reported to be squaring up their excess purchases which had a depressing effect on prices. The more expeditious utilisation of import quotas recently and the consequent availability of foreign cotton in large quantities after a month or so has also had a marked influence on the general psychology.

Bullion

UNEXCITING

THE futures market in bullion has been reduced to the position of an exclusive playground for a few professional operators. The prevailing prices are too high to attract much support from the outside public, but with the bulk of floating supplies tightly controlled by a few big bulls, there is little inclination on the part of the speculating public to go "short". The exorbitant badla charges against the sellers clearly indicate strong bull manipulation in both the metals, particularly gold. Vaisakh delivery in gold is quoted at a discount of about 14 annas below the current Chaitra contract rates. The spread is even

bigger in the case of silver around Rs 1.2. Jaith delivery rates in gold and silver are quoted at equally big discounts below the rates for Vaisakh settlement. High backwardation charges have attracted heavy margins in both the metals on bulls but this has not made them uneasy. They have still a firm hold on the market. How they will face the slack season ahead, is difficult to say.

After being down to Rs 129.2 gold Chaitra delivery recovered to Rs 130.3 but eased again to Rs 129.2 by the week-end. Silver Chaitra delivery which been sold down to Rs 216.12 early in the week recovered quickly to Rs 217.6 but reacted again to Rs 216.8. The setback near the week-end was attributed to modest bull liquidation and lack of fresh support. Selling pressure, however, was seldom heavy.

Money

ABOUT THE BUSY SEASON

ACUTE stringency prevails in the short-term money market, which, of course, is quite normal for this time of the year. The treasury bill rate last week rose to a new high of Rs 2.770 per cent. Last year at this time it stood a shade lower at Rs 2.720 per cent. The prevailing stringency, higher treasury bill rate and the credit "squeeze" effected by the Reserve Bank would seem to suggest that there has been a large undue expansion of credit this year. But a study of the relevant bank figures shows that the current busy season is not much different from the 1958-59 busy season.

Between October 30 and March 20, 1960, scheduled banks' advances have increased by Rs 167.11 crores against Rs 157.07 crores in the corresponding period last season. Deposits are up by Rs 32.96 crores against Rs 48.38 crores and borrowings from the Reserve Bank have risen by 63.03 crores compared with Rs 58.44 crores. Under investments, however, there is a steep decline of Rs 64.73 crores against a mere Rs 4.68 crores in the corresponding period of 1958-59. If the State Bank figures were excluded (since they would be largely influenced by the P L 480 funds) the position is not much altered. Advances of other scheduled banks show a rise of Rs 126.45 crores, which is Rs 10.12 crores higher

than in the corresponding period of 1958-59. Deposits, however, are down by Rs 9.92 crores against a rise of Rs 17.76 crores in the previous season. Investments declined by Rs 36.28 crores against Rs 30.98 crores. The position in respect of borrowings is unchanged since the State Bank does not figure as a borrower from the Reserve Bank.

Considering the all-round improvement in agricultural and industrial production, increased installed capacity and the need for larger stocks of raw materials an increase of only Rs 10 crores in bank credit during the busy season would appear to be negligible even if prices had stayed put. But when allowance is made for higher prices, the increase of Rs 10 crores would work out to a decline in real terms. Since February 1959 the index for industrial material prices has risen from 115.5 to 131.7 and that of manufactured goods from 108.5 to 116.3.

The Biggest Engineering Plant In Asia

THE foundry-forge plant at Ranchi, will be the biggest engineering plant in Asia. The project report on it is expected to be agreed upon in the next few days between Technoexport, Prague, and Heavy Engineering Corporation, Ranchi.

The first castings and forgings from the Ranchi plant, however, will not come out before 1964. By then, the heavy machine building plant, which Russia is helping to set up, also at Ranchi, will have completed the first stage and will produce equipment for rolling mills, etc. The foundry-forge plant will supply grey iron, steel castings and heavy forgings, 'rough machined', to the machine building plant.

The heavy machine building plant will manufacture equipment for India to build up independently iron rolling mills, etc. This will enable India to build up independently iron and steel plants of one-million ton capacity.

The Tata Iron and Steel Company Limited

NOTICE

Extension of date for submission of coupons and applications in respect of "A" Second Preference shares and new Ordinary shares.

NOTICE is hereby given that the last date for submission of coupons in respect of the "A" Second Preference shares and the new Ordinary shares in terms of the Company's Circular dated the 12th October 1959 expires on the 31st March 1960. However, for the convenience of the resident shareholders and with a view to enable the non-resident shareholders to comply with the Exchange Control regulations, the Directors have resolved that the Company's bankers be authorised to receive applications on and after the 1st April 1960 upto but not later than the 31st May 1960 in respect of such coupons. Provided that in case of resident shareholders along with each such application with the required coupons and the moneys to be received with such application interest at the rate of 9% per annum thereon (which the Directors have decided to charge) from the 16th day of December 1959 to the date of payment shall be paid to the Company's bankers.

For the convenience of the non-resident shareholders the Directors have also resolved that the last date for receiving applications in respect of "A" Second Preference shares and new Ordinary shares from them which was fixed as 31st March 1960 be extended upto 31st May 1960 provided that along with each such application and the moneys to be received with such application interest at the rate of 9% per annum thereon (which the Directors have decided to charge) from the 1st day of April 1960 to the date of payment shall be paid to the Company's bankers.

No application in respect of coupons received from resident shareholders on and after the 16th December 1959 and no application in respect of right "A" Second Preference shares and new Ordinary shares received from non-resident shareholders on and after the 1st April 1960 will be entertained by the Directors unless interest is paid as aforesaid. No such application will be entertained after the 31st May 1960.

Dated at Bombay this 31st day of March, 1960.

By Order of the Board,
Tata Industries Private Limited,
Managing Agents,
J. D. Choksi,
Director

Current Statistics

Industrial Capacity and Production — I

Engineering Industries

	No. of units					Capacity					Production				
	1951	1956	1957	1958	1959	1951	1956	1957	1958	1959	1951	1956	1957	1958	1959
Mechanical & General Engineering															
Agricultural Implements ('000 Tons)	66	61	42	38	49	25.7	26.8	20.0	19.7	23.8	18.9	14.8	15.2	14.0	15.9
Ball Bearings ('000)	1	1	1	1	1	600.0	600.0	600.0	600.0	900.0	234.4	1,040.1	1,595.0	2,126.1	1,428.0
Belt	6	7	8	8	8	1,200	1,239	1,333	1,333	1,333	700	814	703	766	630
(a) Hair and Cotton (Tons)	NA	9	7	7	7	NA	682	859	859	859	NA	1,679	1,510	1,907	2,570
(b) Rubber Ply Transmission and Conveyor (Tons)	2	14	18	20	19	120.9	652.5	725.0	925.5	1050.5	114.3	664.0	790.6	912.6	1,097.6
Bicycles ('000)	—	23	22	22	22	—	NA	NA	NA	NA	—	18,188	21,045	23,441	27,704
Bicycle parts ('000 Rs)	—	—	21	21	21	—	—	912	912	912	—	—	217	1,163	900
Boats and Crafts (nos)	13	15	15	22	33	30.1	34.7	34.6	37.9	69.8	6.9	25.5	32.1	34.0	40.0
Bolts, Nuts, Rivets & Dogspikes ('000 Tons)	15	18	18	18	20	4.0	5.1	5.6	6.4	7.4	1.5	3.9	4.6	3.4	4.8
Building & Hardware Fittings ('000 tons)	4	3	3	3	3	—	1,430	1,430	2,630	2,630	3.6	132	254	312	390
Chairs (Tons)	7	10	10	10	11	7,560	8,136	8,486	8,486	9,086	3,968	10,931	11,145	10,622	12,004
Clocks ('000)	3	4	4	4	4	3,696	4,600	4,600	4,600	4,636	2,601	3,462	2,616	3,274	4,133
Conduit Pipes ('000 ft)	6	6	6	6	7	4,200	6,240	6,740	6,740	6,740	1,600	2,783	2,870	4,068	4,187
Crown Cork ('000 gross)	4	4	4	4	4	2,800	2,940	2,940	2,260	4,964	1,900	2,211	2,163	1,947	1,620
Duplicators (Nos)	11	11	10	9	10	4,260	4,043	3,793	3,968	4,015	3,976	5,180	4,345	3,382	2,170
Expanded Metals (Tons)	8	9	9	8	9	85.8	93.6	141.6	135.6	145.6	62.9	84.2	92.8	77.5	100.9
Hurricane Lanterns ('000)	—	—	—	—	—	—	5,600	5,700	12,250	12,150	—	8,786	10,830	14,907	15,300
Incandescent Lamps ('000)	—	—	—	—	—	—	—	—	1,469.0	1,625.0	—	—	—	1,833.3	1,057.0
Laminated Leaf Springs (Tons)	NA	7	9	9	10	—	1,034	1,241	1,469	1,625	—	1,282	1,419	1,833	1,057
Lifts ('000 Gross)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Machine Screws ('000 gross)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Machine Needles	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Hosiery Knitting (mn)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Gramophone (mn)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Hypodermic (Gross) (mn)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sewing Machines (mn)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Razor Blades (mn)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Rolling Stock ('000 wagons)	2	5	6	6	6	37.5	50.2	81.2	81.2	91.7	41.5	130.3	167.5	205.2	249.8
Sewing Machine ('000)	4	5	5	5	6	3,400	1,040	3,024	2,540	2,540	400	135	100.0	1,414	2,400
Shafting (Tons)	18	20	20	20	19	19.9	32.0	29.8	31.0	31.0	6.0	22.1	21.3	20.4	19.7
Steel Belt Lacing ('000 boxes)	73	70	70	71	71	119.4	132.4	148.1	148.1	175.6	30.5	102.0	84.4	100.0	132.0
Steel furniture ('000 Tons)	—	—	—	—	—	—	122.5	122.5	131.5	131.5	—	44.4	77.5	83.5	101.1
Steel Structural ('000 Tons)	5	10	10	8	9	57.0	141.0	267.0	230.4	256.4	13.6	116.4	106.9	155.5	154.5
Steel Pipes & Tubes ('000 Tons)	—	—	—	—	—	—	33.0	33.0	33.0	33.0	—	13.4	15.4	15.8	21.4
Stoves ('000)	3	4	5	8	10	103.0	1,106.2	770.4	1,006.4	156.4	46.8	546.0	684.0	620.3	783.0
Typewriters ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Umbrella Ribs ('000 Doz Sets)	2	7	7	7	3	200	1,500	1,824	1,824	780	100	629	788	692	466
Welding Electrodes (mn ft)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wire Products	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(a) Gauze (Tons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(b) Netting (Tons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(c) Chain Link Fencing (Tons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wire Ropes (Tons)	9	21	22	19	20	1,561	5,335.6	5,824.2	5,824.2	5,944.2	796	7,502.2	8,143.2	7,176.1	8,576.9
Wood Screws ('000 gross)	1	4	6	6	6	900	8,320	10,570	12,190	12,190	121	842.5	1,635.3	3,714	5,000
Zip Fasteners ('000 ft)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Utensils ('000 Tons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Industrial Machinery	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Agricultural Machinery (Mn Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	—	34	34	34	35	—	—	Made to order	Made to order	Made to order	—	—	3.5	5.3	8.3
	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14.4

Made to order

Made to order

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Made to order

Capacity and Production of Engineering Industries (contd.)

April 2, 1960

THE ECONOMIC WEEKLY

THE ECONOMIC WEEKLY

April 2, 1960

	No. of units					Capacity					Production				
	1951	1956	1957	1958	1959	1951	1956	1957	1958	1959	1951	1956	1957	1958	1959
Boilers (lakhs Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(a) Industrial (lakhs Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(b) Locomotives (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(c) Locomotives (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(d) Locomotives (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cement Machinery (lakhs Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Chemical & Pharmaceutical Machinery (Rs lakhs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Constructional machinery (Rs lakhs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dairy Machinery ('000 Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
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)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Grinding Wheels (Tons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Machine Tools (Rs lakhs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Small Tools	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Threading (taps, dies, etc) ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Twist Drills (mn)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Milling Cutters ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reamers ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Hacksaw Blades ('000 gross)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bandsaw Blades ('000 feet)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tungsten Carbide dies (Kgm)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Steel Files ('000 doz)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Automobiles and Ancillaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Automobiles ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cylinder Liners ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Gudgeon Pins ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Motor Cycles (Nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Piston Rings ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Pistons ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Scooters (Nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Three-wheelers (Nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Trailers (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Spark Plugs ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Brake Assemblies:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
House Assembly (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Master Cylinder kit	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wheel Cylinder kit	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Brake Linings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Clutch Assemblies:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cover Assembly	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Driven Plate Assembly	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Clutch Facings ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Radiators ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Shock Absorbers ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dynamometers (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Elec Horns ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Gaskets ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
†Capacity in tons, production in 000 ft.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

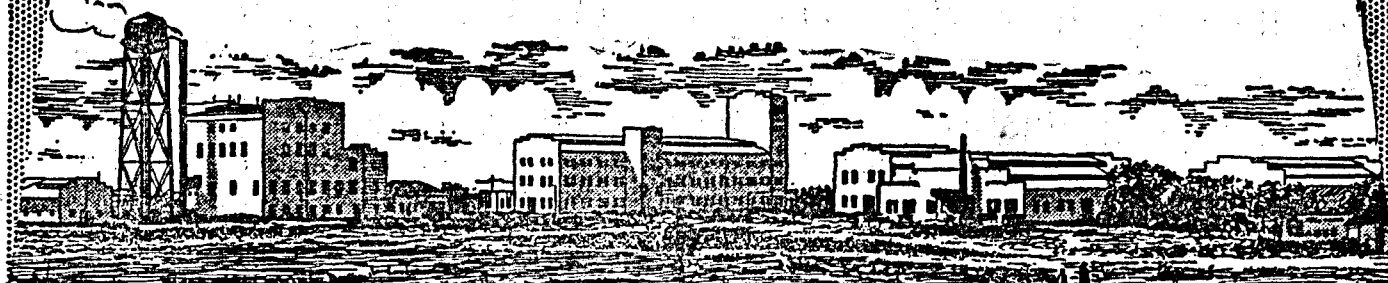
Valves ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Diesel Engines, Pumping Sets and Ancillaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Air Compressors (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Diesel Engines (Stn) ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Diesel Engines (Road) ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fans & Blowers (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Filters:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Filters ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Elements ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fire Extinguishers (engines nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fuel Injection Equipment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(a) Pumps ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(b) Nozzle holders ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(c) Delivery Valves ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(d) Elements ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(e) Nozzles ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Gliers (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Inboard/outboard Motors (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Petrol/kerosene Engines (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Power Driven Agricultural Implements:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ploughs (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Harrows (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cultivators (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Power Driven Pumps ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Thin Walled Bearings ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Road Rollers (Diesel) (Nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tractors (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Electrical Engineering	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cables and Wires	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(a) Aluminium Conductors ('000 Tons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(b) Bare Copper Conductors ('000 Tons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(c) Rubber and Plastic Insulated Cables and Flexibles (mn yds)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(d) Winding Wires (Tons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dry Cells (mn)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Domestic Refrigerators ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Electric Fans ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Electric Lamps (mn)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fluorescent tubes ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Electric Motors ('000 HP)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Electric Steel Sheets ('000 Tons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Gramophones ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
House Service Metres ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mathematical Instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(Geometry Box) ('000 gross boxes)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Power Transformers ('000 KVA)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Radio Receivers ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Room Air Conditioners (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Storage Batteries ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Water Meters ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Water Coolers ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Note: Estimates for production in 1959 based on actuals for nine months, January to September.

Source: Ministry of Commerce and Industry.

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The Visitor from Cairo

THE warm welcome accorded in this country to the President of the United Arab Republic has its origin in a multiplicity of reasons. It is in a large sense, of course, a tribute to Nasser, the man who visits us with his leadership fully vindicated over the Suez affair and over the financing of the Aswan High Dam. To the Indian people, he symbolises Arab nationalism, in spite of the fact that it is quite well known in this country that Arab nationalism is as yet a divided force with no single individual capable of speaking in its name without risking immediate and loud contradiction.

The reason for this is simple. Regardless of the currents and cross-currents of Arab disunity, the fact remains that it was Nasser who dramatically asserted the power of Arab nationalism successfully against the might of the Western world. This is the secret of Nasser's personal prestige in the East; and it is because of this that he has received in New Delhi and elsewhere a reception the enthusiasm of which correspondents have compared with the welcome given to much bigger world figures like Khrushchev.

A second reason is the identity of approach which the UAR has developed under Nasser's leadership to our own, in the field of international relations. Cairo is today the capital of a strictly non-aligned country, uncommitted to either camp in the Cold War and—after a period of widespread misunderstanding in both Camps—having friends in the East as well as the West. Non-alignment has paid off well, as can be seen from the money which came pouring in from all quarters for the building of the High Dam. The idealistic recruit to the non-aligned camp can now be trusted to become a staunch adherent of it for purely practical reasons.

This bond of non-alignment in world affairs which united us with the Egyptian and the Syrian people is perhaps the greatest single reason for our warm and affectionate welcome to Nasser. The world is accustomed to seeing members of political and military alliances exchanging purposeful and frequent visits, and holding conferences together. The presence of Dr Adenauer in Washington is natural and easily understood, like that of President de Gaulle in London or Mr Khrushchev's in Peking. Although new, it is also easily understandable that leaders of one camp should have started calling on leaders of the others, in search of some sort of a rapprochement.

But the non-aligned leaders meeting one another and forging powerful bonds with one another are less easily understood in the capitals of the aligned world. The bonds between Nehru and Nasser are invisible; but it is a fairly common mistake in the West to regard them, for that reason, as being tenuous. As a correspondent in Delhi has well pointed out, the uncommitted nations are bound together by a common faith—fundamentally a far stronger bond than that of the fear which unites

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the groupings of the Cold War camps. Nasser's visit may not be the first visible proof of this bond; but it underlines it strongly.

Nasser, of course, has some very tangible reasons also for his visit, which he has been planning for over two years; and these reasons he himself sums up in the phrase "good-will study tour". He has the responsibility of advancing a country towards industrialisation and agricultural prosperity that is even less under-developed than our own. Two years ago, he launched his first Five-Year Plan; and seeing that we have somehow struggled with fair success with two such Plans already, he is here to see what practical hints he can pick up for his own guidance. This is why he has insisted on overcrowding his schedule to capacity in order to make sure that he misses seeing none of the

major projects which are moving forward in India at present.

It is suggested that Mr Nasser's study will also be, partly, political. He is reportedly eager to see the great Indian experiment in parliamentary democracy at close quarters, not necessarily because he wants to emulate it, but because he presumably hopes to incorporate some elements of it in his own almost-settled pattern of "national union". In this connection it is interesting to note that after India, he is visiting Pakistan with the express object of including a study of Ayub's "basic democracies". His own "national union" scheme is now cut and dry, but still to be launched in practice. So that a few amendments which do not disturb the main idea of rejecting the two-party system may still find their way into the UAR's life.

Doctors Differ

HOW can very thoughtful, sober and eminent figures in the banking world differ so violently in their attitude to problems such as rising prices and inflationary pressures in the economy—problems which come within their special field of competence? Sir Homi Mody, speaking at the last annual general meeting of the Central Bank, said that the most disquieting feature in our economy was the persistently upward movement of the general price level. He agreed with the Governor of the Reserve Bank that the task of maintaining stability and the value of rupee was not within the competence of monetary authorities, that fiscal and monetary policy must be integrated—"fiscal policy including, of course, policy with regard to deficit finance". Since Sir Homi also regards the maintenance of price stability to be of the utmost importance in a developing backward economy like ours, he feels that the Government should undertake re-appraisal of the programmes they have been pursuing for the last few years.

Sir Homi dismissed "take-off stage" and "self-generating economy" as meaningless slogans and repeated his earlier suggestion that an independent body of experts should be asked to survey our monetary system at this crucial stage of our development, on the lines of Rad-

cliffe Committee. Such a Committee, he believes, should be able to tell us how far our programmes of development can hope to maintain stability and also how imperative is the need for harmonising the monetary, credit and fiscal policies of Government. With due apologies to Sir Homi, do we really need a Committee to tell us that? Isn't it the function of Government to strike the right balance between monetary, credit and fiscal policies?

Now from Sir Homi Mody, let us turn to Shri C D Birla. One would think, reading his speech at the annual general meeting of the United Commercial Bank, that we were in the best of all possible worlds! He was keen that efforts should not be relaxed so that India can arrive a "take-off stage" in the quickest possible time. Shri Birla welcomes Morarji's budget as "almost, without qualification, a good one." Obviously, therefore, no greater fiscal restraints were needed, nor monetary restraints either. For "it has not been established there is a link between created money and such rise in price as has obtained in this country". "In a developing economy", he said, "there will always be some areas of shortages and some of surpluses. Perhaps, it is the already increased prosperity of the agriculturist which, by enabling him to withhold his stocks from the market

As far as India is concerned, the visit affords a valuable opportunity for expressing Indo-Arab solidarity—specially against the background of the tragedy of race conflict now being enacted in South Africa. The Afro-Asian links are visibly in need of strengthening; both our own Prime Minister and the UAR President have stressed the need for this; and it is a subject which both must have discussed with advantage. Mr Nehru's personal and intimate chats with Mr Nasser will also be important and valuable from the point of view of the Commonwealth, whose conference of Prime Ministers is now only a few weeks away. At this conference, the politics and affairs of West Asia are bound to form an important subject of discussion; and Mr. Nehru's advantage in having seen and talked at length with the UAR President will be obvious.

for a longer time, has contributed to the higher level of prices particularly foodgrain prices". All that follows from this is that we must be chary of undue reliance on deficit financing for the Third Plan. So far, Shri Birla does not think that deficits in the budgets have been a problem.

Coming to the internal economics of banking, Shri Birla answered the question which Shri Bhaha did not at the meeting of the Indian Banks' Association, viz, what was the effect of the agreement among leading banks imposing a ceiling on interest rates paid on deposits? The year's working resulted in a sharp rise in profits for the U CO bank; this was due largely to purposeful and profitable utilisation of resources and the beneficial effects of the ceiling on interest rates deposits. True, operating costs, of which salaries were the biggest item, also continued to rise, but profits were so good that they enabled the Board to transfer a substantial sum of Rs 27 lakhs to the reserve fund, raising it to Rs 175 lakhs, which is only Rs 25 lakhs less than the paid-up capital of the bank. It has been possible also to increase the rate of dividend to the shareholders to compensate them for the deduction at source of tax on dividends as prescribed by the Finance Act of 1960. Shri Birla, in short, could look back with grati-

fication on a year of marked expansion of business and sharp rise in profits. With rosy prospects in view, all that he wanted the Government to do was to take the fullest advantage of borrowing opportunities and, bearing in mind the special requirements of banks, make one of the new loans to be issued a short-term one.

Finally, there were the credit restraints. Shri Birla also invoked the Radcliffe Committee, but only for

its finding that the solution lies in directional control rather than in a change in the money rate. In an expanding economy, he was certain, restrictive policies in regard to money supply could be self-defeating. And he allowed himself the liberty to point out that while the Reserve Bank had imposed credit restraints, the Deputy Finance Minister had reminded the banks of their responsibility for checking inflationary activity and, at the same time, urged them to utilise their in-

creased resources to help the Five-Year Plans, and had also suggested the granting of long-term loans to industries. He did not quite say that the Government was painting its beard green and then trying to hide it under a fan, but he did permit himself to hope that "the measures of restrictive credit control would not be such as to deny the growing needs of developing industries."

When doctors differ, to whom is the harrassed patient to turn?

Rural Exodus

SPEAKING at the Annual Conference of the All-India Manufacturers' Organization, Pandit Nehru referred to the difference between the city and the village as "one of the most terrible things in India" and said that there could never be any balanced economy in the country from any point of view, more especially psychological point of view, if this vast difference remains. When bright people migrated from villages to city, he added, they did no good to the city but they did a lot of harm to the village by coming away from it. It must be stopped. But how?

'Back to the village' used to be a political slogan a long time ago. It has about it a mildewed ring today. So long as it was a political slogan and the appeal was only to the emotions, it had served some purpose. But the political aspect of the exodus to the towns and cities has been over-shadowed in recent years by the attention that is being paid to the economic factors behind it. Development of villages is not something to which only lip service is paid. There are community projects, schemes for agricultural development, schemes for setting up small-scale industries and a programme of decentralisation, administrative, political and economic.

Those who are actually engaged in working out these programmes and attack them with earnestness and sincerity are naturally angered or pained when the genuineness of their intentions are questioned. It is not difficult to understand why Shri S K Dey should be so cut up about it when his Ministry is asked to close down or that he should deplore what he called the 'vendetta'

against the Community Development programme. Indeed, one must give him credit for his sincerity when he confessed frankly that even the most "optimistic workers like him, who had identified themselves with the projects, would be inclined to become diffident by such repeated criticism from those who did not believe either in the Panchayat era or in abolishing the poverty of the villages".

The way he classifies his critics should be noted. They are not divided into two separate camps—one consisting of those who do not believe in the Panchayat era and another made up of those who do not believe in abolishing the poverty of the villages. There is an either/or in it, which excludes those who believe in abolishing rural poverty but do not believe that this can be done through the present system of Panchayats. This is for the very good reason that the Panchayats, as constituted today, represent and reinforce the very same alliance of economic and social interests in village society which has so far kept the villages down.

Can Community Development succeed in a vacuum without those basic changes in village relationships, without which the majority of the rural people cannot be moved out of their apathy nor can their energies be released? And quite apart from the social and psychological effects of these basic changes, without them, the opportunities of initiating development cannot be brought within their reach. Resources poured into Community Development disappear into a bottomless sink. But it would be cruel to put

these questions to the Minister for Community Development and Co-operation. It would also be useless, for basic attitudes of people are determined by their gland composition and not by what they see or hear; devotion, energy and capacity are sovereign qualities, but what is energy without direction and dedication without understanding?

The rural exodus continues; overcrowding of towns and cities gets worse and worse. The progress of agricultural production is not fast enough to halt its pace, de-centralisation of small industries does not lead to their spatial dispersal. That the Government is unable to carry out even its limited programme of supplying drinking water to the villages or that food policy adds to the attraction of towns, which get subsidised, imported foodgrains at a lower price—all these tend to strengthen the exodus, not to weaken it. Is it not high time to suspect the sesame with which the ghost is to be exorcised may itself be infected?

Notice

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Weekly Notes

Triangular Deals in Rupee Notes

WHEN the import of rupee notes from Persian Gulf territories was stopped and the amount of rupee currency which travellers to India could bring was reduced to a nominal figure, it was thought that the main channel of goldsmuggling had been effectively closed. The presumption was that the bulk of smuggled gold was paid for in Indian currency which was taken out of the country and subsequently tendered to the Reserve Bank for conversion into sterling or some other currency. The basis for this presumption was perfectly sound, viz, that the foreigner would want a currency that he could use and not rupees.

For a time, the restrictions on the import of rupee notes seemed to have had the desired effect, though the effect could not be seen in the monthly statistics of imports of rupee notes immediately. In fact, the total imports of rupee notes in 1959 was larger than in 1958. This was, of course, understandable, since the introduction of special notes in the Gulf area would mean return in bulk of the notes previously in circulation. The monthly imports are now reduced to a trickle and it is to be hoped that they will remain at a nominal figure.

It was also to be expected that the currency notes which could not be returned through the official channels would seek some other outlets. For the ways of smugglers, however, are devious and they change their modes of operation quickly enough to get round new obstructions. Rupees went to a sharp discount in the free markets and this was taken as a measure of the success of the steps that the Government had taken. It is now becoming increasingly evident that Persian Gulf was not the only loophole. There are other areas from which India receives rupees. There is Afghanistan, for example, which can pay for its imports from India in Indian rupees and so rupees can come back to India through Afghanistan in a manner which is officially acceptable. This is, however, not a big problem, for the leakage can be stopped easily enough by insisting that all rupee payments made

by Afghanistan should be through a rupee-account maintained in an Indian bank and not in rupee notes.

There are other ways, for it is not only gold which is smuggled into India; Indian goods are also smuggled out of the country, principally across the land frontiers to Pakistan and to Goa. With the rigid and almost savage import restrictions that Pakistan has been maintaining for some time, Indian textiles, sugar and many other things have become attractive prizes for smugglers. Since Pakistani traders cannot easily pay for these goods by smuggling out gold any more — after the inauguration of the military regime, this is believed to have been effectively stopped — they would be ready buyers of rupees provided they could pay for them in some way and naturally they would be more eager to buy rupees at a discount than most others. It is suspected that Indian currency notes, which are smuggled out in the first instance to pay for gold, have been finding their way to Pakistan, and are, in turn, being used to pay for goods smuggled out of India.

But, how do the Pakistani traders pay for these rupees? One possibility is out of the foreign exchange which they are allowed to keep from their export receipts under the export incentive schemes. This must be the main source, but there may be a secondary one in the absence of any restriction or slack enforcement of such restrictions on travellers to Pakistan bringing Pakistani currency with them. That Pakistani rupees have gone up in value in free markets, especially in the Gulf area, while the discount on Indian rupees has increased, suggests the possibility of such transactions taking place on an appreciable scale.

Administering the Companies Act

WHEN the present Companies Act was passed in 1956, there was a feeling in certain quarters that it would inhibit corporate activity and thereby discourage capital formation in the private sector. An unusually large number of public companies converted themselves into private companies in the very first year of the working of the Companies Act. But the trend of conver-

sions during the last two years belied those apprehensions. Actually, far from any decline in the corporate sector, by all other criteria except that of number of companies at work, there has been progress. The decline in numbers is, probably, itself a measure of improvement in that it results from cutting out of dead wood and removal from the register names of companies which have long ceased to function.

Private investment in companies has actually exceeded Plan targets and the paid-up capital of companies at work has increased from Rs 1,024 crores in 1955-56 to Rs 1,510 crores in 1958-59. Though the bulk of this increase is in the capital of Government companies — Rs 358 crores out of Rs 486 crores — the capital of non-Government companies also shows a sizable increase, exceeding Rs 40 crores per annum on the average. The latter increase is, perhaps, not as conclusive as the Company Law Department would like to believe, since a large part of it is accounted for by a few leading companies and the boom in industry and trade and the sizable tax advantages of incorporation have also contributed to the continued expansion of corporate activity. But it does indicate that the new Companies Act has not discouraged expansion of the corporate sector.

The number of companies 'at work' has declined from about 30,000 in 1955-56 to 27,000 in 1958-59 despite new registrations of about 1,000 companies in each year since the enforcement of the Act. The decline of about 6,000 companies is, therefore, largely the outcome of a vigorous policy of weeding out inactive and moribund companies. This chopping off is expected to be completed in the current year. The disparity between the number of companies 'at work' and those assessed to tax is, nevertheless, still considerable, especially in West Bengal where less than one-third of the companies whose names are on the register pay tax. Partly the disparity may no doubt be due to tax concessions, losses etc, but only partly. The elimination of the secrecy clause from the Income Tax Act should help the Department to make a thorough check on the reasons for the continuance of this disparity.

All the activities of corporate sector are not within its jurisdiction. Control over capital issues, stock exchanges and official finance agencies rests with the Finance Ministry. Licensing of industries is the responsibility of another department. The broad policies for expansion and, therefore, for investment are the responsibility of others again. The decisions in regard to these are taken, by and large, independently on the knowledge and experience which this Department possesses. Company Law Administration, therefore, appears to have been left with the law and order job alone. A great deal of detailed information about corporate finances and management has become available to it since the passing of the Companies Act and centralisation of its administration. It can help to integrate corporate activities for the implementation of accepted economic and social policies. How can this broader integration be expected when the activities of the Government departments themselves are not adequately integrated?

Agricultural Implements

AMONG the transmission lines from industry to agriculture, there is irrigation and power, there is also fertilisers. But would not improved agricultural instruments also be one of the transmission lines carrying the impulse of change and development from developing industry to agriculture? The wider use of improved agricultural implements should be of some interest in any case, but on this subject, the annual report of the Agricultural Ministry throws little light. There is a paragraph, repeated every year, on the supply of essential materials such as iron and steel, cement and coal "required by the agriculturist for stepping up agricultural production". This follows the paragraphs on fertilisers and the story is the same, viz, inadequacy of supplies, but that does not say much. Nor can one judge very well how far cultivators are taking to improved implements, from the statistics of production under this head in the Report of the Ministry of Commerce and Industry. The number of fac-

Year	(1)	(2)	(3)
1951	66	25.7	18.9
1956	66	26.8	14.8
1957	42	20.0	15.2
1958	38	19.7	13.0
1959	49	23.8	15.9

tories producing agricultural implements (1), their capacity (2) and production (3) (ooo tons) are given in the accompanying table.

From this, all that one can see is that manufacture of agricultural implements has not yet become a stable industry, that the number of factories engaged in it had been going down rather fast and that it was only last year that a number of new units came up. Changes in the number of units, however, do not seem to have a proportionate effect on the manufacturing capacity which had also been going down until last year but not as sharply as the number of units. And finally, though there was some improvement in production last year, the best year that the industry has seen so far was the year of the Korean boom when agriculturists had a lot of money.

West Coast Paper

PAPER situation has eased a little and paper is now available more freely than before, and not often at the official price. This improvement is due to of a number of factors. Government, a major consumer, has cut down its demand a little—since it was taking around 40 per cent of the total production, even a small measure of economy in Government consumption produces an appreciable effect. Production has also increased and import through the State Trading Corporation has alleviated the immediate shortage.

Though new units have been coming up—the latest to hit the headlines is with American collaboration—Shri G D Somani's complaints of the difficulties of new entrants are not groundless.

True, West Coast Paper has got off to a flying start. Within the very first year, the mill has attained capacity production; it has successfully solved its technical problems and has been producing paper of a quality and standard which have gained immediate recognition. It has many factors in its favour—highly mechanised plant of the latest model, which means relatively low wage cost; right size of plant to ensure economical production; maximum recovery from the raw material used; and advantageous location in respect of raw material supply.

It has its minor troubles too, for though situated in the proximity of forests, the railway line which brings bamboos to the mill, it so

happens, is run by the Forest Department of the Mysore Government and not by the Railway Ministry. And so the condition of the track and the quality of the service are not what they should be. The Railway Ministry, however, has agreed to take over this line, subject to some special conditions now under negotiation between the State Government and the Ministry, and no insurmountable difficulties need arise to put off this transfer for long.

But though production and sales are no problem, the company finds that the returns on its investment are inadequate, and the mill has expansion in view. In short, the price at which it has to sell paper is uneconomic, and it is Shri Somani's contention that the current fair selling price fixed on the recommendation of the Tariff Commission is uneconomic not only for West Coast Paper, but for all the new paper mills which have been started recently or which are going to be started in the near future. This is because the Tariff Commission in its wisdom fixed fair prices — it actually recommended a cut, which came into force from January 1—because it found all the paper mills already established were earning more than what the Commission thought to be a fair rate of profit. Now, that may be true of the established companies; what of the new units which are loaded at the start with heavy capital cost and have, therefore, to earn much higher depreciation and do not have a net return adequate to attract more capital into the industry and thus ensure continued expansion of production which is very necessary in view of the fast expanding needs of the country?

Only a Moral Injunction

THE problem in the abstract appears to be well-nigh insoluble, for it is an industry with so many producers that one cannot think of differential prices, and in any case, differential prices would be unworkable except when there is pooling of production so that each producer can be paid a retention price based on its individual cost of production while the selling price to the consumer is fixed at a uniform rate, arrived at by the weighted average of the different retention prices. It is too complex an arrangement to be workable, and the control on paper price is not a statutory control, but only a moral injunction,

hardly even a gentleman's agreement.

Time alone will provide a solution in a way, for the units which are new today will not experience the same difficulty as they grow older, for their capital costs will not remain relatively high when newer units come on the scene and the burden of depreciation charges will also lighten with the passage of years. It is idle to expect however, that energetic and enterprising industrialists will always take this philosophical long term view; they may well be forced to make good in other ways; raise a part of their finances, for example, as deposits from distributors which should not be too difficult, so long as the supply situation remains more or less what it is today. Or it may be they will have to find capital from other industries which they control. It is a patent feature of planned or even partially planned economies that internal savings and retained profits often accumulate in industries in which they may not

Letters to the Editor

Further Comments on Bank Rate

BHOODAN's letter in your issue of the last week is an angry man's reply to my rejoinder. If the discussion is producing more heat than light, it is better to close it. However, I would again try to make myself clear.

Bhoodani should not forget that my initial comments were made on the article "Expansionary Forces in the Economy—Do They Need Credit Curb?" in your issue of March 5, 1960 in which the author had argued that credit curb, including a rise in bank rate, should not be imposed, mainly because at present more private investment is needed in inventories. The purpose of my comment was to point out that the arguments given in the article did not convince the reader of the undesirability of a rise in bank rate. Hence, contrary to what Bhoodani thinks, I was not arguing in a vacuum.

I have nowhere advocated that private investment should be brought down, although I did say that the rise in private investment should be modest. I was surprised that Bhoodani finds the two cases "as different from each other as tweedledee from tweedledee". The two cases

be needed for expansion and, therefore, these may have to be syphoned off to other and more promising fields of investment by some means or other.

Coal Price Second Revision

COAL prices have been raised for the second time in eight months. From the first of this month, the price of coal will be 81 nP higher per ton and that of coke, both hard and soft, Rs 1.08 per ton. The present increase for coal is intended to cover the increases in labour cost as follows: 6 nP to meet extra expenditure arising out of adjustments in wages and other concessions granted under the Das Gupta Award last December; 25 nP to meet expenditure on, among other things, additional leave facilities and higher wage rates for over-time work, introduced last December by the Mines Amendment Act; and 50 nP to cover increase in dearness allowance, following the rise by more than ten points in Consumer Price Index during July-December 1959.

No break down has been given in the case of coke but it is to be presumed that the increase allowed for hard and soft coke is only to cover higher wage costs. It will be recalled that the Price Revision Committee had recommended that only the price of coal should be increased but not that of coke. This was the recommendation of the supplementary report which was submitted last December but it has not been released to the public. The latest report of the Ministry of Steel, Mines and Fuel also confirms that this recommendation has been accepted by Government. At the time of the submission of the supplementary report, however, it was understood that Government had accepted the Price Revision Committee's recommendation only in regard to soft coke and that the price structure of hard coke was still under consideration. The price increases now announced will not prejudice whatever decision the Government may take later in regard to hard coke.

are almost as different from each other as 90 and 110 are from 100.

Bhoodani is right that the relevant figures to indicate banking liquidity would be the proportion of outstanding borrowings from the R B I to the total bank credit. As he himself points out, the ratio on March 4, 1960 at 4.4 per cent is higher than the ratios of 3.9 per cent and 3.7 per cent respectively on the nearest corresponding dates in 1958 and 1959, although it is higher than the corresponding ratios for 1956 and 1957. But which year(s) should be selected for meaningful comparison—1956 and 1957, when the rise in private investment was out of all proportion with the rate postulated in the plan (largely, no doubt, due to faulty import planning) or 1958 and 1959 which were comparatively more normal in terms of careful planning?

Your correspondent also wishes to know how a rise in bank rate may reduce the liquidity of the banks. The answer is simple: through a fall in the prices of securities held by the banks. The effect of a rise in bank rate on prices of securities and on the liquidity of banks would, of course, be limited,

among other things, by the economic policy of the Government (particularly with reference to public debt), the accountancy practice and business policy of banks and the maturity pattern of securities in the portfolios of the banks. It is important to remember that when we speak of a rise in bank rate in the context of our present discussion, we assume that the rate would be made effective in the market sense of the term. It was in view of these limitations of the effect of a rise in bank rate on liquidity of the banking system that I had mentioned it only incidentally and was careful to add that I was not "advocating a rise in bank rate immediately on this account."

If it pleases Bhoodani to think that I am "ignorant" of the figures of private investment in the Second Plan, I shall not deny him the pleasure. I am not aware of any published exact figures of private investment in the four years of the Second Plan and I shall be grateful if your correspondent gives these figures. What I know is that private investment has exceeded not only the target laid down in the Plan but is also expected to be more than

would be consistent with the balance of the economy. In other words, it appears that in spite of many regulations, private investment is rising in sectors not postulated in the plan. Rise in the rate of investment is good, but each and every rise in investment is inconsistent with the essence of planning.

I am afraid that Bhoodani, did not appreciate the analogy when I said that if a banker insists on keeping our accounts in a particular way, which does not harm us at all,

we should accede to the whims of the banker. I was taking Bhoodani on his own argument that if he believes that investment is interest-inelastic and if a rise in bank rate would please the foreigners, he should not object to it.

I am glad that your correspondent realises that the relevant question is "whether only the other measures (i.e., other than a rise in bank rate) by themselves would not be adequate to meet the type of problem that has arisen". In my

last letter I had suggested that it will serve a useful purpose if the circumstances in which particular fiscal and monetary weapons can be used are clearly spelled out. Bhoodani appears to have already reached the definite conclusion that a change in bank rate is ruled out. The purpose of this controversy would be met if it succeeds in creating some doubts about it.

Bombay,
April 5.

SHADAN

Dadabhai Naoroji's Concepts

National Income Estimation

INTERESTING light is shed by

Dr P K Gopalakrishnan's study (*Development of Economic Ideas in India 1880-1950*, Delhi, 1959)—inter alia—on Dadabhai Naoroji's estimation of national income in the last quarter of the 19th century. I think some of the issues Dadabhai raised at the time are still unresolved, and are of considerable theoretical importance. I shall briefly summarise them below in my own words:-

(1) Dadabhai would not allow profits from railways to be included in national income. His contention was that a larger movement of goods over railways would not enhance the value of the goods from the point of view of national income.

(2) He would not allow the income of professional classes, income from government or private service, income from internal trade or from government bonds to appear in his account. According to Dadabhai, these incomes were received from incomes already put in—that is, from incomes in the agricultural and manufacturing sectors. A higher or a lower income in any of these groups, therefore, merely meant a transference from some persons in the country to others, and not augmentation of the income of the country.

(3) In regard to railways, Dadabhai made an oblique reference to their 'influence' on the national income of the country by their operation and level of efficiency. This, he held, was reflected in the higher or lower level of products from the income-contributing sectors. It might, for example, be said that railways contributed to a larger industrial output by facilitating transport of raw materials. So, he said, railway profits need not be counted over again. It seems to me, here

is a very valuable idea. If the 'influence' of the railways is reflected in the level of the income-fetching products, 'influences' of public services, professional services, internal trade, internal monetary transactions, etc., are also similarly reflected.

(4) Dadabhai would make an exception for income from foreign trade, provided the country showed a surplus. Here, too, he admitted, theoretically, that for the world, there could be no new addition to income from foreign trade as it would be a transfer between countries, (like the transfer between individuals in the case of internal trade) and, therefore, there would be no augmentation of world income.

It is possible to argue that Dadabhai was a sound economist for his time, that his was the Physio-

lites and services are, isn't it? there the danger of the mounting cost of the 'super structure' in under-developed economies (in the form of, say, government services, internal trade and the railways, to take the most obvious examples) passing off as augmentation of national income and two cakes being counted for three or more?

The following figures may be found interesting in this context. Taking national income by industrial origin in four broad groups, namely (1) agriculture, (2) mining, manufacturing and small industries, (3) commerce, transport and communications and (4) other services, and combining the figures for (1) and (2) into category A and (3) and (4) into category B, and taking the sum total of A and B as C, it is found:

	A as per cent of C	B as per cent of C	B as per cent of A
Dr V K R V Rao's Annual Estimate for 1925-29	85.5	14.5	17.0
National Income Estimates for recent years			
1953-54	67.6	32.4	50.0
1954-55	64.0	36.0	56.0
1955-56	63.0	37.0	58.4
1956-57	66.5	33.5	50.0
1957-58 (preliminary)	65.6	34.6	53.0

cratic or (more or less) present-day Socialist approach; and that he made the serious omission of not counting in his estimate 'utilities' or 'services' which have a money value. On the other hand, one may also ask, whatever may hold good for advanced western economies, if uti-

Since 1925-29, A has grown in money terms roughly 3 to 4 times, whereas B grew about 9 to 11 times in the recent years.

A V NARSU
55B, Mahanirvan Road,
Calcutta 29,
March 15.

Manufacturers' Meet

SPONSORS of commercial conferences have an admittedly anxious time if they invite the Prime Minister to address them. Pandit Nehru instinctively revolts against these 'successful' men and never fails to tell them to their face that they are themselves responsible for most of their worries and that in any case a large number of the worries are imaginary. The organisers have no doubt gained from experience by now and considerably water down the welcome and presidential speeches taking care not to irritate the P M. The result quite often is that they end up by uttering the usual platitudes. The P M, on such occasions, is equally obliging and confines himself to more profound platitudes.

Why, then, insist on the P M addressing the meetings at all, and why not the other Ministers or other dignitaries for a change? The answer: it is not only a question of prestige, although prestige does count. By and large the commercial community knows that it is only Pandit Nehru who can deliver the goods and this community does not mind being tittled once in a way in this manner by a man who has a right to do so. Again, although merciless in referring to their blunders, it is Pandit Nehru alone who helps to bring out the best in them. The other day, when the P M addressed the annual conference of the All India Manufacturers' Organization, he rose almost to biblical heights when he said that people who tackled big problems had some of the bigness cast upon them. In the same meeting, the audience cheered the Prime Minister heartily when he said that his Government would welcome a 'socio-psychological' study of tax-evaders, if only the Organization agreed to provide the subjects for study!

Sardar Mohan Singh, welcoming Pandit Nehru and Shri Sahukar, in his chairman's speech, were both careful not to raise any controversial issues or throw up any challenge. On the contrary, both showered bouquets on the Government ('ably led by you, Sir') as generously as they patted themselves on the back for suggestions on economic reform.

One such reference (by the chairman) was to the plan-mindedness of the A-IMO which he said was plan-minded "from the date it came into being 20 years ago". On this Pandit Nehru politely reminded the assembled that there was a planning body set up by the Indian National Congress at work much earlier! From this, in his characteristic way, it was easy for the P M to pass on to the present Planning Commission, which, he observed, has, along with a lot of good work, produced also tons of printed matter on planning.

Pandit Nehru was vehement on the controversy of the private and public sectors. He could not understand, he said, this 'higgling and niggling' at each other by the two sectors; let there be open competition between the two, a friendly rivalry and let us know who produced more, how efficiently and how much cheaper. In any case, he added, the private sector had no reason to complain, for the scope for industrial expansion in this country—the work of raising the living standard of 400 million people—was vast. What he deprecated in the private sector's approach was its 'frog in the well' policy and its alleged exclusive privilege for setting up industries.

The Prime Minister came down with an equally heavy hand on those who took a masochist pleasure in self-deprecation and he considered this attitude strange. This was the time, he thought, when one should take pride in what the country had done in these post-independence years. Why should there be an atmosphere of sorrow and misery when there was enough (testified by well meaning foreigners also) done here to instil a sense of confidence and self-reliance, he asked.

Apart from the many laudatory remarks to the Organisation's work from the P M, the Conference drew credit to itself by arranging a symposium on export promotion on the eve of its annual session. The unconventional hour fixed for the symposium was rather a handicap for the many interested in participating but it was attended both by exporters and spokesmen from the Commerce and Industry Ministry.

Those who listened to Shri K B Lal of the Ministry drew consolation from the declared intention of the Government to boost export by all available means. Quite an explosive remark on the subject came from Shri Bilgrami, also of the Ministry, who said that in a five year plan for exports, now being got ready in the Ministry, there was a proposal that groups of exporters could combine to send out things at a low cost and make up their loss by increasing the internal price. Apart from its feasibility, of which perhaps the Ministry would assure itself before finalisation, the proposal would inevitably raise internal prices at a time when holding the price level was the lynch-pin of all the planning effort in the country. Shri Lal suggested that exporters would be allowed to use their export earnings for import of industrial raw materials.

The final impression that one gained from the symposium was, nevertheless, that export promotion, like deficit financing, perspective planning etc had come to be bandied about in a disconcerting manner, —whereas it ought to have been the effort, by now, of every exporter and the Government to have the subject transferred to boards of directors instead of letting it recurrently appear at annual conferences.

When, after the panel discussions and resolutions, the A-IMO concluded its session, the delegates were looking forward to their next important meeting in September when the Organisation, with the rest of India, will be celebrating the 100th birthday of Shri Visvesvaraya.

From the comparatively thin attendance, the desultory discussions and the 'safety' of certain observations, it is permissible to conclude that the A-IMO is very much in need of fresh inspiration if it is to continue its usefulness in the country's counsels. The Organisation has obviously lost its punch and is, to all appearances, progressively becoming a managers' and not a manufacturers' association. Manufacturers, when not reduced to managers, have perhaps become industrialists, with a choice of affiliation. There may be some doubt where they look to for support and sustenance. It is not to the A-IMO.

The Challenge to Britain

THE importance which Britain attaches to the trade split in Europe has been once again demonstrated by the alleged threats made by Mr Macmillan in Washington recently. To go to the length, as the British Prime Minister is said to have done, of reminding the Americans that an Anglo-Russian alliance was employed to break Napoleon's continental system, suggests how seriously the British authorities view the inexorable unfolding of the Franco-German coalition and the resultant Common Market of the 'inner Six'. True, the Foreign Office has had to declare that reports of what Mr Macmillan said "give an entirely incorrect account" and that "there was nothing novel in what the Prime Minister said". On the other hand, what with the reported acceleration in the time-table of the Common Market "the prospect is bad enough", as the *Times* said; the reported US support for the Common Market has, however, "increased the seriousness with which the whole situation is viewed in Whitehall".

FIRST TANGIBLE 'BRIDGE'

The Common Market challenge to Britain had abated somewhat after the 'Dillon Conference' early in January. Then, the almost defunct Organisation of European Economic Co-operation met under the stimulus of U S and Canadian participation and agreed that some formula should be sought to heal the trade rift in Europe. A special committee of officials was appointed to meet (which it is now doing) in Paris. In any event the time-schedules agreed in the Common Market Treaty made the threat of open trade discrimination seem remote. The Common Market would commence the movement towards a common external tariff at the end of 1961. Moreover, the Common Market had offered to extend its internal tariff reductions (undertaken to date) to all members of GATT on the basis of reciprocity. On the basis of this offer the Common Market countries will negotiate mutual tariff reductions when the special session of GATT meets at Geneva in September.

As July 1st approaches the outer Seven in the European Free Trade

Association will make their own initial internal tariff cut. When the EFTA Ministers met in Vienna recently, they viewed the Common Market tariff extension with favour, providing the first tangible 'bridge' in the long search for a link between the two groups. The EFTA Ministers therefore decided to propose that the internal tariff cuts to be made by each of the trading groups on July 1st should be extended to each other and to all GATT members. This proposal has been put to the O E E C trade discussions, now taking place in Paris. The *Financial Times* commented significantly that, "what the Seven want is to negotiate an interim solution in Paris that will temporarily eliminate discrimination in Europe," and added that:

"The U S has in effect been told that the Seven are prepared to extend any tariff cuts between themselves and the Six to American goods also without an immediate quid pro quo".

This effort of E F T A at "jumping over the head" of the Common Market to attract U S support was matched by a subtle piece of blackmail. The E F T A Ministers hinted that the whole question of increased aid to the underdeveloped countries and the realisation of the objective of freer world trade "largely depended on a satisfactory solution to the European trade problem". For the moment then, the initiative in the trade deadlock returned to Britain and the Paris Conference was approached in London with a certain sense of relief and indeed of optimism.

U S SUPPORT FOR COMMON MARKET

Somewhat suddenly the atmosphere changed. Two contributory developments were sufficient to force Mr Macmillan into what was clearly a desperate effort to warn the Americans that the trade split in West Europe possessed the most fundamental implications for the Western alliance. The first concerned a report in the *New York Times* that in the course of Dr Adenauer's consultations in Washington, the United States had quickly come to the support of the Common Market against the inter-

ests of the European Free Trade Association.

The Adenauer-Eisenhower *communique* stated that the latest tariff proposals of the executive commission of the Six constituted "a major contribution to a general lowering of world trade barriers". The *New York Times* reported that American officials have confirmed that these words amount to a "full-fledged endorsement" of the Common Market proposals. That the Americans should now take sides, for this is what this *communique* in effect says, and choose the Common Market as against the E F T A is tantamount to declaring the inefficacy and indeed the redundancy of the O E E C 'Dillon Committee'. More than that, the American support for the Common Market constituted a direct attack on the E F T A and has made the possibility of an agreement between the two trade groups remote.

ACCELERATION PLAN

The second development concerned the Common Market's proposals for speeding up the unification of the six-member countries' economies. These proposals were the ones referred to in the Adenauer-Eisenhower *communique* of March 20th, as constituting a "major contribution" to a lowering of trade barriers. The Economic Commission of the Common Market has been spending much of its time on the task of compiling the difficult "List G" of import goods on which the precise level of external tariffs had to be worked out. There existed some disagreement on the tariff that ultimately had to be imposed on the import of List G goods since to some of the member countries these goods were of a raw material character while to others they were competitive to goods of their own export.

The Economic Commission working under the indefatigable and dedicated West German official, Professor Hallstein, has now solved this difficult question. With this solution, Professor Hallstein has now submitted his far-reaching 'Acceleration Plan' to the six member countries which, with America's endorsement, possesses all the chances of being accepted and imple-

mented. The West German Finance Ministry has endorsed these proposals and agreement from France is certain. The Milan financial journal *24 Ore* has reported that the Italian Government "is taking a favourable view of the acceleration plan" and that the "stepping-up of the Customs union should be accompanied by a parallel acceleration of the economic union."

TARIFF ADJUSTMENTS IN JULY?

The Acceleration Plan of Professor Hallstein involves the almost immediate movement towards a common external tariff for the Common Market. Under the Rome Treaty, the first phase of internal tariff reduction was timed to take place over the period to January 1, 1962. The first 10 per cent cut in internal tariffs was scheduled for and implemented on January 1, 1959; the second 10 per cent was timed for July 1, 1960, with a third due on January 1, 1962. This internal tariff reduction was to be linked to a 30 per cent movement by the six countries towards the agreed level of the Common Market external tariff. Now under the Acceleration Plan, Professor Hallstein has proposed that:

(a) the second and third stages of the internal tariff reductions be taken up on July 1, 1960, and

(b) that the 30 per cent movement towards a Common external tariff be made on July 1, 1960, (i.e., 18 months before the Rome Treaty time-table had provided).

Thus if these proposals are accepted by the Common Market, as they are likely to be, we will witness the first effective trade discrimination between the Six and the Seven in three months time. With trade discrimination on the doorstep, the dispute becomes serious, forcing Britain to react sharply and, as is inevitable, to bring into the range of the dispute the larger questions of Anglo-American relations, stationing of British troops in West Germany, and the feasibility of a quick *rapprochement* with the Soviet Union.

'ALLIANCE AGAINST EUROPE'

The O E E C discussions in Paris have proved abortive. Sub-committees have been appointed to 'study' the problems further and this is possibly the best indicator of the far-reaching impasse now present in Anglo-European relations. Britain's own relations with West

Germany have become more embittered. The influential *Deutsche Zeitung* declared:

"Mr Macmillan wants to prevent the economic integration of Europe and has made the first threat as leader of the alliance against Europe. The Prime Minister does not shrink from helping the Soviet campaign against Germany by painting on the tariff wall the danger of revival of Nazism".

The belief in West Germany is that Mr Macmillan used the coordination of Anglo-American atomic test policy merely as a pretext for his visit to Washington. His real purpose, so it is claimed in West German circles, was the "destruction of the European Economic Community".

In the Commons, Mr Macmillan has tried hard to deny these assertions; at the same time he has continued to voice the view that "the dangers of a grave economic split reaching proportions would inevitably threaten the political unity of Europe". When Mr Macmillan talks of "political unity in Europe" he naturally thinks of it in terms which imply a continued and important place for Britain in West European politics and economics. The trade dispute has, however, reached such 'proportions' as to make it incumbent on the Conservative Government to consider leading a more active continental alliance against the Franco-German coalition. Clearly then, the 'Western Alliance' is exhibiting the most serious symptoms of crisis.

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A Puerto Rican Study on Birth Control

John B Wyon

POPULATION control is a subject of immediate and pressing concern in India, yet the Indian birth rate shows no sign of falling, and no one has so far produced a clear and convincing demonstration of how a fall in India's birth rate may be brought about. So the experiences of other peoples in similar circumstances are of great value to anyone concerned with the persistently high Indian birth rate. Even though Puerto Rico is only a small island, India and Puerto Rico have much in common, both in their demographic history and in the history of efforts to lower their birth rates. An understanding of efforts to lower the Puerto Rican birth rate is of particular interest in India because the family planning movement in Puerto Rico has a lead of at least 10 years over that in India.

The fact that experience in Puerto Rico is not encouraging is all the more reason why the two studies* and the experiment in education described by Hill and his colleagues should be scrutinised carefully in India. The disappointing fact that the authors are still a long way from their goal of demonstrating how to lower a birth rate makes a study of their assumptions, aims, methods and results all the more important. These studies break new ground in the effort to understand high birth rates. The authors are pioneers and deserve thanks for their hard work, and patient understanding of their mistakes from all concerned with the problem of how to reduce birth rates. There is much to be learnt from their experiences.

RAPIDLY INCREASING NUMBERS

Puerto Rico is a tropical island in the Caribbean Sea to the east of North America, 95 miles long from east to west and 36 miles from north to south. Until the sixteenth century it was inhabited by American Indians; then came the Aryan, Spanish invaders who imposed their

language and much of their culture including their religion. While mixing with the original inhabitants, families took pride in their "pure" Spanish origin. An agricultural people on a tropical island had high birth and death rates and a leisurely way of life. In 1900 the Island was taken over by the hustling Anglo-Saxon Americans of the USA. They set out to improve life in Puerto Rico; industry, health and education received great stimulus, and democracy came in; Puerto Ricans became U S citizens.

The death rate fell, but the birth rate only slightly. As a result the population increased from about 900,000 in 1900 to 2,270,000 in 1958, about 700 people per square mile. With a birth rate of 35 and death rate of 8, the rate of natural increase was then 2.7% per year. Over the last 20 years there has been mounting awareness of the serious repercussions of the rapidly increasing numbers. In 1926 a family planning clinic was started by the voluntary League for the Control of Natality; soon other agencies opened more. By 1939 there were 160 Government Clinics, one for every 10,000 of population, well distributed among the population. Female sterilisation has increased so much that now 16% of all wives aged 15-44 are sterilised. Migration to the USA is continuous.

WHY IS BIRTH RATE NOT FALLING?

Professor Hill and his colleagues try to answer the question: Why is it that, in face of population pressure so acute that living space has to be built over the sea, among a population who almost all say they want only three children, and who have family planning clinics within easy reach, the birth rate has not come down? This, in essence, may well be the question that Indian health, social welfare and economic experts may be asking in a few years' time about India. The authors describe a series of sociological investigations, followed by an experiment in education. The specific aim was to find out why low income families do not practice family planning efficiently and how their performance may be improved. The technique is mainly that of carefully designed interviews fol-

lowed by elaborate statistical analysis of the answers given to questions. This investigation has the advantage of a wealth of previous demographic and sociological studies with a total background of knowledge on a scale not yet available in India.

The investigations started off with the basic premise that "there are as many population problems for the island as there are families with more children than they can support satisfactorily". Thus the authors from the start atomised the population into individual families, and dealt with families as their unit of observation.

THREE STAGES OF INVESTIGATION

The first stage, 1951-1953, was exploratory. 72 families whose houses were valued at less than \$250 were chosen from the files of the Tax Assessment Bureau in three rural areas, an urban area and a small town. The investigation at this stage is described by Stycos.

At the second stage, 1953 to 1954, the investigation was designed to obtain quantitative verification of the findings of the first stage. The aim was to get a precise estimate of the knowledge and use of birth control; to find out the conditions and effect of contraception in the lower class population; and to make a detailed study of the social and psychological conditions of efficient use of contraception. For this purpose 1046 couples were interviewed, chosen from those attending the general out-patient department of the local Health Centres roughly 300 each of never users, users and quitters, and 200 sterilised.

The third stage, 1954 to 1955, was an educational experiment to validate the importance of survey variables and to provide the bases for action programmes. The sample consisted of a predetermined number of families of four types in each village, matched according to their "values", family organisation and knowledge about birth control, determined by their pattern of answers to a set of questions derived from the previous stage. The educational programme tried to change "values" towards family planning and "type of family organisation" (husband-wife communi-

* *The Family and Population Control* by Hill, R, Stycos, J N and Back, K W. University of North Carolina Press. Chapel Hill, 1959.

Family and Fertility in Puerto Rico by Stycos, J N. Columbia University Press. New York, 1955.

cation). These were chosen because both were considered antecedent to effective contraceptive practice.

EDUCATION PROGRAMME

The education programmes had three types of content:

1. Values and information;
2. Communications and family organisation; and
3. Combination of 1 and 2.

Education was given in three ways—small meetings, large meetings, and pamphlets. There was also a control group. Each method of education was used for each of the three types of content. This was followed up by a "post-interview" two months later and a fertility check one year later. Husbands, and wives' friends were interviewed at about the time of the "post-interview".

The surveys revealed that information and materials on birth control are easily available, yet only 1 in 20 of child bearing mothers are being served by the clinics. The most popular method of birth control is female sterilisation. For a Catholic population, the use of rhythm and abstinence is low. Effectiveness of birth control as used is low, and it is not much connected with the method of birth control used. Sterilisation is adopted too late to have much effect on fertility.

Statements on desired family size, while not meaningless, are deceptive in a context where attitudes may be uncrystallized and ambiguous. In Puerto Rico there is no strong social sanction for or against either large or small families. Family size ideals are not strongly held. Contraception is an emergency action undertaken seriously only under great pressure, which partly explains the popularity of sterilisation.

The investigators conclude that communication and time of perception of problems of family size are the most important factors predicting competence and success in fertility control. Social status has only an indirect effect. In fine, the people are not very interested in small families.

CONCLUSIONS INVALID

The authors have collected much evidence that there are a number of important factors which, among others, influence fertility. These

are awareness of the need for birth control in the minds of parents; empathy and communication of the couple—family organisation; focusing of their minds on the issue; starting consideration of family planning early in married life, or before marriage; motivation to take action; and knowledge and acceptance of means.

The climax of their studies was the educational experiments, and the authors took a great deal of care in organising it. Design and materials were prepared and workers trained. These were students of the graduate class in health education at the School of Medicine of the University of Puerto Rico. It is therefore a double pity that the crucial tables presenting the results of the educational experiment contain a number of arithmetical or copying errors and that quite unjustifiable conclusions are drawn from these data. The crucial tables are No 127—Percent using contraception after one year by treatment groups, and Table 132—Percent reporting 'no pregnancy' during the year following experiment by programme and respondent type. Comparison of experimental and test groups shows little or no difference. This unfortunately invalidates the conclusions from the experiment on which are based the recommendations for a practical programme.

WHAT IS MISSING?

Hill and his colleagues have done a great amount of work, they have laid bare some useful and challenging facts about the practice of birth control in Puerto Rico. Yet reading their book leaves one strangely unsatisfied, feeling that some how or other they have missed some very big points, if not the main point. This feeling is only very partially disappointment that after all that work their educational experiment failed to show any significant results, nor does it flow from disappointment that Hill and his colleagues failed to perceive their own failure. They make what seem to be excellent and constructive criticisms of the birth control clinics in Puerto Rico, and yet they still seem to believe that the way to alter the contraceptive behaviour of the Puerto Rican masses, is through bigger and better clinics. They even chide those who run the clinics for being inadequate in merchandising their basic product. Yet some

of their own evidence indicates a reaction against their educational programme for birth control, namely that some people who had given an opinion in favour of birth control turned against it after the programme of education.

Perhaps what is missing is the population problem—the Puerto Ricans' population problem, as they see it. Although the title of the book is "The Family and Population Control" it is really about "The Family and Birth Control". Birth control is referred to in their frequent use of the words "Values" and "motivation", but little attention is given to the desire of Puerto Ricans for children. Hill and his colleagues seem to be wedded to the idea that achievement of a lower birth rate is all a matter of birth control; they have failed to grapple with desire for children. Perhaps they have been too much impressed with the fact that Puerto Ricans say they only want 2 or 3 children, and have not cared to question what the Puerto Ricans really mean when they say this.

HOW DO THEY SEE IT?

How do the Puerto Ricans see their own, personal population problem? The Puerto Ricans can and do emigrate. Hill's book gives, without comment on its possible effect on desire for children, details of emigration from Puerto Rico to the wealthy United States—69,000 in 1953 and 47,000 in 1955, a rate of about 2.7% of the population per year, and these probably mostly young men and women. The Puerto Ricans also see great efforts at industrialisation in Puerto Rico, housing schemes and education. Why should they be so concerned to have small families? To them conditions no doubt appear encouraging, suitable for having plenty of children. Yet Hill's study never focussed on the question of why Puerto Ricans want children. Also, by studying families intensively they lost the population, the community, which is an essential part of the population problem.

Hill and his colleagues come from a society dominated by the idea of the importance of the individual. They have constructed an apparatus to find out what is happening in Puerto Rican family life which may be suitable in an individualistic society but which fails to contact the group. This, plus traditional Spanish-American courtesy, may

partly explain why their investigators were given answers which are encouraging to the research workers. "Yes, we only want 2 children", "Yes, we think your education programme was fine". How much were these verbal answers checked by hard facts? Not enough. Probably also too much reliance was placed on answers given at one or very few interviews. People do not usually reveal their true selves immediately, and Puerto Ricans no doubt share with most ordinary rural people an understanding of the truth of the saying that "a soft answer turneth away wrath".

The authors seem to be convinced that the medically preferred methods of contraception offered by the clinics are essential for bringing down the birth rate. If this is their conviction they have overlooked the fact that the birth rate in their own and other Western countries has been brought down mostly by the use of two such "inferior" methods as douching and withdrawal, with condom. The difference is that people in the West not only said they wanted small families when asked by investigators but they were also determined to have small families.

All who are concerned with the population problem are much in

debt to Hill, Stycos, Back and their many helpers. They have pioneered a way into very difficult territory, and they have been good enough to share their thinking processes as well as their data with all who take the trouble to read their book. Any one who has had experience of this type of field work will appreciate how much labour has gone into this study. If they have not got all the answers, neither has anyone else. They have shown the value of their approach and their method of work: that it also has weaknesses is understandable. It is no easy task to investigate the social and psychological aspects of human reproduction.

Jayaprakash Narayan's Thesis

Report of a Discussion

Rajni Kothari

IN discussion-groups and seminars in India, by and large, speech-making tends to overshadow genuine 'discussion' and enthusiasm to present one's own ideas is rarely matched by receptivity to other people's ideas. Secondly, the viewpoints presented are more or less standardised viewpoints. Even where there is controversy—very often there isn't any—the purpose of the discussion seems less to resolve the controversy than to dissolve it in high-sounding rhetoric. Thirdly, the value of a discussion-group or a seminar is judged more from the brilliance displayed by individual speakers than by the quality or level of discussion. Positions remain unaltered and every one goes home none the wiser.

Such a discussion-group met in Bombay to discuss Shri Jayaprakash Narayan's thesis: "A Plea for Reconstruction of Indian Polity" which has been in private circulation and has attracted considerable attention of late, both in India and abroad. The group was organised by the Indian Committee of Cultural Freedom and met on the 16th and 17th of March at the Indian Merchants' Chamber Hall.

I

THE THESIS

Discussion on the working of democracy in India seems to be assuming of late a new dimension with the revival of the theme of "indigenous democracy", of a polity that would suit the needs of the In-

dian genius rather than a mutilated version of an imported political structure. The most important exponent of this theme, no doubt, is Shri Jayaprakash Narayan who has also performed the valuable service of making articulate the hidden premises of the Sarvodaya ideal. Before reporting on the discussion on the Thesis, therefore, it is necessary to give here a brief summary of the Thesis proper.

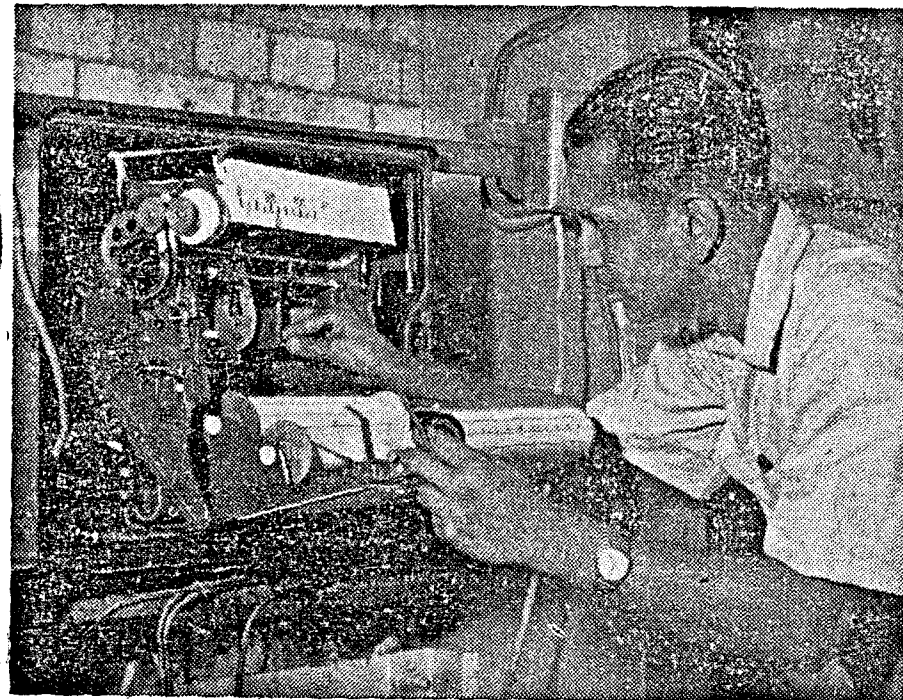
The thesis consists of (1) an analysis of the prevailing political system in India and (2) the way out. The author is entirely dissatisfied with the parliamentary system in general, wherever it exists, more particularly in India. A parliamentary government is at best an "elected oligarchy". It rules by passive consent rather than by active participation. Its evils are centralisation of power, bureaucratisation of all initiative, party politics, demagoguery, manipulation of mass media of communication, etc. These inherent defects of the system are all the more accentuated in India because of lack of proper traditions and a conventional code of political behaviour, lack of self-governing regional and professional bodies, an irresponsible and irremovable majority faced by an irresponsible and resourceless Opposition, and economic backwardness, giving rise to centralised planning and widening tentacles of bureaucracy. The root of the evil lies in the "baffling vastness" and complexity of modern industrial society which, of necessity,

gives rise to excessive concentration of power.

In place of such a system, J P would like India to be organised on the model of a "communitarian society", a society made of small, compact, "optimum" communities where the individual, possessed by a "sense of community", is also enabled to participate directly in the process of decision-making and where the prevailing pyramidal structure is replaced by a system of "ever-widening, never-ascending circles" with the individual at the centre and the country and finally the whole world at the circumference. The important task is to create this "sense of community", to inculcate a philosophy in which the essentially social nature of man is brought into an organic relation with the "totality", to base human organisation on the principles of trusteeship, "dharma" and a voluntary limitation of wants and to evolve institutions to suit the "social genius of India" so that they may "sustain, revive and strengthen the whole fabric of Indian society".

More concretely, J P envisages a system in which at the base—or rather at the centre (the symmetry he has in mind is oceanic, not architectural)—there are the "primary communities" more or less of the size of the existing revenue villages. These are the "self-governing, self-sufficient, agro-industrial, urbo-rural, local communities". Beyond them are the "regional communities" in which a number of primary commu-

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nities come together. Similarly, a number of regional communities form into the "district communities", which in turn form the "provincial communities" and finally there is the "National Community". A hope is also expressed that "a day might come when the national communities might federate together to form the World Community". This is the structure.

The manner of conducting business is also simple. At the local level, there is the "Gram Sabha" of which the membership extends to all adults in the village. The Executive of the village is to be vested in the "Gram Panchayat" formed not by elections but by "general consensus of opinion in the Sabha". Failing agreement, the selection is to be by "drawing lots". At the regional level, the Gram Panchayats will be integrated into a "Panchayat Samiti" on the basis of indirect elections from the Gram Panchayats. Following this pattern—and always on the basis of indirect elections—there will be the "District Council", the "State Assembly" and the "Lok Sabha". At each level, the administration is to be carried on by "committees of representative bodies" which are to be assisted by civil servants and which would be coordinated in a "Coordinating Committee". Legislative powers will be exercised at these various levels on the basis of division of functions and delegation of powers from the centre to the periphery. But in general more power will reside in the village communities. This is the scheme of J P's communitarian democracy.

II

THE DISCUSSION

So much for the thesis. Turning to the discussion on the thesis, three main groups of participants could be distinguished:

(1) The supporters of J P whose principal contribution was to point out that the Thesis was a 'cry from the soul' of a person greatly distressed at the current drift of politics in this country;

(2) The apologists of the parliamentary system of democracy who considered J P's approach as negative and utopian; and

(3) Critics who, while they agreed with a part of J P's analysis of the existing system, vehemently rejected his remedy of a "Communitarian Society".

The criticisms voiced in the discussion could be conveniently grouped into six.

1. In defence of parliamentary institutions:

The experience of this form of government in India was too limited to justify the conclusions drawn by J P. Professor Ram Joshi strongly pressed the viewpoint that the defects in the present system were more incidental than inherent and the real problem in India was to build up the existing institutions and lay down proper conventions for the same. Experience of England has shown that sound local self-governing institutions provided ample opportunities for citizen participation and given a strong tradition of democracy, parties could also be a great educative influence. Professor Dantwala made the point that the simultaneous existence of the present evils on the one hand and parliamentary institutions on the other at best established a correlation, not a causal scheme. The evils, he suggested, are not because of but in spite of parliamentary government. They were more of an economic and social nature. It seems that he hoped that good planning and efficient administration could solve these evils. Also among this group was Mrs Taya Zinkin who observed, in a truly journalistic fashion, that the public reaction to the Nanavati case was proof that democracy was alive in India and people were participating in it.

2. Need for action, not academics:

The arch-propagator of a thoroughgoing if naive pragmatism was Shri A D Gorwala who repeatedly stressed the point that the need in India was for good men to enter politics and drive the bad men out, to 'purify' the polity by permeating existing institutions and to end corruption and nepotism by bringing to an end the prevailing power monopoly. Human nature being what it is, party politics cannot be eschewed. Instead of building up a sound democratic Opposition to the ruling party, men like J P were diverting national attention to utopian schemes and revivalist ideas. J P's thesis was little more than an exercise in academic analysis while the need of the moment was not system-building but action.

3. Consent versus participation:

J P's advocacy of a 'participating democracy' attracted a great deal of

comment, much of which was confused. A large number of participants took the position that it was both impossible and undesirable for all citizens to participate in government. Professor Dantwala, Shri Kunte and others pointed out that government was too technical a matter to be handled by untutored masses. What was needed was an efficient expertise. The function of the people was to throw out a government that they did not like. For this, they were provided with the instrument of elections. Parliamentary government was a government by consent. History is full of instances where more participating systems with their referendums and plebiscites had played into the hands of demagogues and dictators. A government that ruled by consent must always keep its ears close to the ground. Participation must be limited to a few; consent, however, must come from a majority.

4. Examination of the Communitarian Society:

Alongside these criticisms on the traditional lines, there were a few others who took a different position on J P's Thesis. They directed their criticism on the 'constructive' part of the thesis. While they did not agree with other speakers in their defense of the 'status quo' and went some way with J P in his analysis of the existing political set-up in India, they had no sympathy for his remedy. The remedy, they felt, was in a sense more dangerous than the disease. A Communitarian society would accentuate rather than alleviate the existing social and economic disparities. A Panchayat Raj may well turn out to be a Status Society. The doctrine of trusteeship and the call for a voluntary limitation of wants are bound to strengthen enormously the hands of the haves who would have more while the have-nots would continue to be have-nots. Again, J P has confused centralisation of power with largeness of the existing social unit. The former is not necessarily a function of the latter. You could have centralisation of power in Gram Panchayats—in the hands of the dominant caste—as much as in the State or the Centre. In fact, such concentrated pockets of power all over the country would introduce another form of feudalism. The question of centralisation was, therefore, more qualitative than quantitative.

It was also pointed out that it was wrong to imagine that party politics would disappear as soon as the size of the polity was reduced. The history of Greek city-states—and of the Indian Republics of the past which J P takes as his model—bears enough testimony to the view that local factionalism can sometimes render the polity more important than national divisions. Indeed, it was possible to advance a tentative hypothesis that in villages in India where factionalism was rampant, political divisions might perform the important task of diverting parochial loyalties based on hereditary compulsions toward party loyalties based on voluntary association and some identification of principles and policies. The hypothesis, of course, needs to be tested.

On the question of atomisation of the individual, it was pertinently pointed out that the problem in India was not to return to a new organism—as envisaged in J P's Communitarian society—but to liberate the individual from the existing organism. The process of individuation had not gone far in our villages and it was on the realisation of a sense of individuality rather than in searching for a sense of community that the advance of democracy in this country depended. A true sense of community could only be based on the freedom of individuals. The line of progression, from the viewpoint of individual development, was from primitive organism to individuation and then to a reintegration on the basis of freedom and association. Likewise, the line of progress for a free society was from organism to association. A Communitarian society as envisaged by J P failed to fulfil either of these criteria.

5. Institutions are not enough :

These critics also challenged the very conception of social change and political reconstruction found in the thesis. Change was thought of in it in terms of an elaborate institutional structure that would replace the existing one, the assumption being that an ideal institutional set-up would solve the crisis in which democracy found itself today. Here J P was making precisely the same error as made by those constitutional pundits who had hoped that by instituting a parliamentary form of government, they would make India democratic. Our experience shows that institutions, in the absence of a

proper spirit, served interests quite different from the ones they were supposed to serve. The creation of the pre-conditions of democracy was a function, not of institutional change, but of political education and of changes in cultural values and attitudes.

It was pointed out, however, that underlying J P's faith in village institutions lay something else. He had a mystic notion of what he called the 'Indian genius'. All that was necessary, therefore, was to evolve institutions to suit this 'genius'. The important thing was to educate this so-called 'genius' itself. The values we have cherished for centuries are essentially authoritarian values and we have first to change them before embarking upon any large-scale institutional reforms. It is significant that even while J P speaks on the role of education, his emphasis is in terms of education to create "a 'spirit of community' without which the whole body politic would be without life and soul" rather than in terms of spreading essential democratic values from the elite to the masses. Thus, said these critics, J P tended to equate democracy with local community living, with formal decentralisation, with elimination of bigness and so on. The whole approach was excessively formalistic. It was also obscurantist and mystical.

On this point, the very concept of 'rural democracy' was challenged. The pre-conditions of democracy just did not exist in our villages. Liberty, equality and all the rest of them were essentially urban ideas, generated from urban conditions of living. From there they would penetrate into the villages. If we recognise the role of intellectuals in our society as one of spreading these values, we must also recognise the positive role that urbanisation could play in the formation of democratic traditions.

6. Need for a new leadership :

Finally, the all-important point was made that the political problem in India was that of control, not community. Power must be controlled wherever it resides, in Parliament or Panchayat. And this is the task of political leadership. What is urgently needed is the rise of a new leadership. This was the function, above all, of political enlightenment and constant vigilance. Men must be led to feel and fight for their rights. Democracy is not some-

thing that could be taken for granted. It had to be nurtured and preserved from the onslaughts of authoritarianism. A Communitarian society was no answer to such a challenge.

III

THE REPLY

The discussion ended with J P's 'summing-up'. He added little to his thesis. But what he said outside the pale of his thesis was remarkable. He was pained to see that few had read and none had understood his message. He felt very unhappy, even "felt like crying" at the way the whole thing was discussed. (Many of us could not understand this either!) He was shocked to find how anyone could believe that he would propose anything undemocratic. His whole life had been dedicated to the cause of freedom. His references to Pakistan's or Egypt's experiments with new types of polity were so grossly misinterpreted. But he did not wish to go into that. Nor did he intend to reply to the various criticisms raised during the discussion. He would rather explain his position once again. And that he did.

J P repeated the general argument of his thesis, adding, however, that "deeds, not words" would prove it. He would have liked to invite the participants to the two villages of Berani and Belsara in Bihar where true democracy functioned, where a Communitarian society prevailed and where everyone got his needs fulfilled from a common pool to which he contributed all his earnings. He was also contemplating, along with some others, to start a large experiment in Bihar on the lines laid down in his thesis.

(Here was another plan for a model community. But as some admirer of J P remarked in the lobby, "Even if he succeeds in his experiment, how many J Ps do we have in India? After all, even England had one Robert Owen!")

Jayaprakash left the impression of being distressed and misunderstood. There was a note of urgency in his prefatory remarks to the discussion on the first day when he had said that if only leaders of opinion in the country agreed on his scheme, the change could be a "comparatively simple affair". Towards the end of the discussion, he appeared to have withdrawn in a mood of resignation from any idea of such an agreement. He would rather rely on "deeds, not words".

On the Eastern Frontiers: Barak Valley as an Economic Zone

K C Chakravarti

PARTITION has brought into existence an area which is practically cut off from the mainland of India. In the absence of any one name for this area, we may call it the Barak Valley. As this valley is surrounded by Burma on one side, Pakistan on the other and the hills and jungles of Naga land on the third, it has created new complications for India's defence and strategy. Added to this is the disruption of its economy, due to the Partition, and the very dismal future which its 25 lakhs of inhabitants have to face.

The Barak Valley includes the three districts of the State of Assam, viz, (1) Cachar, (2) North Cachar and (3) Mizo Hills District; and two Union territories (4) Manipur and (5) Tripura. It is not a compact geographical, ethnic or cultural area. The people, a heterogeneous mixture without any linguistic or cultural unity, are welded together today by common economic suffering. It will be seen from the accompanying map (p 590) that the Barak Valley has Burma on its south and the east, East Pakistan on the west and the hills and jungles of Upper Assam on the north. A road from Imphal to Dimapur through the hills and jungles of Naga land connects Manipur with Assam and through Assam, it connects the Barak Valley with the rest of India. Tripura and Mizo Hills district are linked with Silchar by road and Silchar is connected with Upper Assam by a single metre gauge railway line which runs through hills and jungles.

ISOLATED FROM INDIA

These districts have no all-weather transport system interconnecting one another so that, very often, they remain separated from one another and the whole region, again, in certain seasons, remains isolated from the main land of India. Agartala, Silchar and Imphal have aerodromes and air transport, not very reliable during the rainy season, is the only means of communication. A railway journey from Silchar to Calcutta, a distance of about 900 miles, takes some sixty hours by a long and circuitous route, provided there is no breach or dislocation *en route*, and

in the hill section in the rainy season, dislocation is a normal feature.

Before Partition, Calcutta could be reached from Silchar by rail and steamer in twenty-four hours. Water transport from Calcutta was fairly speedy and cheap. This part of the Barak Valley could dispose of its produce in East Bengal at remunerative prices. Transport cost being low, the produce could also be sold in the Calcutta market. Similarly it could draw its supplies from East Bengal and via East Bengal, from Calcutta at reasonable prices. Partition, however, has completely altered the situation.

NO INDUSTRY, HIGH UNEMPLOYMENT

This Zone is large in area but being hilly and full of jungles, there is not much cultivable land in it. The population, again, is not large as shown in the table below, but the density in the settled areas is high.

AREA AND POPULATION OF BARAK VALLEY		
	Area Sq Miles	Population (000)
Assam Districts :		
Cachar	2,680	1,116
Mizo Hills	8,145	196
North Cachar	1,888	40
Union Territories:		
Manipur	8,628	578
Tripura	4,032	639
Total:	25,373	2,569

If we leave out the hills and jungles, the density of population will be more than 600 per square mile. Tea is the only industry of the region and 95 per cent of the people are agriculturists. After 1951, some 8 lakh refugees from East Bengal have migrated to this area. Many of the refugees were skilled artisans. This should normally have strengthened the economy of this region but in the absence of industries, large, medium or small, they had to be absorbed in agriculture. This has actually worsened the situation.

Another source of loss, waste, and worry to the people are floods. Practically every year, crops are

damaged in some area or other by flood. As yet no flood control scheme is in operation.

There are some four hundred tea gardens, but these are mostly in moribund condition. There is, strangely enough, no light engineering industry and the tea gardens depend on Calcutta for all of their engineering requirements.

HIGH PRICES OF NECESSITIES

The people in this zone suffer from two severe handicaps both arising from the difficulty of transport and this is an offshoot of Partition. Most of the consumption goods like salt, sugar, dal, matches, kerosene, paper, books, medicines, clothes, etc, which are needed for every day use, come from Calcutta and the transport cost being high, these are sold at a high price. Prices of most articles are so high that the cost of living in this zone is perhaps the highest in India.

On the other hand, again due to high transport cost, the commodities which are grown in this zone, cannot be exported and have to be disposed of in the local market with the result that their prices are very low. Oranges sell here for quarter of an anna! Ginger, pineapples, *pan*, bamboos, cane, vegetables that are locally grown, sell at such low prices that the producers who grow them do not get a fair income.

The difficulty would have been solved if the transport system could be improved but nothing short of a revolution in the transport system will be needed for such change. The problem would have also been solved if our relations with Pakistan had improved but no such improvement is within sight. The third and the last alternative is to develop this zone as an independent and separate economic unit.

ASSAM GOVERNMENT'S APATHY

For developing this region, the State Government of Assam will be of little help. The region is only nominally connected with Assam. Geographically, linguistically, culturally and economically, the Barak Valley has practically no bond with Assam, although three of its districts

form part of the State. The State Government would rather set up industrial units in the Assam Valley or develop economically the Assam Valley district. Instead of setting up a paper mill at Karimganj or a light engineering workshop at Silchar, the State Government would have them either at Gauhati or Tezpur or Jorhat. Politically, there is no denying the fact that the districts of Barak Valley are always neglected by Assam.

No capitalist from outside is likely to invest his money in this region. Why should a Marwari or Gujarati invest a couple of lakhs in an area which is an isolated pocket surrounded by unfriendly Pakistan and the Naga hostiles? Left to itself, therefore, there is no chance of any development in this zone.

CENTRE MUST TAKE INITIATIVE

The Union Government, however, can take the initiative and it is a good sign that the Union Government is giving its attention to the problems of this region. An expert

team of five members headed by Dr J D Verma had visited this area and is likely to submit its report soon. Another team will be coming shortly. Any scheme for the development of this zone must be on the following lines.

As raw materials and skilled labour are available in plenty, there are chances of setting up certain industries. Raw materials for sugar, cotton, paper, cement and coal or petroleum based industries are available but if these are to be developed on a large scale—and this is necessary to make production economically feasible—the products have to be marketed outside, and here transport cost will be a problem. Subsidy for a long period, therefore, will be necessary.

Secondly, the problem of power has to be solved first before industrial development can be thought of. Electricity generated is practically negligible, and is sold at a prohibitive rate. For industrial use, it is charged at four annas per unit.

There are coal deposits in the Barail hills but they can not be worked until transport costs become economic. Coal can be brought to Silchar from Raniganj across the rivers of East Bengal but coal in the interior of Cachar, at a distance of some 25 miles, cannot be transported to Silchar at economic rates. This means that the interior of this undeveloped and backward zone has to be opened up by an all-weather transport system.

Thirdly, there should be a light engineering industry without which no industrialisation can take place. Even for ordinary repairs, one has to depend on Calcutta. The largest engineering concern in the whole zone employs only 9 men!

Finally, the case for setting up those industries whose products can be sold within the zone is strong, and priority should be given to them. High transport cost acts as a natural tariff wall. Protected by this barrier, certain industries producing strictly for the local market can be easily developed.

From the Chair

Transport in Hindustan Lever

THE following is the text of the speech delivered by Mr S H Turner, Chairman of Hindustan Lever Ltd, at the Annual General Meeting of the Company held on 6th April 1960.

It gives me great pleasure to welcome you to this Annual General Meeting of the Company.

I shall take as read the Report and Accounts for the year 1959 which have been with you for some time. I have also circulated to you my review of their salient features. I shall, therefore, proceed to talk to you about transport which plays a vital role in our business.

VOLUME OF TRANSPORT

We have 11,000 direct dealers. Last year we issued 1,35,000 invoices. In other words, each of our dealers bought from us on an average twelve times during last year. Every one of these transactions involves us in a transport movement; many of them involve two, because often we move our goods not direct to the dealer, but first from the factory to a depot, and then from the depot to the dealer.

There are also several thousand tons of materials required for production moving to our six factories located in different regions of India. In 1959, our factories received 85,000 tons of vegetable oils and 60,000 tons of oilseeds — our main raw materials — from various parts of India, over the internal transport system; and of these about 10 per cent of the former and 48 per cent of the latter moved at our risk part or whole of the way and the rest at the risk of the suppliers. Here, again, more than one movement is involved, first to the collection points and then to our factories either directly or through our suppliers.

TRANSPORT COSTS

With so many hundred thousands of movements to consider, we are necessarily deeply interested in everything that goes on in transport. First, our transport costs were, in 1959, equal to nearly half our profits. They added up to considerably more than our proposed dividend; naturally, therefore, it is of the utmost importance to us that they

should be as low as possible. Secondly, every ton of oilseed or oil held up at the collection points for want of transport or delayed in transit, every case of SUNLIGHT or tin of DALDA that is sitting in a railway wagon or a truck instead of in a consumer's kitchen, is capital tied up earning nothing. Of your total current assets, one rupee in every five represents goods in transit or in a depot or factory awaiting despatch. Every rupee we can use by better organization or quicker transit times is a rupee we can use elsewhere to serve the consumer and make you a profit by doing something else. Thirdly, our methods of transport must suit the consignees, be they our factories or dealers. It is no good getting goods to the destination cheaply if they arrive in the middle of the night and the consignee is required to unload straightaway. It is no good getting in oil quickly to our factories if there is considerable leakage as a result nor is it any good getting the finished goods to the dealer quickly if every DALDA tin is dented, and every bar of soap bruised.

TWO MAIN INNOVATIONS

In achieving these objectives we use every form of transport available to us, having regard to the nature of the product and its packing, distance, transit time, cost and convenience of consignees. Over the last ten years, the Railways have done a commendable job in improving transport over their network; particularly in regard to the movement of raw materials in bulk and transport of finished products over long distances. However, over the last decade, we have made two main innovations in the movement of our finished products, namely road transport and depots.

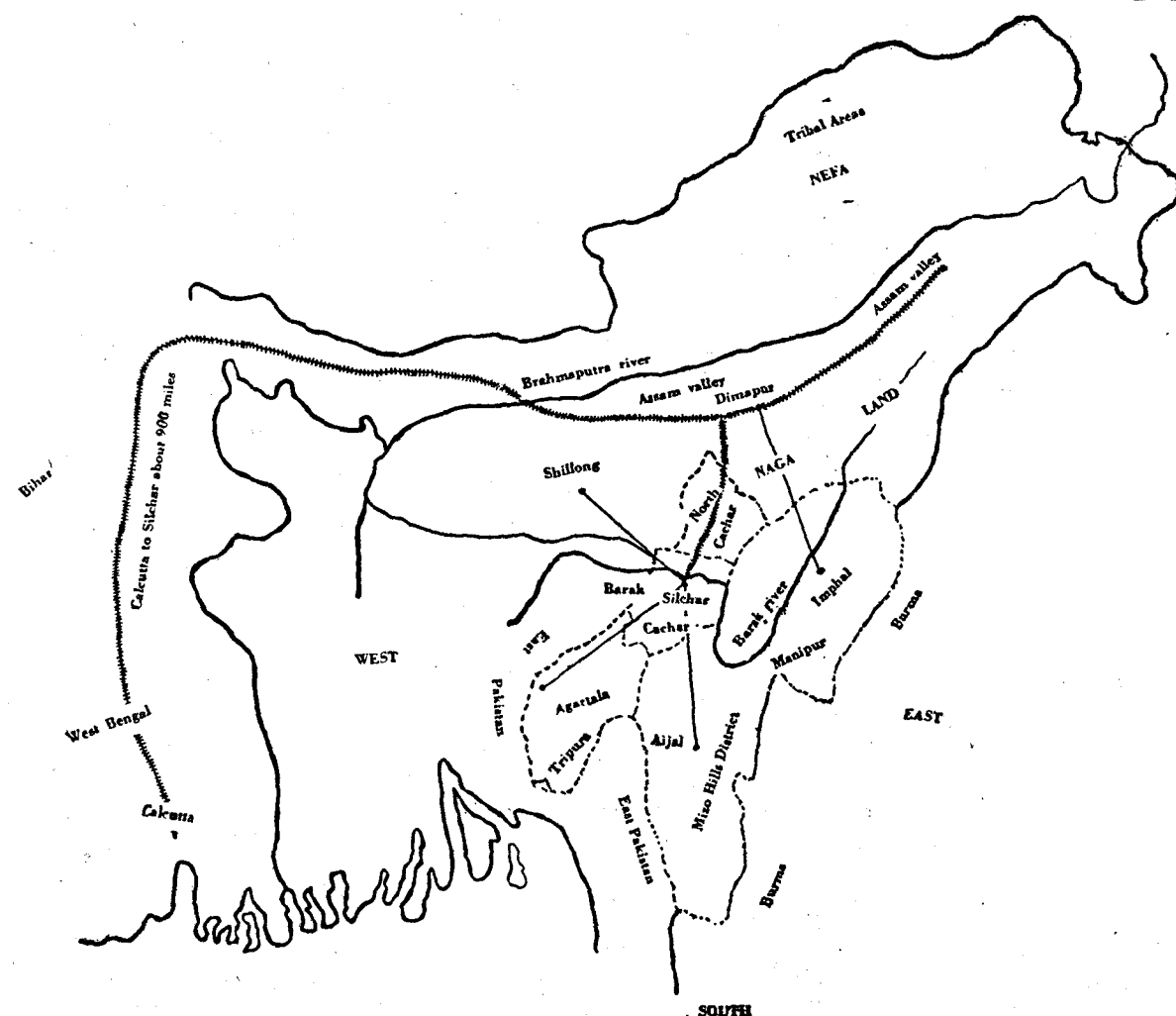
In 1950, our normal method of despatch of finished goods was by rail straight to the dealer, and, as far as possible, in full wagon-loads. This meant that we tied up a great deal of our own capital, the goods spent an average of 21 days in the wagon, and in addition at the end of 1949 we had Rs 187 lakhs worth of manufactured goods at the factories because we got wagons very

irregularly. It was common experience in those days that for several days we got no wagons and then had sixteen on one day. We also had to tie up a good deal of our dealers' capital. The man in a small town who had to take a full wagonload of vanaspati, might well find himself with four or five months' requirements on his hands at once; and for this tying up of our dealers' capital, of course, we had to pay either in bigger discounts or in letting them make larger profits on stocks in their hands whenever we had to raise our prices.

AVERAGE TRANSIT TIME REDUCED

Now we have become much more flexible. Last year about 50 per cent of our despatches were made by road; another 2 per cent were made by Quick Transport Service, a service the railways simply did not offer ten years ago. Our average transit time has been reduced from the 21 days of 1950 to 5 days now. At our present rate of sale, that means we are saving perhaps Rs 1½ crores of scarce capital. Moreover, we have much less damage. Road journeys normally involve no transshipment, whereas rail transport involves transshipment whenever there is a break of gauge; and road journeys are door to door, whereas with rail, even though we have sidings, our dealers do not, so that there is always an extra handling at their railway station.

Finally, with road contractors we are usually able, at a price, to get them to accept responsibility for damage; the railways are very chary of accepting responsibility, and their employees are frequently correspondingly careless. When we make a claim on our road carriers, it is settled within days, and usually in full. When we claim on the railways, it takes an average of six months before a decision is obtained and we do not recover more than half our losses. There has been improvement in recent months. I hope though that the railways will improve further now that the Railway Minister has made the most welcome decision to accept carriers' risk for them. Indeed, even before that the railways were improving.



As road competition has grown, they have become more attentive to claims, and the Quick Transport Services cause much less damage from heavy shunting than ordinary services.

ECONOMIES IN PACKAGING

With costs we have had less good fortune. Changing to the road has saved us money on the short hauls, roughly speaking on all those below 300 miles, which represent about 80 per cent of our despatches from our distribution centres. From our Bombay factory to Poona by road, for instance is Rs 6.50 per ton of DALDA cheaper than by rail; it is Rs 3.25 cheaper to take a ton of SUNLIGHT from our Delhi depot to Ludhiana by road than by rail. And we are endlessly looking for economies in packaging. Once upon a time, for instance, all our soap was moved in wood boxes. Now 70 per cent goes in cardboard containers, which are a quarter cheaper. If all this still had to go in wood boxes, it would cost us an extra Rs 24 lakhs; you can see what that would do to your dividend.

MORE DEPOTS

We have also been helped by our depots. We now have fifty one where in 1950 we had four. For a cost of some Rs 22 per ton, including the extra freight the break of journey involves, they give us two very great advantages. First, we can reduce our working capital. If we had to carry enough stocks at our Calcutta factory to be able to despatch to each dealer in our toilet preparations all over India what he wanted in smalls on just those occasions when the railways had smalls booking open, we would fill many more godowns at the factory with hair oil and talcum powder than we at present possess; and we would have still more capital sitting idle in railway wagons as the smalls consignments wended their slow way across the sub-continent.

Secondly, we can see to it that our dealers are much more seldom out of stock. Our minimum toilet preparations order is Rs 200. You can imagine that a dealer in Tirunelveli who had to wait for Rs 200 worth of preparations to get to him by smalls from Calcutta would be out of stock most of the time; or else he would have to lock up an immense amount of capital by buying

months and months of his requirements at a time; and if he does that, he has to put his margin up, which for the same consumer price, means that our margin has to go down. If he has to add another 5 per cent to the price to make up for the fact that he is turning over his capital once in three months instead of once a month, the addition is equal to half our profits, even in a good year like the one just past; it would be equal to much more than half in a bad year.

DISTRIBUTION MORE EFFICIENT

Our depots are so placed about the country that they can always be served by full wagon or lorry loads, and our customers can then be served from them, usually by road, in the smallest of smalls, and within at most a few days of the receipt of their order. The result is that both we and our dealers can operate with less stock in the pipeline. The minimum pipeline stocks of vanaspati, for example have been cut by some 2000 tons, or nearly a third, over the last three years; this has led to a reduction of Rs 40 lakhs in the capital invested in packed stocks, spread between ourselves and our wholesalers and a very large part of it is due to the depots.

Because they permit smaller individual orders moreover, the depots make our whole distribution system more efficient. When we had to send vanaspati in full wagon-loads, we could not have a separate wholesaler in a small town. He would have had to take perhaps a year's stock at a time. So the little towns had to be serviced from nearby, bigger ones, which was always expensive and often inefficient. Now we can often serve these direct from the depot, even though they can only take a few cases at a time, and the number of our vanaspati wholesalers has risen from about 1,500 in 1956 to 1,780 in 1960, with all that means in extra energy and initiative being applied to our business.

KEY BRIDGES STILL MISSING

But all such savings get swallowed up, though they do not thereby become any less important, by government's ever-increasing use of transport as a means of taxation. Since 1950 rail freights have gone up from 14 per cent to 40 per cent depending upon the product and distance; the cost

of diesel oil in Bombay has almost exactly doubled — it was Rs 1.18; it is now Rs 2.34; an excise of 40 per cent has been put on tyres; that part of the cost of petrol in Bombay city which is tax has gone up two and one third times; the tax (Customs and Excise) on an ordinary Mercedes Benz truck has been increased from Rs 2070 to Rs 5070. I may put it in another way; a truck doing 35,000 miles in 1950 paid Rs 1,500 in taxes of every sort; today it pays over Rs 2,000 and still more on inter-State movement. Naturally, our bills have gone up with them.

We would mind the extra taxes less if they were spent on the means of transport from which they are taken. We recognize the great improvement which has occurred in the services provided by the railways over the last decade. Wagons are usually freely available, transit times have come down, railway officials of every grade are more helpful than they used to be. But nothing like enough has been done for the roads. Key bridges are still missing, the lack of which reduces the value of hundreds of miles of national highway. The bridge over the Chambal on the Bombay-Agra highway is now ready, but no bridge has even been begun at Dehri-on-Sone on the Calcutta-Delhi highway, or over the three great rivers between Calcutta and Cuttack. Indeed, often essential parts of a through highway have still not been built; thus the 10 crore bridge over the Ganga at Mokameh cannot be used to full advantage because the authorities have still not built the few necessary miles of approach road on either side of the bridge. A bridge is under construction over the Brahmaputra at Pandu in Assam. Our enquiries reveal that in the master plan there is no provision for a riverghat near the bridge site, with the result that goods coming by water transport from Calcutta will have to proceed beyond Pandu to Gauhati and come back by road to Pandu.

NO SENSE OF URGENCY

Even where the highways have been built they are usually narrow, and often badly surfaced; frequently their bridges are weak and their foundations inadequate. There is only one adequate road in all India, the Grand Trunk Road from Delhi into the Punjab. The result is ac-

cidents and low load limits; both are dangerous, both waste capital. Sometimes, indeed, the load limits are lower than even the bad roads make necessary. Thus, Bombay State has an average pay-load carrying limit of 130 maunds, whereas its neighbours with no better roads permit 200; not only are freights in Bombay State unnecessarily higher as a result, but also lorries have to reload when they get across the State border, with much consequent delay, damage and expense.

Not only are the allocations for road improvement too low, but there is no urgency about what is being done. Bridges take years to build. When a road is damaged, it takes months to mend. After the recent Gujarat floods, the railway line to Surat was mended in three weeks. The full restoration of the road will take one year. Traffic is diverted involving an extra distance of 60 miles and often through the fields, for months when the repair or improvement concerned could have been carried out in weeks; and every such diversion puts up costs, and uses up scarce foreign exchange, for going through the fields shortens the life of vehicle and tyres, and puts up the consumption of fuel.

IRKSOME RESTRICTIONS

Most irksome of all are the involved rules governing road transport. The planners perpetually complain that the country is short of transport, and that the provision of more rail capacity is one of the heaviest of all burdens on India's limited capital—about 20 per cent of the whole second five-year plan is being devoted to the railways. One would have thought, therefore, that they would want to see the maximum use being made of those roads which exist, and the maximum relief being given to the railways by the use of lorries. In other words, one would have expected, if transport were properly planned, that there would be no restrictions placed on road transport beyond those necessarily imposed by the limitations on the availability of trucks.

In fact, so deeply are the railways and the road transport authorities rooted in the thinking of the 1930s, that restrictions are infinite, restrictions on the routes that can be plied, on the distances that can be travelled, on carrying goods from one State to another, on loads, on

the use of trailers. One would think India had an immense superfluity of transport, and that the loads had to be rationed out to give everybody a living, regardless of cost, instead of transport being always on the verge of bottleneck and so expensive that every further addition to its costs is a serious matter—one rupee in every twenty of our costs is already transport including handling.

NEED FOR REFRIGERATED TRANSPORT

I would not like to close on this sour note. Railways and roads alike have improved enormously over the last ten years; our own transport department has some considerable achievements to its credit; and of late both the Government and the carriers have shown so much responsiveness to new ideas that I am emboldened to make a few suggestions, all of them based on our own experience in this business.

First, we would welcome the introduction by the railways of a container service of the type they have in many foreign countries; this would be particularly useful in India, where they would ease the whole problem of transshipment at points where the gauge changes.

Secondly, we feel the time has now come when more attention should be paid to refrigerated transport, both by rail and road. The lack of refrigerated transport at present inhibits particularly the development of the fruit, vegetable, fish and milk industries, all of them admirable ways of improving both the income of the villager and the nutrition of the townsman, and all of them dependent for carriage over any distance upon refrigeration. We would be interested too, in insulated wagons for edible oils and for our own vanaspati; these do not require refrigeration but they would keep better if they could at least be insulated.

REFUND OF OCTROIS

Thirdly, the municipalities should be prompter in their refund of octrois on re-exports; at present one often has to wait months for such refunds; it takes us six months in town as big as Ahmedabad and Bangalore; sometimes a refund of terminal taxes cannot be got at all, as at Agra and Kanpur; and we have just had to close down an otherwise perfectly suitable depot in Gwalior because the Corporation

would not refund the octroi on despatches sent outside the town; we can see no reason why the inhabitants of one town should be allowed to tax the surrounding villagers, or the inhabitants of other towns in this way.

-BULK TRANSPORT OF OIL

Fourthly, there is scope for improvement in the way vegetable oil is transported by sea. We use country-craft to bring seed and oil from Saurashtra to Bombay; 13,851 metric tons of seed and 4,676 metric tons of oil were transported in this manner in 1959. While the facilities provided by country-craft for movement of bagged material are reasonably adequate except during the monsoon, we cannot say the same about movement of oil. Shipment of oil in drums by country-craft or coastal steamer is an uneconomic method due to the weight of the drums transported and the losses which occur in transit.

The cheapest way of moving oil would be in bulk, but there are no bulk handling facilities in Saurashtra ports nor are they adequate in the other ports. This is a problem which is tied up with the much larger problem of loading large quantities of oil into steamer for the export trade. If India's Third Plan targets for export of oil are to be attained, serious consideration must be given to providing better facilities at the main ports for storage prior to loading and ultimate pumping from the storage tanks into ships bulk tanks.

My final and major suggestion is that the recommendations of the Masani Committee on Road Transport Reorganization, which has been generally endorsed by the Transport Council, should be implemented without further delay. While the problems of co-ordination of different forms of transport are now the subject matter of further consideration by the Neogy Committee, there should be no difficulty in the way of implementing those recommendations of the Masani Committee which do not bear on this subject.

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

Progress
is the sum of
KNOW-HOW plus RESOURCES

Regarded with little favour—even for household uses—by the ordinary man-in-the-bazaar less than 20 years ago, aluminium has today become the engineers' favourite light metal. It is now fast replacing other metals and wood in the construction of railway coaches, bus bodies, aircraft and ships.

The wide acceptance that aluminium has come to enjoy as a structural material is largely due to the ceaseless efforts of Indian Aluminium Company, which today accounts for over 90% of the country's total production. Pioneer and leader of the aluminium industry in India, Indian Aluminium Company has continuously sought to promote new applications of this versatile metal and has frequently expanded its production facilities to meet the increased demand thus stimulated.

To do this two-fold job of promotion and expansion Indian Aluminium has been uniquely well-placed. It has drawn fully upon the technical and research facilities of its Canadian associates, Aluminium Limited—the world's largest group of aluminium companies. And now, Indian Aluminium stands ready to contribute all its know-how and resources towards achieving India's self-sufficiency in aluminium.



**Indian Aluminium
Company Limited**

A CANADIAN-INDIAN ENTERPRISE

The West Coast Paper Mills Limited

Speech of the Chairman, Shri G D Somani

FOLLOWING are the extracts from the speech delivered by Shri G D Somani, M P in the absence of the Chairman, Shri G L Bangur, at the fourth Annual General Meeting of the West Coast Paper Mills Limited, held in Bombay on 30th March 1960.

Gentlemen,

I have great pleasure in welcoming you to the 4th Annual General meeting of the West Coast Paper Mills Limited. The audited Statement of Accounts for the year ended 30th June 1959 including the Directors Report has been in your hands for some time and I propose to take the same as read with your permission.

Before I proceed with the affairs of the working of your Company, I would like to make some general observations regarding the economic situation in general and the prospects of the Paper Industry in particular.

I am glad that the wide spread apprehensions about serious additional burdens anticipated in the last Budget did not prove true and the Finance Minister has taken a realistic and constructive approach to ensure that no section of the community is hit hard. The Finance Minister's Budget proposals require all the more to be appreciated in the light of the fact that he has had to find additional resources not only for the ever increasing need of the planned programme of development but also for the additional needs of Defence and the burden imposed upon the Government by the recommendations of the Pay Commission.

PAPER IN THIRD PLAN

The target for the Paper Industry under the 3rd Five Year Plan has been fixed at 9 lakh tons per annum. Our per capita consumption of paper is so low at present that the demand is bound to increase progressively and, therefore, this target cannot be regarded as over-ambitious. The fulfilment of this target will depend largely on the realistic policy which the Government should follow in regard to the price structure for this Industry and I would like to take

this opportunity of saying a few words about the general policy being followed by the Government in this vital matter.

The question of fixing fair prices for the manufactured goods of certain industries arises due to the short supply and the resultant hardship which may otherwise be caused to the consumers. While the need for ensuring fair prices to the consumers cannot be disputed, the fact must be realised that the ultimate solution for dealing with such shortages lies in adequate increase of production, which alone will result in the achievement of the objective we have all in view. Our experience of the physical controls and the enforcement of artificial prices has been that the consumers never get the benefit which is intended for them and that these lead to all sorts of malpractices. It is, therefore, very desirable that the Government should follow a long term policy to ensure reasonable prices to such industries which will leave sufficient resources for the expansion of the existing units and which will also attract new entrepreneurs in these industries.

BASIS OF FAIR PRICES

The present method adopted by the Tariff Commission for determination of fair prices is to allow return on Capital not on the basis of the book value or replacement value of the gross block but on the basis of the so-called "capital investment" which consists of the net block plus the net value of the current assets used in the business. Moreover, items like Managing Agency Commission, Bonus to labour, taxation, interest on loans etc, are also included in the gross return for calculating fair prices.

It will be appreciated that all these items cannot be logically included in calculating the return on capital. While no doubt the Tariff Commission is a high-powered judicial body consisting of eminent experts and its recommendations deserve fullest possible weight and consideration, my submission however is that the time has come when the Government should, in consultation with the Tariff Commission,

lay down certain broad principles for the determination of fair prices which will be conducive to the rapid expansion of the industries whose selling prices have to be regulated in the period of short supply.

SPECIAL PRICES FOR NEW UNITS

The new uniform prices for the Paper Industry enforced from 1st January last have caused a lot of discontentment in the Industry and responsible spokesmen have clearly indicated as to how the future development of the Industry will be adversely affected by these new prices.

So far as we are concerned, I would like to point out that the principle of special prices for new units has been recognised by the Government and the Tariff Commission in regard to other industries and I see no reason why the New Paper Units and those under expansion should be given a different treatment. It is indeed a matter of great concern to us that the Tariff Commission should have recommended a policy of uniform prices even when the new units are springing up in this industry, which would be hit seriously unless they are treated separately.

REPRESENTATION TO GOVERNMENT

I would like to take this opportunity of informing you that soon after the new prices were announced, we made strong representations to the Government drawing their attention as to how a new unit like ours will be adversely affected.

I am glad to inform you that the Ministry of Commerce & Industry have forwarded our representation to the Tariff Commission and have invited their views. Our representatives have had detailed discussions which the Chairman and Members of the Commission very recently when all aspects of the price structure as affecting our Paper Company were discussed. I am not yet in a position to say as to what exactly will be the recommendations of the Tariff Commission in the light of this, but the incidence of the depreciation and reasonable return on

the capital employed, even on the basis of the Commission's own formula, is so heavy in our case that we have reasonable grounds to be hopeful.

PRODUCTION AHEAD OF RATED CAPACITY

As you are aware, the working of the Factory was formally inaugurated by Shri Morarji Desai, Union Finance Minister, on 16th May 1959 and it was only from July onwards that all the departments of the Unit were commissioned into production. The period under review, therefore, saw only trial operation for some time and the production of paper in that period was only 3,387 tons. It will, therefore, be appreciated that the results of the working could not have been better.

So far as the production since July is concerned, the various departments have been working normally and have attained normal efficiency. Indeed production since August last year has been keeping well ahead of the rated capacity. The only department which did not achieve the normal efficiency was the Recovery Section which consists of specialised equipment. We were, however, able to obtain the services of an American Expert together with

a Technician from our Machinery Manufacturers in the U K and I am glad to say that there has since been some progress in the working of this plant and, it is hoped, satisfactory results will be possible in the near future.

Another special feature, which I am glad to mention is about the superior quality of the different varieties of paper being produced by your company. Looking from the reactions of a number of consuming centres, I can safely say that there has been a wide appreciation of the standard of our qualities which are regarded as superior to others. This clearly indicates that the plant and machinery designed for your Factory are most modern and have given good results both from the point of view of quality and quantity.

A difficulty which we have continued to suffer, has been the inadequacy of railway transport facilities. The Railway system from Alnavar to Dandeli is run by the Forest Department of the Mysore Government and the condition of the track and other facilities are far below standard. We have been representing to the Railway Ministry for a long time that the line should be taken over by them and its standard of

efficiency should be improved. Recently, the Railway Ministry have agreed at last to take over this Railway Line subject to certain special conditions which they want to impose. The whole matter is now under negotiation between the State Government and various Industries of the State on the one hand and the Railway Ministry on the other and I hope and trust that the Railway Ministry will take a broad view and will not impose any conditions which might adversely affect the development of this area.

PLANT EXPANSION

The Board is actively considering the expansion of the capacity of the Plant. Various aspects such as finance, raw materials, power and transport are under study and the details thereof are being closely examined by our Technicians. Once these studies are completed, I hope the Board will be able to take final decision in this regard in due course.

I take this opportunity of thanking the members of the staff and labour who have rendered valuable services in bringing about normal production of the new Plant and Machinery.

Note: This does not purport to be a full report of the proceedings of the meeting.

Around Bombay Markets

Rally Makes Progress

Thursday, Morning

MARKETS had quite an exciting time last week. Cotton futures staged an impressive recovery, making up nearly all the losses suffered over the past few weeks. Oilseeds displayed remarkable strength, with groundnut striking a new high for the season. The stock market was buoyant once again, with equities forging ahead despite the exorbitant carry-forward charges. Precious metals continued to be under the firm grip of bulls. But even more significant than the up and down movements in commodity and share markets was the staggering response to the Prize Bonds. Post offices were unable to cope with the public rush and the bonds had to be rationed, being in short supply, which does little credit to the authorities administering the scheme.

Dalal Street seems to be in form again. Its worst fears about an increase in "badla" charges came true when the long and anxious account came to a close on April 1. But the higher carry-forward charges, which worked out on an average between 11 and 12 per cent against a normal of 9 per cent before, did not check the progress of the rally which had set in about a fortnight earlier. In the recent recovery most counters have regained half to two-third of the ground lost in the landslide that followed the announcement of credit curbs comprising higher margins against shares, ban on "badla" transactions by banks, restriction on clean advances and larger reserve requirements in respect of deposits accruing after March 11. A few counters have almost come back to their post-Budget peaks.

BULLS ACTIVE AGAIN

Last week's further recovery in equities was due not merely to short covering. Professional bulls were active again. Activity was a little better, reflecting improved trading sentiment. But interest continued to be selective. Technical considerations alone could have produced the rally which has been in evidence over the past few weeks. But sentiment has been helped not a little by the encouraging corporate news including the impressive increase in

steel output both at Burnpur and Jamshedpur. Tata Steel, which had been out of favour for long, shot into the limelight after the release of the output figures for March. Tata Steel advanced from Rs 147.25 to Rs 152 and Indian Iron from Rs 22.36 to Rs 23.06. Voltas, A.C.C., Bombay Burmah, Century, National Rayon, Gwalior Rayon, Baroda Rayon, Bombay Dyeing and Premier Construction were among the other outstanding bright spots of the week.

Sentiment has changed with the recovery in prices. The market, it is being argued, has discounted the adverse effects of the credit curbs which had raised a great hue and cry. There are not a few who think that the rally which is now under way is likely to develop into a major bull phase taking the market gradually above the post-Budget peak. Speculators have been known to play havoc with markets at times. But it seems doubtful whether they can attract adequate follow-up support in face of the current high carry forward charges.

CREDIT CURBS INOPERATIVE?

Equity yields are already on the rather low side. Any further big rise in prices will make yields still less attractive. Prospects of capital appreciation cannot be completely dissociated from the capacity of the industry to make profits and declare higher dividends. But notwithstanding the expansionary impulse in the economy it is difficult to take a very optimistic view in this regard because of the rising trend in costs of production.

Besides, the market cannot ignore for long the implications of high carry forward charges which now stand around 12 per cent. It has yet to feel the full impact of the credit curbs. Margin restrictions are to be enforced gradually over a period of time. And according to informed sources, even the directive in respect of "badla" business by banks is not being implemented properly. Banks are reported to have converted the "badli" business in their own name into advances against shares. What is worse, the authorities are said to be aware of this. The present mood of the market holds out the prospect of the

current rally being carried further. But the mood could change any time.

Cotton

WANTED ACTION, NOT WARNINGS

COTTON control measures already introduced have not been fully respected. It seems therefore quite clear that if the present tendency continues rigorous measures will have to be introduced. It may be that for some time selective requisitioning and distribution may be introduced, but if necessary, fuller control over distribution will have to be taken. This is how the Textile Commissioner, Shri D S Joshi put it before the Cotton Textiles Advisory Committee meeting on April 4. That the Cotton Control Order has been honoured more in breach than in observance is an open secret. Not only that. Instances have been known when certain parties referred their dispute over quality and price to the authorities, all they were told was to settle the affair mutually. Seven months of the cotton season are already over. Prices have been above the official ceilings since long.

Even 40 lakh bales is now thought to be a liberal estimate of the 1959-60 crop. Allowing exports around 2 lakh bales and another half lakh bales for khadi production, the availability of Indian cotton to the mill industry comes to only around 37½ lakh bales. Of this 23,44,687 bales have already been consumed during the first six months of the season. The corresponding figure for the 1958-59 season was 23,49,807 bales which shows that distribution control has not done much to reduce the consumption of indigenous cotton. If official warnings could do the trick, cotton prices would not be commanding fancy premiums and a black market would not be flourishing. It is amusing that the Textile Commissioner should only be sounding warnings when the situation calls for strong action.

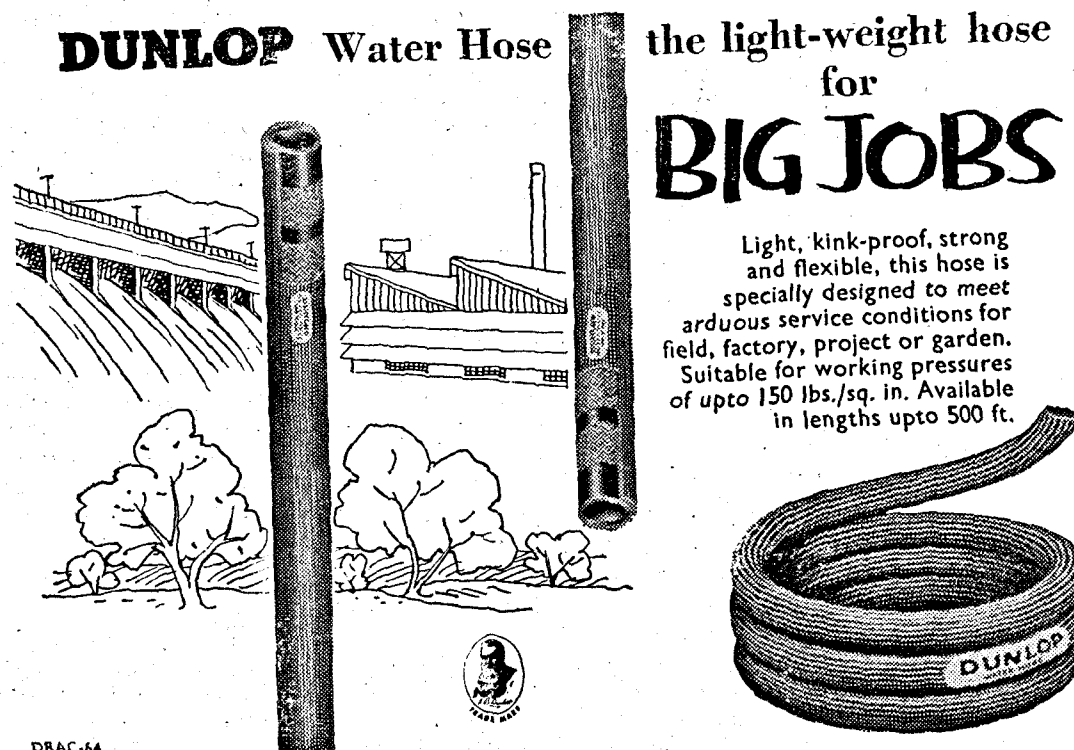
IMPORTS CANNOT CORRECT IMBALANCE

The Government has followed a very liberal policy in regard to cotton imports with a view to making up the shortfall in domestic

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DRAC-64

supplies. Quotas for 10.2-lakh bales have already been released and efforts continue to secure larger quantities from the U S under P L 480. The quantity licensed up to March 19 is placed at 6,52,473 bales comprising 2,50,833 bales U S, 1,56,713 bales Egyptian, 61,673 bales Sudanese, 93,450 bales from East Africa and 89,894 bales from other sources. Actual arrivals, however, have been small around 2,86,509 bales. Arrivals are likely to pick up after a month or so. Welcome as they are, even larger imports cannot rectify the imbalance between the demand and supply position of indigenous cotton. Serious technical difficulties stand in the way of using imported stuff by many mills. It is this factor which explains the continued high prices of Indian cotton despite the release of generous import quotas and prospects of further imports.

The spot cotton market which had developed a somewhat soft tendency over the past few weeks — which, of course, meant no more than a decline in the unofficial premiums — hardened again last week. Business was affected by the lack of quotas with the mills but scarcity of offerings pushed up prices again though the rise was not pronounced. This caused considerable uneasiness among the bears in Jarilla August. Short covering and some fresh bull support lifted the August contract from Rs 756.75 to Rs 771.75 over the week.

Oilseeds

PRICES HARDEN FURTHER

OILSEEDS developed further strength, with groundnut futures scaling a new peak for the season. Earlier in the week the market was slightly subdued by corrective profit-taking induced by the preceding week's rise. Later, however, the market turned active and firm under the lead of groundnut and prices recorded sizable gains. Castor May rose from Rs 173 to Rs 176.25, cottonseed May from Rs 150 to Rs 155 and groundnut May from Rs 208.50 to Rs 216 — all per candy. Linseed, May improved from Rs 32.75 to Rs 33.25 per cwt. The rise was due both to short covering and renewed bull support because of the promising overseas news.

The marked strength in groundnut reflected the scramble for the limited supplies which were on offer.

Crushers and vanaspati manufacturers took all that was offered them without much consideration for the price. "Kabchi" — what is left after sorting out H P S — fetched up to Rs 45.25 per cwt which works out to Rs 226.25 per candy. Here domestic demand has been the main sustaining force. Thanks to the higher domestic prices, export of oil has been at a standstill since long notwithstanding the incentive. For, would not exports have made the supply position tighter still? Exporters reported satisfactory business in H P S. The U K, France, West Germany, Canada and a few Communist countries all participated in the business. Groundnut extractions, too, attracted good inquiries from U K and the Continent at around £ 31.5/31.10 per ton, 50 per cent, April shipment, though actual sales were said to total only about 2,000 tons. Sellers were reserved in the hope of realising better prices. Business in expellers was limited only by the scarcity of offerings, available quotas being limited.

REVIVAL OF EXPORT DEMAND

Apart from the remarkable strength in groundnut sentiment in castor was helped by the revival of Communist inquiries in castor oil. Business for about 2,000 tons has already taken place and it is hoped that the Communist countries will now cover their normal annual requirements in the very near future. The U K too offered better prices and took Commercial oil up to £ 122. No important business was reported with the U S but optimism prevails that the recent floods in Brazil and the consequent damage to the summer crop will oblige the U S buyers to lift sizable quantities from India in the near future. Meanwhile sustained buying in oil by export houses has appreciably reduced the pressure of stocks in the local market.

Linseed seemed to harden mainly in sympathy with other seeds. Overseas advices were steadier, with oil bid up to around £ 110 against £ 108.10 in the previous week. Some business was also reported to have materialised. Even so enthusiasm to follow the rise in linseed was lacking because of the fairly comfortable supply position, the discount on the spot material and the continued uncertainty about the permission to trade in the new hedge contracts. Linseed cake were rather

inactive though steady. The rise in cottonseed reflected the tight supply position because of the smaller cotton crop.

ABOUT NEW CONTRACTS

Uncertainty prevails about the future of futures trading in oilseeds in Bombay during the rest of the season. Trading will come to an automatic end with the expiry of the current May contracts. With the May contracts approaching maturity there is little sense in withholding permission to trade in the new contracts — September for castor, linseed and cottonseed and August for groundnut — unless of course, the Forward Markets Commission wishes to close the futures market. It is necessary to allow an early start to facilitate a smooth change over of speculative interest from one contract to another.

Inquiries with the Commission reveal that the matter is still under consideration. But informed sources say — this is said to be off the record — that the Board of the Oilseeds Exchange which met the Commission in this connection on April 6 was told that permission was being withheld because the Board had failed to deal with the secretary of the Exchange according to the wishes of the Commission, that is to dismiss him. The oilseeds episode, which arose from the secretary's failure to communicate the margin order to the market in time, is common knowledge because it has also been discussed in the Lok Sabha. The Board is reported to have been threatened with the withdrawal of recognition to the Exchange if it does not take a suitable action against the secretary. It is pertinent to ask the Forward Markets Commission as to why it does not suspend the Board outright instead of exercising indirect pressure leaving the outside public to guess about the Commission's final decision on new hedge contracts which has an important bearing on the price trend in the current contracts. Let the battle between the Commission and the Oilseeds Board be fought in the open, which will be more dignified.

Bullion

EXORBITANT 'BADLAS'

TRADING in bullion last week was notable less for the fluctuations in prices than for the marked increase in the "badla" rates against

the sellers. The spread between Chaitra and Vaisakh delivery rates in gold increased sharply from 13 annas to Rs 1-14. And Jeth delivery which was quoted at a discount of 14 annas below the Vaisakh delivery rate last week was reported Rs 1-4 lower near the week-end. Backwardation charges in silver rose by four annas from Rs 1-3 to Rs 1-7 in respect of both the deliveries.

The heavy discounts on distant deliveries reflect both strong bull hold on the bulk of floating supplies of the metals and the slack season ahead. To state that a few prominent bulls continue to have a firm grip over the market, particularly in gold, is to state what is common knowledge. The decline in seasonal off-take after a month or so will perhaps produce a setback in prices but that is unlikely to unnerve bulls unless arrivals of smuggled gold increase floating supplies appreciably.

After rallying from Rs 128-10 to Rs 129-4 gold Vaisakh delivery drifted lower to end the week at Rs 128-8. Silver Vaisakh delivery recovered from Rs 215-3 to Rs 216 but declined sharply near the week-end to Rs 214-4 thereby showing a net loss of Rs 1-3½ over the week. Business was generally on the low side. Outside interest was poor and the higher backwardation charges led to heavier margins against bulls.

Company Notes

Central India

THE Central India Spinning & Weaving Mills at Nagpur, once the pride of the Tatas, continue to be in the dumps. During the year ended June 30, 1959, they incurred a loss of Rs 53 lakhs, the highest on record so far, raising accumulated loss in balance sheet to Rs 81 lakhs. The entire general reserve was liquidated last year. The company has so far spent Rs 220 lakhs to renovate about less than half of its equipment. This expenditure has been financed with a loan of Rs 75 lakhs from N I D C, Rs 65 lakhs from pledge of mortgage debentures; the balance of Rs 80 lakhs, together with the annual deficits, has been financed from other borrowings. Total loan liability of Rs 4.52 crores is now more than four times the net worth of Rs 1 crore. Even the share capital is heavily weighted by preference

shares. Total loss so far aggregates Rs 95 lakhs; in addition, arrears of depreciation amount to Rs 47 lakhs, and there is a contingent liability of Rs 11 lakhs on account of unpaid preference dividend.

In his speech at the last shareholders' meeting, the Chairman, Shri A D Shroff, emphasised that rationalisation of the labour force was essential to secure the maximum advantage out of the large outlay on modernisation. Multiplicity of unions and inability of the recognised union to exercise effective control over most of the workers has consistently created difficulties not only in negotiations but also in implementing agreements that had been reached. Another pre-requisite he mentioned for the successful working of the mills is the continuance of favourable trading conditions. While the market situation is hopeful, implementation of the Wage Board award is likely to offset some of the improvement that has been effected recently in costs.

Dunlop Rubber

NET sales of Dunlop Rubber India, the premier manufacturer of rubber products, rose to Rs 11.23 crores in 1959 from Rs 9.22 crores in the previous year. Gross profit margin on sales, however, declined slightly from 21.7 per cent to 20 per cent. Excise duty absorbed nearly Rs 15 crores out of the gross sales of Rs 26 crores against Rs 13 crores out of gross sales of Rs 22 crores in the previous year.

Profits before tax have, nevertheless, gone up from Rs 1.71 crores to Rs 1.93 crores. The new scheme of company taxation has helped profits, after tax, to rise from Rs 82 lakhs to Rs 1.18 crores. This represents a net earning on capital invested of 9.6 per cent against 6.8 per cent, and on net worth of 13 per cent against 9.6 per cent. Preference dividend is covered 24 times, same as last year, but earning per equity share has improved from Rs 2.63 to Rs 3.93. Dividend is Rs 2.15 gross against Rs 1.62 net. The slight fall in net distribution is attributable to the fact that the company's tax liability has declined by Rs 13 lakhs but deduction of tax from dividends amounts to Rs 21 lakhs.

Dunlop Rubber Ordinary is currently quoted at more than 9 times

its earnings, and nearly 25 times its net dividend.

Killick Industries

THE latest accounts of Killick Industries, the leading managing agency firm, for the year ended November 30, 1959, indicate some improvement in its working and a relatively smaller depletion of reserves compared with the previous accounting period. Income from managing agency, investment and trade has improved to Rs 62 lakhs from Rs 54 lakhs (adjusted to annual rate). Profit after tax, similarly adjusted, has gone up to Rs 9 lakhs from Rs 6 lakhs. Net earning per ordinary share, after making allowance for proportionate earnings on fresh capital in both years, has improved from Rs 6.4 to Rs 7.6. Dividend is Rs 9 gross against Rs 9.1 net in the previous year. Draft on reserves has declined to Rs 1.60 lakhs against Rs 4.50 lakhs in the previous accounting period.

At the current price of Rs 113, Killick Ordinary is quoted at nearly 15 times its earnings, and about 18 times its net dividend.

The two subsidiaries, Killick Nixon and Stamco Industries are still in the red. Barring electric companies which have done somewhat better, other managed companies have not fared too well.

Killicks have subscribed 50 per cent of the capital of a new company, Snowcem India Private, which has commenced production of cement paint. A project to manufacture slotted angles in collaboration with Densions of England is under consideration.

Madura Mills

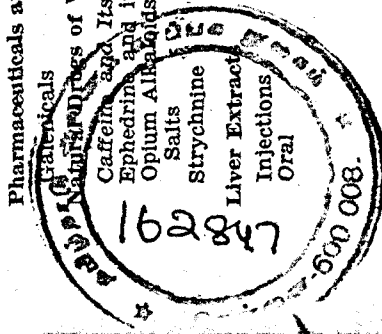
THE recent improvement in the textile situation and hopes of further improvement in the current year have brightened the prospects of Madura Mills, the leading spinning concern of the South, under the management of Harveys. Larger off-take and decline in production due to a labour strike in the mills have enabled it to make up for its difficulties during the textile crisis. Accumulation of stocks of yarn has been worked off, and the company has actually been forced to refuse orders. Export business continues to be good. The Company is expanding its industrial products division with the setting up of a tyre chord plant in Calcutta.

Industrial Production - II
Chemical Industries

	No of Units					Capacity					Production				
	1951	1956	1957	1958	1959	1951	1956	1957	1958	1959	1951	1956	1957	1958	1959
Acids :															
Chromic (Metric Tons)	—	—	5	5	4	—	—	508	508	468	—	—	119	179	105
Hydrochloric (100%) ('000 Tons)	—	27	27	27	27	—	19.8	17.3	17.3	17.3	—	10.9	11.4	11.1	11.0
Nitric (Kilograms)	—	—	1	1	2	—	—	1,364	8,000	8,000	—	—	180	320	4,632
Nitric (100%) ('000 Tons)	—	23	22	22	21	—	4.3	3.8	3.8	3.6	—	1.2	1.4	1.5	1.6
Oleic (Tons)	—	—	4	4	4	—	1,420	1,140	1,140	1,140	—	221	200	217	230
Phosphoric (Tons)	—	—	2	2	2	—	726	726	725	726	—	220	372	862	1,170
Stearic ('000 Tons)	—	—	2	2	2	—	3.3	3.6	3.6	3.6	—	1.9	1.3	1.4	2.2
Suphuric (Lakh Tons)	3	5	5	5	5	1.4	3.3	3.6	3.6	3.6	0.4	1.9	1.3	1.4	2.2
Activated Carbon (Metric Tons)	48	36	37	36	35	2.0	2.4	2.7	2.9	3.7	1.0	1.6	2.0	2.3	3.0
Alum (Ammonia) ('000 Tons)	—	—	2	2	3	—	—	250	756	2,508	—	—	69	202	312
Aluminium Sulphate :	—	17	15	15	14	—	12.0	10.3	10.3	9.9	—	4.4	5.1	4.7	4.9
Ferric ('000 Tons)	—	14	15	15	15	—	57.2	52.6	52.6	52.6	—	29.6	30.3	32.1	39.0
Iron Free ('000 Tons)	—	—	8	8	10	—	—	6.9	6.9	8.0	—	—	2.5	3.8	4.0
Ammonium Chloride ('000 Tons)	—	3	3	3	3	—	8.5	8.5	8.5	8.5	—	4.7	5.2	6.6	6.0
Ammonium Sulphate (Lakh Tons)	7	8	8	8	8	4.3	4.3	4.7	4.3	4.3	5.3	3.9	3.8	3.8	3.9
Bichromates ('000 Tons)	9	7	7	7	7	5.6	6.5	6.5	6.8	6.8	3.2	3.3	3.7	3.4	4.0
Bismuth Salt ('000 Kgms)	—	—	2	2	2	—	—	20.0	96.0	96.0	—	—	21.2	32.7	25.7
Bleaching Earth ('000 Metric Tons)	—	—	2	2	2	—	—	—	—	—	—	—	—	—	—
Activated ('000 Metric Tons)	—	—	2	2	2	—	—	—	—	—	—	—	—	—	—
Bleaching Powder ('000 Metric Tons)	3	3	3	3	3	7.8	14.6	14.3	14.5	14.5	3.6	4.7	5.3	6.6	5.5
Bromides (Metric Tons)	—	1	1	1	1	—	211	211	451	456	—	156	158	101	95
Bromine (Metric Tons)	—	—	—	—	—	—	—	—	268	268	—	—	—	138	126
Calcium Carbide ('000 Metric Tons)	—	3	2	2	2	—	5.0	5.1	4.1	4.1	—	2.9	3.6	3.9	3.8
Calcium Carbonate :															
Activated (Metric Tons)	—	—	1	2	2	—	—	495	1,360	1,360	—	—	145	473	483
Precipitated (Metric Tons)	—	—	2	2	2	—	—	1,860	1,860	1,860	—	—	186	389	600
Calcium Chloride (Tons)	—	3	3	3	3	—	2,861	2,861	2,861	2,861	—	845	1,320	1,172	500
Calcium Gluconate ('000 Kgms)	—	2	2	2	2	—	60.0	61.8	61.8	61.8	—	—	23.3	30.4	38.9
Calcium Lactate ('000 Kgms)	—	3	3	3	3	—	181.8	181.8	181.8	181.8	—	—	41.2	65.3	121.1
Caustic Soda ('000 Metric Tons)	9	12	12	15	17	27.5	35.2	45.4	67.9	98.9	14.7	29.4	42.4	58.1	70.0
Chloral Hydrate ('000 Kgms)	—	—	1	2	3	—	54.5	78.5	89.5	89.5	—	17.1	18.0	18.0	42.3
Copper Sulphate ('000 Tons)	11	11	11	11	11	1.7	3.3	6.9	6.1	6.1	0.5	2.0	1.9	2.1	3.0
Electroplating Salts :															
Brass (Metric Tons)	—	—	—	2	2	—	—	—	33	66	—	—	—	1.0	1.6
Cadmium (Metric Tons)	—	—	—	2	2	—	—	—	121	99	—	—	—	5	10
Copper (Metric Tons)	—	—	—	2	2	—	—	—	2,296	1,864	—	—	—	2	8
Nickel (Compound) (Metric Tons)	—	—	—	3	3	—	—	—	5,783	3,465	—	—	—	29	94
Tin (Metric Tons)	—	—	—	2	2	—	—	—	35	53	—	—	—	4.1	3.0
Zinc (Metric Tons)	—	—	—	3	3	—	—	—	345	363	—	—	—	2	5
Ether B P and Anaesthetics (Lakh Kgms)	—	3	3	3	3	—	—	7.2	7.2	7.2	—	—	2.7	2.8	4.2
Ethyl Acetate ('000 Kgms)	—	—	—	—	2	—	—	—	—	—	—	—	—	—	166.8
Ferric Chloride (Tons)	—	2	3	3	3	—	2,112	2,277	2,277	2,277	—	140	127	163	150
Ferrous Gluconate ('000 Kgms)	—	2	2	2	2	—	—	27.3	28.0	28.0	—	—	6.8	9.1	7.3
Ferrous Sulphate (Tons)	—	9	9	9	10	—	1,399	1,399	1,399	3,973	—	460	635	664	2,400

Gases :

Carbon dioxide (mn Kgms)	—	—	11	11	12	—	—	—	15.3	17.0	—	—	—	5.6	7.2
Dissolved Acetylene (mn cu Meters)	—	—	4	4	4	—	—	—	3.7	4.2	—	—	—	2.1	2.3
Nitrous Oxide (mn Liters)	—	—	—	1	1	—	—	—	100	100	—	—	—	54	63
Oxygen ('000 cu Meters)	—	—	—	4	5	—	—	—	19,471	23,708	—	—	—	13,489	15,960
Hydrogen Peroxide (Metric Tons)	—	1	1	1	1	—	660	1,200	1,200	1,500	—	325	611	952	1,000
Hydroquinone ('000 Kgms)	2	2	3	2	7	—	—	212	212	226	—	—	99	129	175
Incandescent Gas Mantles ('000 Gross)	—	—	6	6	6	—	—	20.2	20.1	34.1	—	—	15.1	20.4	22.0
Liquid Chlorine ('000 Metric Tons)	6	7	7	10	12	13.1	20.2	20.1	34.4	36.1	5.3	22	38	3	18
Magnesium Carbonate (Metric Tons)	—	2	2	2	2	—	950	1,208	1,320	1,320	—	8.5	4.8	6.7	7.0
Magnesium Chloride ('000 Tons)	—	4	4	4	4	—	39.6	39.6	39.6	39.6	—	3.4	4.1	3.8	3.8
Magnesium Sulphate ('000 Tons)	—	15	15	16	15	—	7.8	8.1	7.9	7.9	—	—	5	8	9
Nickel Ammonium Sulphate (Metric Tons)	—	—	1	2	2	—	100	100	111	128	—	—	—	6	6
Nickel Carbonate (Metric Tons)	—	—	—	2	2	—	—	—	50	50	—	—	—	9	9
Nickel Chloride (Metric Tons)	—	—	1	3	3	—	—	80	150	277	—	—	29	54	56
Nickel Sulphate (Metric Tons)	—	3	4	5	3	—	—	8.8	10.0	8.0	—	—	3.2	3.9	4.2
Nickelamide ('000 Kgms)	—	—	—	—	—	—	—	—	165	485	—	—	—	17	77
Phosphorous Trichloride (Metric Tons)	—	1	1	1	1	—	—	32.7	32.7	72.0	—	—	14.6	30.4	69.1
Ethyl Chloride ('000 Kgms)	—	2	2	2	2	—	2.3	2.3	3.7	3.7	—	2.3	2.3	2.8	2.6
Potassium Chlorate ('000 Metric Tons)	—	2	2	2	2	—	107.3	107.3	107.3	107.3	—	2.3	63.8	96.4	90.4
Saccharine ('000 Kgms)	—	2	2	2	2	—	70.0	70.0	70.0	70.0	—	59.6	46.8	50.5	11.5
Shark Liver Oil ('000 Gals of 600 IU/G)	—	3	3	3	2	—	90	108	111.0	111.0	47.5	84.2	91.9	90.9	96.1
Soda Ash ('000 Metric Tons)	2	2	2	2	2	—	4.6	4.6	6.7	6.7	—	4.5	4.8	5.5	5.7
Sodium Bicarbonate ('000 Metric Tons)	—	2	5	5	5	600	1,043	1,419	1,218	1,218	260	716	674	892	1,000
Sodium Bisulphite (Metric Tons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sodium Hexameta Phosphate (Metric Tons)	—	—	1	1	1	—	165	165	168	672	—	—	73	160	392
Sodium Salicylate (Lakh Kgms)	—	—	3	4	4	—	—	1.4	2.0	2.0	—	—	1.2	1.6	1.6
Sodium Sulphate ('000 Tons)	—	—	19	19	19	—	—	21.6	21.6	21.6	—	—	9.9	17.5	20.0
Sodium Sulphide ('000 Tons)	—	12	10	9	8	—	10.2	9.6	9.2	9.1	—	3.1	3.3	4.0	4.5
Sodium Sulphite (Metric Tons)	1	4	4	4	4	0.4	0.8	0.9	0.8	0.8	0.2	0.4	0.4	0.4	0.5
Sodium Thiosulphate ('000 Metric Tons)	4	5	5	5	5	1.7	2.1	2.2	2.2	2.2	0.6	0.9	1.0	1.0	1.0
Superphosphates (Lakh Tons)	14	14	13	15	15	1.7	2.6	2.8	3.1	3.3	—	0.8	1.4	1.7	2.3
Zinc Chloride (Tons)	—	5	5	5	4	—	1,876	1,876	1,876	1,546	—	690	760	751	800
Solvents															
Acetic Acid (Lakh Kgms)	—	—	—	2	2	—	—	—	32.8	32.8	—	—	—	2.8	30.4
Acetic Anhydride (Lakh Kgms)	—	—	—	—	1	—	—	—	25.5	25.5	—	—	—	7.4	20.8
Acetone (Lakh Kgms)	—	—	1	1	2	—	—	—	40	60	—	—	—	—	6.5
Carbon Disulphide ('000 Tons)	—	—	4	4	4	—	—	8.1	8.1	11.0	—	—	5.9	8.3	9.2
Methanol ('000 Kgms)	—	—	—	—	—	—	—	—	60	60	—	—	—	—	20.9
Photographic Developer ('000 Gals)	—	—	—	—	1	—	—	—	—	Not Available	—	—	—	—	25.5
Pharmaceuticals and Drugs															
Pharmaceuticals (Lakh Gals)	44	47	47	47	47	11.9	30.9	30.9	30.8	30.8	7.1	8.0	8.6	8.1	10.4
Natural Products of Vegetable Origin															
Caffeine and Its Salts ('000 Kgms)	2	3	3	3	3	—	—	22.7	9.0	9.0	—	—	5.3	6.6	4.7
Ephedrine and Its Salts (Kgms)	—	2	2	2	2	—	—	1.8	1.8	1.8	—	—	—	5.5	15.0
Opium Alkaloids and its Salts ('000 Kgms)	—	1	1	1	1	—	—	1.3	1.5	1.5	—	—	21.2	1.4	1.5
Strychnine ('000 Kgms)	1	1	1	1	2	—	—	14.7	20.0	20.0	—	—	4.6	5.7	3.8
Liver Extract (mn ccs)	17	19	19	19	17	23.8	81.8	104.5	117.2	75.4	10.7	24.4	28.4	36.0	37.5
Injectables (Lakh Kgms)	17	19	19	19	17	—	—	7.0	6.6	6.5	—	—	1.1	1.4	1.6
Oral	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—



Capacity and Production of Chemical Industries (contd)

	No of Units					Capacity			Production		
	1951	1956	1957	1958	1959	1951	1956	1957	1958	1959	1959
Antibiotics											
Chloramphenicol ('000 Kgms)	—	—	1	1	1	—	—	2.6	3.6	3.6	2.6
Chlorotetracyclin (Aureomycin)	—	—	1	1	1	—	—	1.6	9.6	9.6	1.6
Penicillin (mn Mu)	—	1	1	1	1	—	15.0	25.0	25.0	30.0	30.0
Chemotherapeutics											
DDS and its Derivatives ('000 Kgms)	—	3	3	3	3	—	—	7.7	7.8	8.2	3.9
Isosicotinic Acid ('000 Kgms)	nil	4	5	6	6	Nil	—	19.9	25.9	31.0	29.4
PAS and its Salts ('000 Kgms)	—	2	5	5	5	Nil	—	126.0	126.0	126.0	107.6
Sulphadiazine ('000 Kgms)	nil	2	2	2	2	Nil	—	105.1	107.4	107.4	43.4
Sulphapyridine ('000 Kgms)	nil	1	1	1	1	Nil	—	75.0	18.2	18.2	8.6
Sulphasomidine ('000 Kgms)	—	—	1	1	1	—	—	24.0	24.0	24.0	27.9
Sulphathiazole ('000 Kgms)	—	2	2	2	2	—	—	168.6	182.3	182.3	57.9
Di-iodohydroxyquinoline and Iodochlorohydroxy quinoline ('000 Kgms)	—	17	17	17	14	—	—	75.0	75.0	59.5	23.6
Insecticides											
Benzene Hexa Chloride ('000 Tons)	nil	2	2	2	2	Nil	2.5	2.5	3.0	3.9	2.6
Copper Oxy Chloride (Tons)	—	—	—	3	4	—	—	—	1,788	2,268	408
DDT ('000 Tons)	nil	1	1	2	2	Nil	0.5	0.7	2.8	2.8	2.4
EDB (Tons)	—	—	—	—	1	—	—	—	96	96	13
Dustings, Wettable Powder/Liquids, Emulsion Concentrates etc based on DDT, BHC, Copper Oxy-chloride, Diazinone Chloro-benzilate, Parthion, Chloroane, Lindane, Aldrin, Dieldrine, Endrine etc ('000 Tons)	—	—	1	1	20	—	—	18.0	18.0	56.2	27.7
Reserpine ('000 Gms)	—	—	—	—	1	—	—	—	18.0	18.0	8.7
Testosterone and other Hormones ('000 Gms)	—	—	1	2	3	—	—	18.0	118.0	684.0	647.0
Tolbutamide & Carbutamide ('000 Gms)	—	—	1	1	1	—	—	660	600	600	193
Aromatic Chemicals											
Amyl Acetate (Perfumery Grade) (Lbs)	—	—	1	1	1	—	—	6,000	7,200	7,200	2,100
Amyl Salicylate ('000 lbs)	—	—	1	1	1	—	—	14.4	14.4	14.4	3.5
Aurantol ('000 Lbs)	—	1	1	2	2	—	1.2	1.2	10.2	10.2	1.7
Cedryl Acetate (Lbs)	—	—	—	—	1	—	—	—	6,000	6,000	525
Citronellal crude ('000 Lbs)	—	2	1	1	1	—	12.0	6.0	8.0	8.0	3.0
Citronellal ('Lbs)	—	1	1	1	1	—	3.6	3.6	3.6	3.6	8.2
Citronellyl Acetate ('000 Lbs)	—	—	2	2	2	—	18.0	18.0	18.0	600	150
Geraniol ('000 Lbs)	—	2	2	2	2	—	4.0	4.0	4.0	4.0	25.6
Geranyl Acetate ('000 Lbs)	—	2	2	2	2	—	3.0	3.0	3.0	3.0	3.8
Hydroxy Citronellol ('000 Lbs)	—	1	1	1	1	—	3.0	3.0	9.6	9.6	9.3
Ionone 100 per cent ('000 Lbs)	—	1	1	1	1	—	1.2	1.2	1.2	1.2	1.0
Linallol ('000 Lbs)	—	1	1	1	1	—	1.2	1.2	6.0	6.0	2.1
Phenyl Ethyl Acetate ('000 Lbs)	—	—	—	—	1	—	—	—	—	—	—
Essential Oils :											
Eucalyptus Oil** (Lakh Lbs)	—	—	—	—	—	—	—	—	200.3	200.3	3.0
Flavouring Essences ('000 Tons)	—	—	—	11	11	—	—	—	—	—	0.25
Geranium Oil** ('000 Lbs)	—	—	—	—	—	—	—	—	—	—	1.5
Lemon Grass Oil** ('000 Tons)	—	—	—	—	—	—	—	—	—	—	1.05
Linalee Oil** ('000 Lbs)	—	—	—	—	—	—	—	—	—	—	6.0

Resinoids :											
Bolson Tolu ('000 Lbs)	—	—	—	2	2	—	—	—	9.6	9.6	1.0
Benzoine ('000 Lbs)	—	—	—	2	2	—	—	—	16.0	16.0	1.3
Labdanum ('000 Lbs)	—	—	—	2	2	—	—	—	9,600	9,600	300
Syrax ('000 Lbs)	—	—	—	2	2	—	—	—	7.0	7.0	1.58
Dyestuffs :											
Azo Dyes (Lakh Lbs)	nil	2	2	2	2	Nil	25.9	25.9	29.7	29.7	27.2
Fast Colour Bases (Lakh Lbs)	—	1	1	1	1	—	6.7	6.7	14.6	14.6	8.0
Fast Colour Salts (Lakh Lbs)	nil	6	5	5	5	Nil	6.0	6.3	6.3	6.3	2.8
Ink Blue ('000 Lbs)	—	1	1	1	1	—	25.0	30.3	30.0	30.0	29.5
Methylene Blue ('000 Lbs)	—	—	—	1	1	—	—	—	30.0	30.0	30.6
Naphthols (Lakh Lbs)	—	2	2	2	2	—	20.2	20.2	21.3	21.3	12.3
Optical Bleaching Agents (Lakh Lbs)	—	1	3	3	3	—	0.15	2.80	4.50	4.50	2.80
Solubilised Vats (Lakh Lbs)	1	3	3	3	3	0.29	3.7	3.7	3.7	3.7	1.8
Solubilised Azoics (Lakh Lbs)	5	7	9	9	9	4.3	9.5	11.4	11.5	11.5	5.9
Sulphur Black (Lakh Lbs)	nil	2	2	2	2	Nil	30.0	30.0	40.0	40.0	31.2
Vat Colours (commercial strength) (Lakh Lbs)	—	2	2	2	2	—	4.2	6.2	6.0	10.6	6.2
Coke Oven and Coal Tar Distillation Products :											
Benzene (Lakh Gals)	2	3	3	3	3	0.9	7.2	7.2	7.2	6.3	10.6
Creosote Oil (Lakh Gals)	—	—	—	5	5	—	—	—	—	—	10.5
Crude Coal Tar (Lakh Tons)	10	11	11	12	12	0.9	1.2	1.2	1.2	1.2	1.2
Motor Benzol (Lakh Gals)	5	5	5	5	5	950	24.1	24.1	22.9	22.9	6.2
Naphthalene Refined (Tons)	5	5	5	5	5	—	1,040	1,040	1,040	1,040	640
Pitch (Tons)	4	6	5	5	5	—	—	—	—	—	5,175
Road Tar ('000 Tons)	4	6	5	5	5	—	—	—	—	—	4,580
Solvent Naptha ('000 Gals)	3	5	5	5	5	—	—	—	—	—	18.4
Toluene ('000 Gals)	3	4	3	3	3	309.5	497.0	172.0	250.0	250.0	100.1
Industrial Explosives :											
Industrial Explosives (Tons)	—	—	—	1	1	—	—	—	4,500	4,500	3,524
Safety Fuses (Lakh Coils of 24 ft length)	—	—	—	1	1	—	—	—	10.8	10.8	8.9
Paints & Varnishes :											
Alkyd Resins ('000 Tons)	—	—	8	8	12	—	—	2.4	2.4	4.0	2.5
Aluminium Paste (Tons)	—	—	1	1	1	—	—	500	500	500	420
Chrome Colours (Tons)	—	—	10	10	10	—	—	8	8	8	850
Nitrocellulose Lacquers (Lakh Gals)	—	—	7	7	7	—	—	—	—	—	2.7
Paints ('000 Tons)	—	—	48	49	53	—	—	65.0	71.2	71.2	55.0
Pathalocyanine Blue ('000 Lbs)	—	—	1	1	1	—	—	—	—	—	83.0
Red Lead ('000 Tons)	—	—	3	3	3	—	—	5.1	3.1	8.4	4.4
Titanium Dioxide (Anatase) ('000 Tons)	—	—	1	1	1	—	—	1.8	1.8	1.8	1.7
White Lead ('000 Tons)	—	—	2	2	2	—	—	3.7	3.7	3.7	1.1
Zinc Oxide ('000 Tons)	—	—	4	4	4	—	—	12.4	12.4	12.4	6.6

** Produced on cottage scale. † No separate capacity Note: Estimates of production in 1959 based on actuals for nine months January to September.

Source : Ministry of Commerce and Industry.

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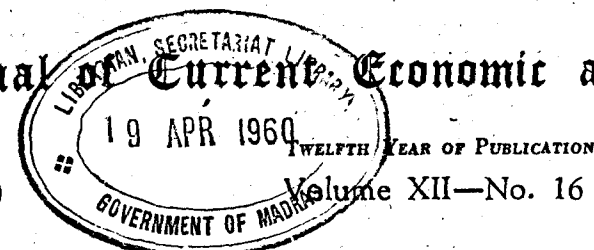
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The Chinese Mona Lisa

THE Chinese Prime Minister comes to Delhi next Tuesday against a background of intentions which continually contradict themselves. The visit is preceded by a border agreement with Burma, and another with Nepal; and although the Chinese border dispute is far more complex and serious (it is, indeed, a considerable euphemism to call it no more than a "dispute"), political observers in the capital — and no doubt the External Affairs Ministry — have been carefully scanning the terms of these two agreements in the hope that they might harbour some sort of a clue of Chinese intentions regarding ourselves. It will be surprising if any such clue is found. Certainly, the basis of these agreements do little to justify optimism on the part of India; for, strictly speaking, they are hardly agreements at all; the only thing they have settled is the procedure which might in time succeed in producing an agreement. A border commission will study the boundaries and determine them. In our own case, we could not possibly accept such a procedure, since that would mean that we had abandoned our insistence on the MacMahon Line.

Yet the agreements with Burma and Nepal are not, from Peking's point of view, unimportant — even in regard to their relevance to India. The Chinese hope (and with reason) that these agreements help them to recover some of the esteem they have lost in Asia. They serve to minimise, if not actually to destroy, the accusation that China has been stung by the expansionist bee. To the outside world, the agreements are intended to convey the impression that China is as reasonable a country as any, and that it not only wants to settle its differences with its neighbours peacefully, but can in fact do so. The significance of the agreements is in short mainly propagandist, as far at least as their impact on India is concerned.

Clear and consistent so far, the pattern of Chinese strategy is thrown into confusion by Mr Chou En-lai's claim to Everest. It destroys his propaganda edifice, so painfully built up over several months, with one crude blow, self-inflicted. If at least a part of the Chinese purpose in timing the Burmese and Nepalese agreements was to impress India and the outside world with Peking's reasonableness, why has the claim to Everest also been made precisely on the eve of the Nehru-Chou parleys? Is it a clumsy move or, in some way yet unexplained, a cunning one? Whatever it is meant to be, its immediate effect is to raise fresh distrust of Chinese intentions throughout Asia. Any significance of the Everest claim, as subtle strategy, is difficult at this stage to see.

One would have thought that Mr Chou En-lai would be particularly careful at this time to maintain his cordiality with Shri Koirala — if for no other reason, at least as a powerful psychological reserve-weapon to be used in case the impending talks with India failed. Preceded by evidence of Chinese good intentions in the form of the Sino-Burmese and Sino-Nepalese agreements, unsuccessful Indian talks could have been followed up by a conclusion of a "friendship" treaty with Nepal.

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(to which Mr. Koirala is already more or less committed). Mr. Chou En-lai could thus have come to Delhi in an aura of reasonableness, and departed from Nepal afterwards with the same halo around his head, a failure of his talks with Pandit Nehru notwithstanding.

This will now be almost impossible. Far from wanting to sign a treaty of good will and friendship with China, Nepal will be taking a second look at the agreement it is supposed to have reached with China. Why Mr. Chou En-lai should have made things so extra-ordinarily awkward for himself is not clear.

If it is to be taken that the claim to Everest at this particular time is intended to be a warning to India that China does not mean to be "soft" on the border question, what then is the significance of Mr. Chou En-lai's decision to spend a whole week in Delhi instead of the previously stipulated period of two or

three days? There is no doubt that the decision to prolong the visit took New Delhi by surprise; and, as far as anyone can see, it can have only one significance: that the Chinese visitor intends to hold a very detailed discussion with Pandit Nehru—a discussion which he feels will open up the way for actual negotiations of almost all the points at issue. This, in turn, would indicate that China has new proposals to make to us, and that the nature of these proposals is so helpful that Mr. Chou En-lai is confident that India will wish to discuss them at length and in all their aspects.

All these are very confusing and contradictory. Clearly, Pandit Nehru is of the opinion that they hold out little prospect of any settlement. He has even allowed it to be obliquely suggested in New Delhi that his invitation to the Chinese Prime Minister was never given in the expectation of any results, but rather

because of the need to make a counter-propaganda gesture in answer to any Chinese allegation in the future (and its possible acceptance by world opinion) that India was not even prepared to talk the dispute over with the Chinese. We are, thus, prepared for a failure of next-week's talks; and although this failure will be most unfortunate from every other point of view, from the narrow standpoint of our propaganda war with China, it will leave us victors. Mr. Chou En-lai's reasonableness has been thrown into serious question by his claim to Everest; it will become still further disputable as a result of failure in Delhi; and it will be positively shown up as a myth if Mr. Chou En-lai fails also to wrest a treaty of friendship with Nepal. These, however, are all conjectures. When Mr. Chou En-lai lands at Palam next week, the smile he will be wearing will have the mystery of Mona Lisa.

Cost of Sugar

THE present control on the price and distribution of sugar is to continue and ex-factory prices now in force for sugar mills will remain unchanged. This was the decision announced by the Government last week in the form of a resolution on the Tariff Commission Report. It is not clear, however, from this resolution whether the decision to continue the ex-factory price now in force is also based on the recommendation of the Tariff Commission, as the Commission has worked out only hypothetical cost schedules based on different assumptions regarding the length of the crushing season. The Government, however, has accepted all the other recommendations of the Commission. The industry's demand for a rehabilitation allowance has been rejected and it has been decided that sugar mills which need finance for rehabilitation should seek assistance from the financing institutions.

The Commission was asked to undertake a limited inquiry into the manufacturing expenses of sugar. Sugarcane prices were not within their terms of reference nor was it asked to examine the formula according to which surplus profits are to be distributed between the sugarcane grower and the manufacturer of sugar. Along with the examination of the cost structure and fair

price, the Commission had also to examine the claim put forward by the sugar industry for an allowance for its rehabilitation. This was the main point of interest in the inquiry, for, with the kind of control we have, there would be no point in the Tariff Commission finding out what would be a fair price for sugar for the consumer and it was in fact not asked to do so. The inquiry was reduced, therefore, to an exercise in accountancy, and a purely notional one. The Tariff Commission found that there could be no one representative or standard cost for the whole of India for the production of sugar. Costs vary from place to place according to the amount of sugar that can be extracted from cane (percentage of the recovery) and the duration of the crushing season. So the Commission, with permissible simplification, divided the country into four different regions and worked out a schedule of costs for each of the regions, according to the number of days on which mills are supposed to crush, the number varying from 90 to 200. The schedule was drawn up on the assumption of 10 per cent recovery.

Now what is the point in this exercise in cost accountancy? Government has no intention of fixing ex-factory prices for sugar mills in

the Deccan or the South, and since the question of rehabilitation allowance—or rather the operative part of it—is determined on the basis of costs in the North alone (for the obvious reason that ex-factory prices are fixed only for the mills in the North), the cost pattern in the rest of the country, while interesting in itself as a study, is of little practical importance or relevance.

What the victims of the sugar crisis which developed last year would have liked to know is something quite different. They would also have welcomed the recommendations of the Tariff Commission, if any, for averting the recurrence of similar crises in the future and also measures for ensuring a fair price for the consumer. The Commission, however, is discreetly silent on all these points. What else could it do? It was never asked.

The Commission found that the cost differences were so wide and significant that, for any meaningful appraisal of costs, the country had to be divided into four zones. These are: North, covering Punjab, U.P. and Bihar; Bombay State forms a zone by itself; Madhya Pradesh and Rajasthan form the third zone; and the South constitutes a fourth, including Mysore, Madras and Andhra.

As costs vary according to the length of the crushing season, we get some curious results even when the percentage of recovery is assumed to be uniform at 10 per cent. If the crushing season is taken to consist of 130 working days, Bombay turns out to be a high cost zone, with cost (excluding cost of cane) estimated at Rs. 6.94 per maund, while the South emerges as the lowest cost producer, with Rs. 5.29 per maund. On the basis of the actual duration of the crushing season and sugar recovery in 1957-58, it is Madhya Pradesh and Rajasthan which emerge as high cost producers, with an average cost of Rs. 6.64 per maund, while Bombay State appears as a low cost producer, with a cost rating of Rs. 5.47 per maund. The costs in the North and South on the basis of actual duration and recovery in 1957-58 were Rs. 5.65 per maund and Rs. 5.53 per maund respectively.

On the basis of these cost data, the Commission has examined the question of profits and the demand for an allowance of rehabilitation put forward by the industry. It will be recalled that the case for rehabilitation allowance has already been accepted by the Government in principle and 50 nP per maund was added to the price when the present ex-factory prices were fixed in 1958. While the Commission has allowed a generous return on employed capital, viz. 12 per cent, it has not recommended a separate allowance, in addition, for rehabilitation. On this point, the Commission's finding is that, but for the vast expansion undertaken by the sugar industry between 1954 and 1958, it would have been left with sufficient funds for rehabilitation from the depreciation earned and the reserves accumulated during the period when sugar prices were favourable.

During the last decade, the industry has doubled its capacity. It is not that the Commission objects to the expansion carried out by the industry. It was perfectly natural for the industry to plough back depreciation and reserves for expansion. But having done so, the Commission contends, it would be against the canons of social justice for the industry to claim that the consumer in whose interest control is imposed should now be called upon to pay for the rehabilitation which, because of this expansion, has been delayed so long. It has,

therefore, recommended that sugar mills which need assistance for rehabilitation, should be provided with finance on the lines on which assistance for rehabilitation has been provided to the cotton and jute textile industries.

There are certain other uncertainties like the one raised earlier regarding the purpose for which the cost schedules for the different regions will be used. There is at present statutory control over ex-factory price only in Punjab, U.P. and North Bihar. According to the Government resolution, South Bihar is also to be brought within the orbit of statutory control. Prices in other regions which are deficit in sugar are left to be determined, in so far as there is any attempt to control them at all, by the North Indian statutory price plus the freight charge. Even for the North, it is doubtful how the Government, as

stated in the resolution, estimated the present price as fair, from the Tariff Commission's findings on the subject. The latter, to repeat, are based on the duration and recovery that is assumed. What is the duration and recovery assumed for the present prices? Secondly, if the cost schedules are eventually to be used for determining the share of the grower in the excess profits made by the manufacturers, will the variations in the sub-regions of the larger zones—which are significantly wide—be also taken into consideration? If they are, will not the formula for sharing profits become too complicated? And what would the formula be worth, unless it takes into consideration both duration and recovery? These are the questions raised but not answered when the Sugar Report is read along with the Government Resolution on the subject.



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Weekly Notes

Portugal's Sovereignty Upheld

IN the summer of 1954, the Portuguese administrators were extruded summarily from the inland enclaves of Dadra and Nagar Haveli. And though India has persisted in a policy of non-intervention, she has also denied any passage to a military expedition from Daman to traverse her territory and to reestablish sovereignty which, India argues, has been lost by the local uprising. In December 1955, Portugal petitioned the International Court of Justice at The Hague for a recognition of its right of passage from Daman to Dadra and Nagar Haveli.

By its judgment delivered on the 12th, the World Court has ruled by eight votes to seven that Portugal could not claim the right of passage for armed forces because no right of passage involving a corresponding obligation on India had been established in regard to armed forces. By eleven votes to four, it also found that in 1954 Portugal did possess the right of passage in respect of private persons, civil officers and goods, though in view of the tension generated by the uprising, the Court held, by nine votes to six, that the denial of passage by India was covered by its power of regulation and control. The two preliminary objections of India that had not been decided earlier—that the dispute had roots prior to 1930 when India accepted the jurisdiction of the Permanent Court of International Justice and that the matter related to India's domestic jurisdiction—were rejected by the Court.

In spite of the initial reactions in India, the verdict is no triumph of India's cause or a vindication of her arguments on the termination of sovereignty against a colonial power by local uprising. This should not be surprising. The fact that the decision of the Court has favoured an imperial power is not because the Judges of the Court are incapable of judicial decisions or that they are motivated by narrow political considerations. All political issues in international affairs are capable of legal resolution and conversely all legal issues have political implications. The objectivity of the judges of the Court is not the less because

of this dual nature of cases submitted to it. The real reason behind the adverse decision is that International Law, in its very nature, favours *status quo* and is conservative. It can be progressive only by slow stages by the growth of multilateral agreements or of conventions and principles in conformity with changing concepts of international political relations.

Since 1947, our submission to the World Court is exclusive of matters of domestic jurisdiction, as would be interpreted by us. Domestic jurisdiction is a flexible phrase and its extensions in international law are remarkable. The moral is that in future, we should submit to the jurisdiction of the Court only if we are prepared to abide by an adverse decision. The Court has no powers of execution. But it is better not to submit to the Court than to submit and flout or rue its judgments.

Distribution and Road Transport

GENERAL ELECTRIC have always maintained that the investment which has given them the maximum return is that on research. This must increasingly be the experience of the leading American firms, especially of those engaged in the lighter industries which draw more and more on the latest developments in science and technology. They go around combing the universities for talent; one of them has made an open offer to sign up all Ph D's in Mathematics coming out in the next ten years; others, more selective, have to be much more assiduous in their search for talent.

When one talks of advanced techniques, one usually thinks of science and technology in manufacturing industries. This is wrong. Selling skills, management science, new methods of distribution and retailing—all these come under the category of techniques, as forward looking, smart and modern business houses understand it. Hindustan Levers have invested heavily in new ideas and in the development of techniques of the latter description. This is borne out amply in the very interesting speech delivered by the Chairman, Mr. S H Turner, at the last annual general meeting of the company.

Mr Turner took as his theme the role of transport in selling and distribution and though naturally he had much to say on the neglect of road transport in India's planning efforts, the real interest of his speech lies in his penetrating analysis of the effects of speeding up of distribution, of the type of consumer products which Hindustan Levers handle, in reducing costs, releasing working capital, opening up of new markets and widening the sphere and scope of trading.

The neglect of road transport has been so scandalous that of late Government has been forced to wake up and take notice. There have been some welcome changes in policy also, but progress is depressingly slow and the example Mr Turner has given of national highways being built at a heavy cost without connecting bridges at key points or necessary approach roads sharply focusses attention on an aspect of the problem which is hardly ever emphasised. The paradox is that while enough new roads are not being built, roads that are already there have so much idle capacity. How much of the potential carrying capacity of these roads is actually utilised? Woefully little. All this is being talked about for years, many committees have also been appointed but so little has been done.

But is it only the temptation of the tax authorities to make money from the roads or road transport or undue and perhaps unnecessary protection to railways which holds up progress? Perhaps if one were to project the layout of the transport and distribution plan which Mr Turner etches out so clearly on the pattern of development which the Planning Commission has vaguely in view—protection to cottage industries, regional development, decentralisation of the economy and dispersal of industries—one would perhaps get some clue to the answer. Selling techniques of the type that Mr Turner has in mind, pursued with energy, drive and all the resources which Hindustan Lever command, may not make mincemeat of the Plan. But it would be reassuring and useful to know that they would not. One suspects that there may be some areas where the two patterns do not fit so well. It would be worthwhile to investigate.

Raw Film Project

MANUBHAI has sought to reassure the critics of the raw film project with French collaboration. If film producers and users have misgivings about the quality of the raw film that is going to be produced, well, they will always have an alternative open: the project will cover only 50 to 60 per cent of the demand for photographic films, cine films and X-ray films and "if there are any shortages or otherwise for higher quality goods, if necessary, we shall have to import some of the raw film for some time" (*italics ours*). This is a quotation from his speech in the Lok Sabha during the discussion on the demand for grants for the Ministry of Commerce and Industry, taken from the text issued by the P I B.

We note the proviso carefully, "if there are any shortages or otherwise"—particularly the 'otherwise'—that blessed word which goes down so well with Members of Parliament and is interspersed so freely in all Government statements and documents. What does this "shortage or otherwise" mean in relation to higher quality goods? Does it, by any chance, mean that production of raw films will be adequate and there would be no shortage in the quantitative or absolute sense? That there may be shortage 'otherwise' for higher quality goods? Shortage only of quality goods, and these could then be imported?

To be fair to Manubhai and the Development Wing, there is also an assurance that they would be taking the greatest care about the quality. No one ever questioned the Government's intentions. The doubts expressed in these columns and doubts which assail every producer and user of cine films, is about the eventual success of the project in attaining quality. This is for the simple reason that the French firm, whose collaboration has been secured, is not known to the producers of standard quality films even in France, not to speak of West European or American markets. What is the value of an assurance which is not based upon actual performance established over a number of years, which has been tested by film producers and won their recognition?

Manubhai frankly suggests that there will be an escape for the more fastidious producer in that the pro-

ject will not even attempt to meet the entire requirements of the country. Newspapers have been compelled to use inferior newsprint as a measure of economy in foreign exchange or of support to indigenous manufacture of newsprint. When forced to do so, the bigger newspapers, which have several publications on hand, shift and adjust, so that their prestige papers still come out clear and white, while the *katchda* stuff, the language papers, are largely printed on inferior quality newsprint.

Film-making in different parts of the world have interesting experiences of a similar nature of which the production of cheap and shoddy 'Quickies' in Britain before the war, to fulfil the quota of British pictures which had to be compulsorily shown by cinema houses, can be recalled as an example. It is not difficult to imagine that if India-made raw films do not come up to standard, how the big producers will get round it; they may produce cheap films with Manubhai raw stock in order to qualify for an import licence for quality stock, which they may use for their prestige production. If the Government wants to force it down the throats of producers, they may even seek an escape by going over to technicolour which, not being within the present production programme, will be entitled to foreign exchange allocation. The crux of the matter is that leaving aside the photographic films or papers for amateurs playing with a box camera, there is no market for and no place in film making of substandard raw films. The French firm on which the Development Wing is prepared to stake so much, may succeed some day in surpassing all the others and establish itself as the maker of the best quality films. But why not wait and allow it to come up before committing the future of our promising film industry to such a risky venture?

Dark Horse vs Lame Ducks

THE reason why Manubhai has fallen for this particular firm is no secret either. The Minister of Industry frankly confessed that no established producer would co-operate; they made only "lame duck" offers, "to do some pigmenting and spreading of some imported gelatine on some cast base to be brought from outside." (Kodaks, please note). Where did these

foreign producers get their cue? From the Development Wing itself, and from the industrialists who submit a production programme and then go on merrily assembling or adding finishing touches to imported products, in the 7/8th, 9/10th or even higher stage of production, licensed as raw materials or under some other head. It is not a far cry from manufacturing intermediates to making of films from imported blanks; imports, of course, to continue until the indigenous unit is in a position to attempt to increase the domestic content of the product!

One also wonders. Were all the offers from both sides of the Iron Curtain of the same 'lame duck' variety? Standard films are made in East Germany and other Communist countries in South Eastern Europe as well as Soviet Russia. Are these countries also interested only in continued exports of blanks? If they are, then Soviet technique of foreign aid must have undergone a sea change, or was the Minister of Industry pulling a fast one on his critics?

The French firm, the Minister assured Lok Sabha, has accepted all our conditions and has agreed to collaborate to make the base, to make raw film, to make extra film and to make photographic film, that is about 3.5 to 4 million square meters of cinema films, half a million square meters of X ray films, the same quantity of photographic film and various other ancillaries. A to Z production had so far been the distinguishing feature of Soviet economic aid. This French firm appears to be bent on improving on the Soviet technique of foreign aid.

Manubhai not only leaves open the alternative of importing quality stock, he has also generously extended an invitation to 'the internationally reputed' film manufacturers to come in and set up production either in collaboration with the Government or in the private sector and on their own. One can hardly give the Minister credit for sincerity for this, if he had the foreign commercial producers in mind, for the obvious reason that one of the reasons for their hesitation so far to set up production in India is that the country's demand would not be adequate to support production on

an economic scale. With 50 to 60 per cent of the market already farmed out, what remains of the Indian demand would be even less adequate to support production. Collaboration whether in the private or public sector and from the Soviet Block or the free world is worth seeking only when the quality of the product is established and demonstrated by the performance statistics of the producers concerned. It is hardly necessary to labour the point.

World Bank Loans for African Agriculture

TWO small loans made by the World Bank for the development of native agriculture in Africa are of exceptional interest, though the amounts are insignificant, judged by the usual standard of World Bank loans. Instead of big projects for building up the borrowing countries' social overheads, these loans have a very modest purpose in view, viz, to finance the development of native agriculture in South Congo and South Rhodesia. The alienation of land for the Europeans in East and South Africa has reduced African agriculture, by and large, to such a pitiable state that developmental efforts can have poor success unless they are accompanied by other changes in order to lift the African from the rut in which he has sunk. Conditions in West Africa, however, are, by and large, less unfavourable for the African peasant, though even the West Africans feel that the land hunger of the whites has driven them in a hole. Not to speak of Kenya or South Africa.

Even in South Rhodesia which has received a World Bank loan for African agriculture, at the time of Lord Hailey's *African Survey*, 1956 edition, the Africans' loss of land as a result of alienation was estimated at 54 per cent and only one million out of 47 million acres of alienated land is occupied by European settlements. The Land Husbandry Act passed in South Rhodesia in 1950 was intended "to provide for reasonable standard of good husbandry and for protection of natural resources by all Africans using land". To this, a contributor in the last Annual Number commented as follows: "In other words, the Act left untouched the methods of cultivation in European areas. The typical European farm consists of thousands of acres. An official

survey carried out on 240 such European farms in 1955 showed that about 10 per cent was under permanent cultivation, another 12 per cent for cattle stocking and the rest permanently uncultivated. This was officially suggested as indicating the pattern of Europeans land-use in South Rhodesia." (V Pillay: *The Land Question in African Politics*).

The Land Husbandry Act is condemned by the Africans as fundamentally a bad law because it entrenches and legalises the practice of continuous cultivation on soils which are generally unsuitable. It limits each man's plot to 8 acres, thus making it difficult to maintain cattle as well as crops and the income from such a plot is not adequate even for a bare minimum standard of life. The Act, in short, aims at forcing the African either to "farm properly in the Reserves or to go and work in European industry and agriculture". Since, in practice, the proper farming of land under these conditions is not economically possible, the African has to swell the ranks of the cheap labour force.

Against this background, what hope is there for World Bank assistance to help African agriculture?

To Prevent Shifting Cultivation

IN the above criticism, the strong resentment against "continuous cultivation of soils which are generally unsuitable" should be specially noted. Whether forced by the land hunger of Europeans or not, there is a terrific deterioration in soil fertility in a few years in African cultivation, and over-stocking of cattle which were kept more for prestige than as a source of income, resulting in soil erosion. These are the features of subsistence agriculture within the traditional tribal system under which lands allocated to farmers by tribal chiefs are cropped for a few years without regard to preserving soil fertility; when yields begin to decline, the Africans move on to new plots. The programme of the Government of South Rhodesia for which the Bank's loan is made, is designed to overcome these evil effects of the traditional system. The programme was begun in 1956 and extends over seven years. The Bank's loan will finance its foreign exchange cost during the second half of the programme.

The programme stems from the Native Land Husbandry Act which

provides for permanent settlement of farmers on cultivable lands with individual rights and with grazing rights in communal grazing areas. An important part of the programme is surveying and assessing of cultivable land and of grazing land, allocation of individual plots provision of water and construction of roads to markets. The programme also includes soil conservation, improvement and expansion of auxiliary services, such as agricultural research, administration, extension, credit and marketing. According to the Government of South Rhodesia, already shown considerable promise, deterioration of soil is being arrested and farm communities have been coming up with improved standards of living. With adequate extension services, it is hoped, yields could be doubled in ten years for food crops and more than doubled for cash crops and live stock can also be markedly increased.

The loan to Belgian Congo to develop African agriculture is more or less on similar lines. Here, too, the traditional system is one of shifting cultivation. Plots allotted by the tribal chiefs are cultivated for 3 or 4 years and when fertility begins to go down, the farming families move to other lands. The conversion from shifting to permanent cultivation is, therefore, a first step in development. This is being fostered for a number of years by the Belgian Congo Administration through its system of 'paysannat' farming which attempts to combine local tribal authority and land tenure with settled farming on permanent plots on scientific lines. The Bank's loan will meet the foreign exchange cost of land surveys and soil classification, and of planting of tree crops. It will also finance new tea processing plants and the construction of a compost plant. These items in the programme go to show the extent to which native cultivation has already developed in Belgian Congo; its share in cash crops grown is already large and is likely to increase, compared to the production in European owned plantations.

The agricultural loan for Belgian Congo goes along with a loan of much larger amount for the development of rail and river transport as also for a large road programme for which the World Bank made a substantial loan in the past.

Our Delhi Letter

WHEN oil spurted from the Lunej test well, many hearts, besides that of the visiting Prime Minister, should have gone gay; for here was in sight perhaps a solution to India's growing power problem. Yet when a mention was made of the subject in the Lok Sabha last week during the debate on the demand for grants of the concerned Ministry, Shri K D Malaviya, Minister for Oil and Mines, hedged this announcement with so much caution that even those who came to cheer him kept mum after hearing him speak. He merely stated that a "commercially feasible" oilfield had been found in Cambay; "commercially feasible", indeed, when any Minister, given the chance, would have sky-rocketed his ministry's achievement, bowed to a cheering House on all sides and looked in the front page of the morning papers for his photograph! But not Malaviyaji this time.

Why this restraint in public? Apparently for two reasons: One is that testing for oil is no romance. Today it is costly, fantastically costly. It is also risky. After drilling for months at prohibitive cost, the chances are that no oil is found at all. For the exploration of oil under the Indo-Stanvac Petroleum Project, the Government has so far contributed over one and three-fourth crores of rupees and after digging 13,000 feet at one site and 12,000 feet at another, both sites had to be abandoned, no oil being in sight. Under this project, in the concession area of 10,000 sq. miles in West Bengal, eight test wells have been drilled. The report is that 'no oil or gas has been encountered so far'.

FOREIGN PARTICIPATION

The second reason is that oil exploration, establishment of a refinery (if oil is 'commercially feasible') and oil distribution are possible only with foreign participation on a considerable scale. In the oil industry especially, such participation is both welcomed and suspected. Many of those who took part in the debate in the Lok Sabha were critical about the terms of the agreements between the Government and the participating private firms and one Member even charged

the Government of 'deviation' from the industrial policy resolution.

Malaviyaji denied this latter charge but admitted that his experience of the oil business had made him "unhappy" over some clauses of the agreements. The Minister wanted to assure himself first and the House next that any future agreement between the Government and a foreign party would be based on two important considerations viz that

- (1) it is within the framework of the industrial policy resolution and
- (2) it is consistent with the national interests.

Would the foreign firms now participating in oil exploration be allowed to expand their establishments? The Minister's reply, though couched in general terms, underlined his earlier reference to 'unhappiness' in the oil business. He made it clear, nevertheless, that the proposal for expansion, now under consideration, would not be on the same stipulations as in the 1951 agreement, which, he said, "was heavily loaded in favour of the company".

Rajaji in Delhi

RAJAJI is news wherever he goes and whatever he chooses to talk about. On his latest tour of North India on his latest 'mission', he was as interesting as at any time before and drew appreciative audience in all the centres he visited. It is characteristic of Rajaji that he did not bother to do anything else than issue a mere statement when he was prevented from speaking in one or two places in the U.P. He did not refer to the language problem at all nor did he pay much attention to those from among the high ranks of the Congress who came to his aid.

Rajaji's round of engagements in Delhi suggested that he was ready to sell the 'Swatantra' idea to any class of people ranging from lawyers to grain dealers. To the Press, he was amiable and answered all their questions, parried their thrusts and, where it suited him, ignored insinuations. Yet for all his clever-

REFINERY FOR CAMBAY OIL

At any rate, for handling the Cambay oil, the Government would set up a medium sized refinery on its own. Although he rated the capacity of the refinery as between half a million and one million tons and added that work on it would start almost immediately, he did not want to commit himself to any output figure from the wells. That he said would not be possible till after the ratio between the oil and gas was established.

To sum up the oil policy of the Government: The present explorations will continue. Hope is fastened on Cambay and Sibsagar (Assam) drillings. There will be a substantial outlay for the programme in the Third Five Year Plan. Help for the supply of current requirements will be sought from all friendly sources.

An unmistakable indication as to which friendly source the Government is immediately turning to is provided by the invitation that the Minister is reported to have received from Moscow. It is gathered that Shri Malaviya may go there in another two months.

ness, logic and deep insight into administrative problems, Rajaji failed to bring enthusiasm to those who listened to him. On the economics of 'Swatantra' he sounded very thin. Perhaps the trouble with him was that he was trying to oversimplify matters. To say that traders must trade, manufacturers must manufacture and that a Government must just govern and do nothing else—well, one thought one was going back to the Vedic age. Gandhi simplified matters to reach the mass mind, but Rajaji, using the same technique, oversimplifies to near-grotesque and, to a New Delhi audience at any rate, he sounded hollow and ancient. Rajaji will certainly deny this, for he refuses to accept even that he is old.

When Nehru, calling on Rajaji in New Delhi, said that he had come to see how young Rajaji looked, there was more than graciousness in the remark. Rajaji *does* look young.

Letter from Moscow

Reducing Income Disparity

Samar Sen

April 8

WRITING pays quite well in Russia. The second part of *Virgin Soil Upturned* sold 500,000 copies in a day or two and an eager public is waiting for the second edition. Sholokov has long been a millionaire. Some others are not far behind. Even Pasternak can rest long on his Russian oars. All this is very fine, indeed. But it may not be so fine for a writer to find himself famous and rich overnight. He begins to lack the incentive to sharpen his sword. Comfort can blunt literary conscience. It is not for nothing that people are sometimes envious of intellectuals in Soviet Russia—the cash fruits of their labour are too obvious. Can't be helped. Soviet Russia needs scientists, theoreticians and writers of great merit and pays them well. The trouble arises when they begin to vegetate and cling to their privileges.

In any case, a classless society cannot indefinitely tolerate steep income disparities. With the emergence of Khrushchev into power, the levelling began. Indirect attacks were launched on inordinate incomes. Academicians could teach at more than one institute and double or treble their earnings. Now, it is reported, they have to stick to one institute. Ministers have had their salaries reduced. Even the salary of the most influential man in Russia, the Party Secretary, has been slashed—at his own initiative.

During the 'thirties we were told that while in a capitalist country the ratio of disparity may be 15,000 to 1, in Soviet Russia it will be 15 to 1 at the most. That, it turns out, was not a correct picture. An academician could draw 30,000 roubles a month while the minimum pay was 270 until a short time ago. But the imbalance is in the process of correction, thanks to a collective decision taken last year and the Khrushchev drive. The Prime Minister is a great leveller and therefore an object of great admiration. "As the Russians say, he is a real muzhik", exclaimed a pilot.

It must not be overlooked, however, that even before K. came into

power, a great deal had been achieved. Equality of opportunity had been established, the right to work was guaranteed in the Constitution and the amazing spread of general and technical education had begun to narrow the gap between workers and intellectuals. With the standard of living rising every year, the gap will be smaller.

Reduction of top salaries has enabled the Government to upgrade the wages of lower income groups, old age pensions and to increase rest and recreation facilities. Teachers will get more now. This will please women, for they dominate the teaching and the medical profession. With the introduction of prolonged day schools their tasks have increased.

Administrative economy helps the Government to launch ambitious ventures like the Friendship University. I find this a breath-taking scheme, in more sense than one. The University Council, charged with the task of selecting students, will have no breathing time. Applications for admission to a university where everything is free—the journey to Moscow and back will also be free—will run into hundreds of thousands. The University Council does not know what it is in for.

The syllabus proposed shows an overriding emphasis on scientific training. The purpose is to turn out expert cadres for the underdeveloped countries of Asia, Africa and Latin America. Of the six faculties mentioned four are engineering; agriculture; physics, mathematics and natural sciences; and medicine. The rest are history and philology; and economics and law.

A larger number of streamlined taxis is noticeable on the streets. A friend reports, quite a few cars at the personal disposal of highly placed people have been withdrawn. It came to notice that soon after these persons arrived at their places of work, the car returned home, to be used by family members and friends

for purposes unconnected with State affairs. Many have been deprived of their personal means of locomotion and these have joined the taxi fleet.

Reading Soviet Press accounts of Khrushchev's visit to France, I asked a Russian if there are symptoms of another cult of personality. He said he did not like the way the visit was covered; however historic the visit, it was always worth while at least to summarise the formal speeches and better utilise newspaper space. But there is no danger of the personality cult being renewed. Mr Khrushchev himself never poses as an extraordinary person; he is accessible to all. And he always confers with his Cabinet and Party. My friend also pointed out that the Soviet Press carries full-length life sketches of Heroes of Socialist Labour and publicizes the achievements of innovators whose number is growing as a result of the Socialist Competition. Did not the papers carry, for several days running, the story of the Pacific ordeal of the four youngsters? So newspaper publicity is not a monopoly of Mr Khrushchev.

All the same one occasionally hears good-humoured comments on how his name crops up at the slightest pretext. On March 8, International Women's Day, 8 of the 9 women speakers at a Moscow function talked more about him than about women. The ninth one, a girl from an institute, did not mention him at all.

Over a thousand sanatoriums and rest houses, with ancillary enterprises, clinics and boarding houses, have been transferred by the State to trade unions. The property is valued at millions of roubles. How big the step is will be clear if we remember that over five million people go to the health resorts every year for rest and medical treatment.

Thus one more State function is being taken over by the people. T B sanatoriums, however, will remain under the control of the Ministry of Public Health.

From the London End

'Progressive Conservative' Economic Policy

Britain's 1960 Budget

THE *TIMES* carried a most disarming letter from one of its readers the other day. The writer's dilemma was this: if he attacked the budget proposals of the Tory Government, he would be disloyal to the Conservative Party while any support he gave to the budget would invite the charge that he was a socialist. He evidently wanted advice. This dilemma was clearly a feature of the Commons' debate; the Government side was by no means united and there has been some talk of a 'Tory revolt', though there is every doubt about its seriousness. On the other hand the mentality of most of the Conservative back-benchers must be clearly understood. For them a Conservative victory in the last election was tantamount to a mandate for tax reductions, whittling down the Welfare State and greater freedom for private business. And it is not always clear from their statements in and out of Parliament whether their understanding of the origins of inflation goes much beyond the belief that the trade unions are the violators of the peace.

GROWING IMBALANCE

The basis for the budget proposals were well outlined by the Chancellor of the Exchequer in his statement to Parliament. There appeared on the horizon a growing imbalance between demand and supply of resources. Aggregate demand was expected to rise by about £ 1,000 million (or by about 5 per cent). On the other hand the maximum possible growth in the real national product in the coming year was of the order of £ 700 million. The 'gap' evident here dictated a cautious and somewhat anti-inflationary budget. The true size of the expected 'gap' has however been subject to some controversy. Some have argued that the official estimates are usually below the levels actually realized and hence the danger of inflation is very much nearer than even the Government believes. On the other hand there are some who argue that there still exists a degree of slackness in productive capacity which could be taken up without strain or price increases.

This controversy has its origins in the experiences of the last year. In 1959 the gross domestic product estimated from expenditure rose by 3 per cent, while the estimate calculated on production series suggests a rise of 4 per cent. As the *Economic Survey* says, "it is not possible at present to resolve the conflict; the truth lies somewhere between the two alternative estimates". This necessarily weakens confidence in official statistics and gives rise to the most widely divergent comment and statistics.

RISE IN INDUSTRIAL PRODUCTION

What is clear is that there was a large expansion in output in 1959. Industrial production (which accounts for half of the total output) after falling in the first three quarters of 1958 began to rise in the last quarter and from then on increased steadily; by the last quarter of 1959 it was nearly 10 per cent higher than a year earlier and 8 per cent above the peak in the third quarter of 1957. For 1959 as a whole industrial production rose by 5½ per cent — a rise which though broad-based, was mainly accounted for by the rapid expansion of output in the consumer durable goods industries.

Unemployment declined though the level of unemployment in Northern England, Scotland and Wales continues to be sufficiently high to make these regions 'distressed' areas. The *Economic Survey* claims that in spite of the rise in employment a large part of the increase in output in 1959 was attributable to the rise in labour productivity. In industry output per head rose by 6 per cent between 1958 and 1959 — this arose from fuller use of existing capital and resources and from technological improvements.

SLOW RECOVERY IN PRIVATE

INVESTMENT

The growth in demand in 1959 has been put at about 4 per cent in which the advance in consumption and the recovery of gross fixed investment feature prominently. The advance in personal incomes was

not the result of any increase in negotiated wage rates; earnings rose as employment recovered. Consumer demand was being financed not only out of the higher disposable incomes but also by the ever-rising pace of hire-purchase or instalment buying transactions.

The problem of 1958 and 1959 was the weakness of fixed investment demand. In the second quarter of 1959 this sector of demand turned upwards so as to bring a 4½ per cent rise in 1959 over 1958. But here the main increase came from public investment which rose by 6½ per cent. The recovery in private investment was slow and it was private house construction which enabled the private investment sector to show any increase at all. Investment in plant and equipment by British industry in 1959 was actually 1 per cent lower than in the recession year of 1958.

RATE OF GROWTH OF DEMAND

Faced with these experiences the likely order of magnitude in the coming year becomes crucial in the pursuit of an active economic policy. The policy is necessarily guided by the aims of maintaining stable prices and an improving balance of payments. In his Budget statement, the Chancellor explained that he expected both personal and public consumption to expand in 1960; he went so far as to estimate a rise in personal demand by 4 per cent and Government expenditure by 4½ per cent. With regard to gross fixed investment he forecast a rise of 6 per cent but went on to explain that "a good deal of this rise has already taken place (i.e. in the first quarter of 1960) and the rate of growth has been slowing down". He was however no longer anxious about private investment — the plans for expansion in the steel and motor industries were sufficient to suggest a favourable turn in business expectations. Finally the Chancellor intimated that investment in stocks is likely to rise further. In total the expected growth in demand is about 5 per cent over 1959 — a rise slightly higher than that of 1958-59.

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The National Institute of Economic and Social Research, in its pre-budget review of the economy, forecast that "total real demand would rise rather less rapidly in 1960 than in 1959" but that in view of the planned increase in defence expenditure, it is likely that this "estimate should probably be raised". The *Economist* expresses some scepticism about the official forecasts of demand and suggests that little significance should be given to Mr Amory's recital of statistics — rather, "there must be some concern that Mr Amory has chosen this year of threatened inflation to tilt the balance further . . . to psychological budgeting".

SURPLUS EXCEPTIONALLY LARGE

The budget is designed to exert a disinflationary influence on demand on the assumption — perceived almost by instinct by the Chancellor — that the supply of resources will not be available to meet the expected growth in demand. Therefore, in terms of estimates, he is budgeting for a £ 304 million surplus in 1960-61 compared to the surplus of £ 102 million budgeted for in the last financial year. In fact the realized surplus in 1959-60 amounted to £ 386 million. The Chancellor further hopes to borrow less from the capital and short-term markets to finance 'below the line' expenditures.

In planning the 1960-61 surplus, the Chancellor of the Exchequer hopes to reap in a large increase in income tax revenue (almost by £ 230 million). What is significant is that this expected surplus is arrived at after providing for the deficit in the accounts of the railways. In previous years the railway deficit was included as a charge in the 'below the line' account. Thus, in effect, the surplus planned for in the coming financial year is an exceptionally large one.

HIGHER TAXES ON TOBACCO AND PROFITS

The proposals of the Budget are however quite modest when account is taken of the disinflationary aims of the authorities. The two most important proposals are the increase in the indirect tax on tobacco consumption and the increase in the profits tax rate from 10 to 12½ per cent. The tobacco tax is expected to yield an extra £ 40 million in a full year and the profit tax another £ 65 million. After allowing

for certain minor concessions (especially tax allowances to individuals) and the reduction in wine duties, the effect of the budget proposals is to increase aggregate revenue by £ 114 million.

This is the measure of the 'gap': by reducing earned incomes by this amount (following the anticipated changes in total income, demand and output) the authorities aim to restore balance. The impression is, however, obtained that the authorities, realising the political limitations of a policy of high taxation, have had to confine their budget proposals to the narrow and modest range noted here. The rising tempo of public expenditure especially on the arms programme cannot be contained with ease. When it was attempted the last time, the then Chancellor of the Exchequer was asked to resign.

'VAGUE THREATS'

The dangers of disequilibrium are, however, real. Hence there was the warning which the Chancellor sounded in his budget statement:

"I must tell the Committee I think it likely that the time may soon arrive when it would be right that we should take other steps to restrain further expansion of credit; and we stand ready to do so".

The threatened steps embody controls over hire-purchase transactions, increased open-market operations so as to control more effectively the supply of money and finally an increase in the Bank rate. What is equally a possible line of action is the imposition of a credit squeeze through a limitation of bank advances and credit. This statement clearly suggests that any change of emphasis in policy is likely to be in the direction of greater stringency and already a certain uncertainty prevails in the financial markets. The *Times* has noted that "vague threats of this kind, however, have their dangers".

The question which this budget raises is this: if the danger signals of inflation are so clear as to be even acknowledged in Labour circles, why has the Chancellor chosen moderation and not gone the whole way and brought into operation his monetary measures? It may be that the authorities were fearful of dampening legitimate private investment (especially in plant and equipment) in view of the weaknesses

this sector has been exhibiting for some time now. On the other hand, the trend of business activity in the United States must have been much in the mind of the British Authorities. It is well known that the U S economy is once again exhibiting recessionary symptoms. It certainly would not be wise to weaken the conditions of demand in Britain at a time like the present.

GOODBYE TO 'GOLDEN HANDSHAKE'

To get back to the political impact of the budget, the fact is that the proposals gave more pleasure to the Labour benches than they did to the Conservative. This rather exceptional situation resulted no doubt, not so much from the Chancellor's positive proposals but from the reforms he outlined. The Chancellor proposes to close the large number of loopholes which currently enable big business to legally circumvent tax liability. One such glaring loophole was the practice of the so-called 'golden handshake'. In the recent bout of take-over bids, the retiring directors of the companies taken over were given handsome financial rewards, which were tax-free. The Chancellor now proposes to bring within the tax charge all payments described as "compensation for loss of office". The closing of other loopholes are no less significant.

These reforms are clearly aimed at the business community and the Conservative Party is as a result in a state of ferment. The *Times* issued a warning: "most of the technical changes . . . involve significant questions of principle and are likely to stir some controversy which will not be wholly on party line". So too did the *Financial Times*. The view is held that the Chancellor after having "had a political fight within the Cabinet and elsewhere", (the *Economist*) chose a subtle piece of bribery, in the form of being "beastly to the capitalists" so as to induce the trade unions to practise restraint in their wage demands.

The Economic Weekly

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1961 Census Schedule

D Natarajan

THE designing of the Census Schedule is the most important part of Census planning, for the success of the enumeration depends on the correct design of the Schedule. In fact, the Census Schedule is the essence of the Census.

In all countries of the world, therefore, great attention is bestowed on the designing of the Census Schedule. This involves formulation of the Census Questionnaire, the exact wording and arrangement of the questions and also a decision on the format of the schedule. A judicious selection has to be made of the topics to be covered in the Census. Since the population Census occurs only once in a decade the Census authorities are pressed from different quarters, for inclusion of items in the questionnaire. Obviously it will be impossible to satisfy all the competitors. The Population Commission have themselves recommended that only a limited number of questions should be asked in the Population Census.

PHOENIX-LIKE

There will also be many limitations. For example, in such countries as India, only the basic data relating to the population can be collected in view of the fact that qualified personnel are not available for enumeration. The enumerators in India are mostly selected from the village revenue officials and village school masters whose educational attainments are limited. The questions and the concepts have, therefore, to be simple, the import of which could be easily understood by the enumerator and put across to the citizen to elicit full and reliable answers. Also in view of the illiteracy of the vast majority of population, the questions and concepts have to be simple. The Census authorities have to be very careful, not only to frame the questions, but the entire set of instructions in simple language. Considering these limitations, it must be said to the credit of all Indian Censuses that essential demographic data and economic data have been collected with as much accuracy as possible.

The Indian Census had in the past been compared to the mythical

phoenix which arises with renewed vigour from its ashes. There is no continuing Census Organisation in India and the Census Commissioners were appointed about eighteen months before the actual day of the Census. During these eighteen months they had to race against time. They had not only to design the schedules but issue all instructions for the conduct of the Census. This gave little time for intensive study, collaboration, test on the field, etc. Each Census Commissioner, therefore, tried to improve on the previous Census questionnaire as much as possible in consultation with the Departments of the Government of India, etc.

EARLY START FOR 1961 CENSUS

Fortunately the preparation for the 1961 Census started in July, 1958 with the appointment of the Census Commissioner. This early start made it possible to formulate the questionnaire after consultations and discussions with the ministries of Central Government, Planning Commission, the Statistical Organisations, expert bodies and other agencies in the field of population and also to carry out tests on the field before the final schedule was prepared for approval of the Government.

Immediately after his appointment, the Census Commissioner took up the drafting of the questionnaire and the schedule for the Census. In September-October, 1958, a series of conferences were held with the Ministries of Central Government, Planning Commission, Statistical Organisations, expert bodies and other agencies in the field of population and also with the Directors of the State Statistical Bureaus. As a result of these discussions the Census Commissioner made a first draft of the questionnaire and schedule for the 1961 Census.

Though in the past Censuses such information as was practicable in the conditions obtaining in the country was collected, it was thought that as the country has undertaken a planned economy more emphasis should be laid on the collection of economic data in the coming Census and if necessary, even changes in the concepts and definitions adopted

in the previous Censuses should be made if it is essential, even at the risk of non-comparability of data. The Government approved of this decision and it was agreed at the meetings of the Ministries and other organisations referred to above that, if necessary, small but significant changes should be attempted at the forthcoming Census.

FIRST DRAFT

A first draft was prepared of the following three documents:

1. Houselist,
2. Household Schedule, and
3. Individual Slip.

In the past Censuses, no uniform houselist was prescribed for all the States in India. This time it was thought that it would be desirable to have a uniform houselist and that the houselist should include information on housing and industrial establishments, both big factories and small workshops. The National Buildings Organisation and the Ministry of Commerce and Industry were also interested in the above information.

The ultimate unit for purpose of Census enumeration is the household. It is defined for the purpose of the Census as "a group of persons who commonly live together and take their meals from a common kitchen unless the exigencies of work prevented any of them from doing so". For the purpose of identification at the time of enumeration, each household has to be given a number and the number entered in the houselist. The name of the head of the household has also to be recorded for purpose of identification. It was also proposed to record the number of male and female, adults and non-adults in each household.

A CENSUS HOUSE

A census household may or may not have an entrance opening on the outside world. If it has, then it is also a census house which is "a structure or part of a structure inhabited or vacant, or a dwelling, a shop, a shop-cum-dwelling or a place of business, workshop, school, etc., with a separate main entrance".

It is possible that a census house may contain two or more households. This will be the case where the households do not have separate entrances but together have a separate entrance opening on the outside world. The census house itself may be a part of a separate structure on the ground like a block of flats. The separate structure is called the "building" and each flat with a separate main entrance will be called the "census house". Thus, in a block consisting of 4 flats, the block will be the building and each one of the flats will be a census house. In the houselist it was proposed to make distinctions of the various categories mentioned above and to number the building, the census house(s) in a building and the household(s) in a house and enter the numbers in separate columns allotted for each in the houselist. The houselist can then be used as a frame for any enquiry based on the house or the structural unit and the household or social unit.

It follows by definition that the census house may not be a dwelling. The purpose for which it will be used was also to be recorded in a separate column in the houselist. As regards the housing information it was proposed to collect in the houselist in respect of each house the type of wall, type of roof, number of rooms and also whether the house was occupied by the owner or rented. In regard to factories and workshops it was proposed that information relating to name of the product or products which a factory or a workshop produced, total number of persons employed in it and whether fuel or electric power was used for production, should be recorded in the houselist. The houselist form proposed measured 13" x 20" and contained 16 columns.

HOUSEHOLD—ECONOMIC DATA

In the household schedule it was proposed that information should be collected in regard to the extent of land under cultivation by the household either held from Government or held from private persons for payment in money, kind or share of labour, the name(s) of the household industry or business in which the household was engaged and also the number of family workers and hired workers working all the year round in household cultivation and household industry or business.

For the first draft of the schedule household industry or business was defined as "any industry or industries located and conducted at home (or in a shed adjoining homestead) or any business or businesses".

It was also proposed to collect information on the nationality of the head of the household and as to whether a household possessed

- (a) battery torchlight and
- (b) a bicycle.

The latter information was expected to give an idea of the economic position of the household.

In countries like India which are not highly industrialised and where a majority of households and members of the households produce mainly for purpose of self-consumption without having to enter the market for disposing of their produce, the collection of economic data on the basis of individuals might tend to be misleading unless such information is supplemented by information concerning the economic activity of the household as an entity. Such a household economic activity is embedded in the household as such and is not confined to any one of the individuals. In many households it is even difficult for any one person to hold his land or the cottage industry because in reality the land or cottage industry is the property of the household. The economic activity of the household as a whole, therefore, has much significance in Indian economy.

CHANGES IN INDIVIDUAL SLIPS

In the case of collection of data on individual slips for each citizen certain significant changes were made in the questionnaire. In the collection of demographic data in the past Censuses only birthplace returns were available for the study of migration. It was thought that for a detailed study of migration more information should be collected and it was, therefore, agreed at the discussions referred to above that two questions on migration should also be put for each individual, namely,

- (i) whether the place of birth was rural or urban and
- (ii) if the person was born outside, the duration of residence of the person in the place of enumeration.

It was also agreed that in the collection of economic data, the con-

cept of income or dependency adopted at the earlier Indian Censuses had a tendency to suppress the important sector of workers as a consequence of which the number of economically active persons engaged in agriculture and traditional cottage industries and services where women are mainly employed showed very little increase compared to the increase in general population. It was, therefore, decided that in order to make the economic data collected and tabulated at the next Census meaningful and also useful to the governmental agencies and other users of Census data, such concepts as earners, self-supporting persons, earning dependents etc. adopted at the earlier Censuses should be replaced by simpler concepts which are well understood by the people and for which reliable response may be expected.

WORK INSTEAD OF DEPENDENCY

The concept of work instead of dependency was, therefore, adopted and the following two questions were introduced:

- (1) To ascertain whether the individual was working or not working; and
- (2) the activity of an individual who was not working specified under the following categories:
 - (a) Full time students doing no other work;
 - (b) Housewives or other adult females doing no other work except domestic duties or caring for own family children;
 - (c) Infants and other dependents doing no other work;
 - (d) Retired persons doing no work again, receivers of agricultural or non-agricultural rent, royalties or dividend;
 - (e) Beggars, vagrants, independent women without indication of source of existence, persons and others of unspecified source of existence;
 - (f) Inmates of penal, charitable and mental institutions;
 - (g) Persons seeking employment for the first time;
 - (h) Persons employed before and now out of

employment but seeking work.

The enumerator was also required to record household industries in the individual slip if a person was engaged in a household industry as defined in the household schedule.

DRAFT CENSUS SCHEDULE

The draft schedule that was drawn up measured 13" x 20", the left hand side of which contained the household schedule which occupied 6½" wide space. The rest of the space was divided into six individual slips measuring 4½" x 6½" for enumerating each individual of the household. The idea was to divide the slips by perforated lines for facility of detachment at the tabulation office for purposes of tabulation. One schedule was to be used for every household which contained six or less than six persons. In the case of households that contained more than six persons more than one schedule would be used according to the number of members of the household but where extra schedules had to be used the household schedule would not be filled up. The great advantage of this form was that it would facilitate the eliciting of responsible answers from the householders who could see for themselves that answers were being recorded for the household as a whole and for each individual.

As pointed out already the early setting up of the Census Organisation made it possible to have pretest of the draft Census schedules. The first draft of the houselist, household schedule and individual slip and the instructions drafted for their completion were pretested with the help of the Directors of State Statistical Bureaus in the various States and the pretest was conducted during February-March, 1959. The object of the pretest was to ascertain the suitability and convenience of the schedule, its size, form, usability of concepts and definitions, the suitability of abbreviations and to obtain information on time requirements. 90 rural localities consisting of 9,222 rural households and 67 urban localities consisting of 5,955 urban households were selected for this pretest. There was no random selection of localities and households and the selection was made only with reference to convenience of enumeration. The enumeration was done mostly by the staff of the State Statistical Bureaus

though, in a few cases, persons of the calibre of actual Census enumerators were also used.

CHANGES FOLLOWING PRE-TEST

The pretest showed that generally the schedule was acceptable and the items included in the houselist, household schedule and the census questionnaire were simple and could be anticipated and proper answers elicited. The items included in the household schedule regarding torch light and bicycle did not find favour with most of the persons who were enumerated. These items were, therefore, left out from the second household schedule. The item on Nationality was changed into:

'Non-Indian National, if any, Nationality' and the following question on migration was added:

How long has the household been residing here (in years).

In regard to cultivation and household industry or business and workers certain rearrangements were made in order to facilitate the work of the enumerator. In the case of hired workers the period was changed from 'all the year round' to 'the last working season'.

In the individual slip a significant change was made in the economic questions. The first draft provided the recording in the case of a worker his main work and also the other work in case he was doing any other work. This was based on the concepts of the previous Censuses where the main and subsidiary occupation of a person was recorded. It was, however, felt that in the Indian economy where more than 70 per cent of the population are engaged in cultivation or household industry, the recording of the main and subsidiary work may not bring out the correct picture. In most cases cultivation and household industry are not carried out during the same part of the year and between the two, it is not possible to say with reference to the period of work or the amount of income which is the primary and which is the secondary. In not a few households are the products consumed by the households themselves and they do not enter the market.

ECONOMIC ACTIVITY

In view of the importance of cultivation, in most cases even if a household industry was being con-

ducted, cultivation would be recorded as the principal occupation. It was, therefore, considered that at the enumeration stage cultivation and household industry or business should be separately recorded in the case of persons who are engaged in cultivation and household industry. So the two questions in the first draft viz, 1. Main work and 2. Other work, were divided into four parts viz,

1. Cultivation,
2. Agricultural Labourer,
3. Household Industry, and
4. Other Work.

This arrangement of the questions did not provide for a small minority of workers who were engaged in more than one work neither of which related to cultivation or household industry or business. Such a class of persons is very small and in the past Indian Censuses no detailed classification of the two-fold activities were undertaken. The cross tabulation of cultivation and household industry or business is very important in the Indian economy and the questions adequately provide for this kind of tabulation.

SECOND PRE-TEST

By the time the second draft was prepared, the Superintendents of Census Operations of the major States had come into position. Opportunity was, therefore, taken to have the second draft pretested by the Superintendents. This not only enabled them to understand the intricacies of the houselist, household schedule and the questionnaire but also gave them opportunity to conduct actual enumeration in the field before the final schedule was drawn up. This was an opportunity which no Superintendent in India had had in the past. This pretest was conducted through the normal administrative channel and mostly persons of the calibre of the actual enumerators were used. During the second pre-test 192 rural localities consisting of 35,919 rural households and 162 urban localities consisting of 33,432 urban households were selected. This covered a larger area and a larger population than the first pretest. While in the first pretest 77,933 population was included, in the second pretest 343,630 population was included.

On the basis of the comments etc, of the Superintendents of Census

Operations on the second pretest, final drafts of the houselist, household schedule and individual slip were prepared. These were discussed in great detail at a conference of Census Superintendents held in the Registrar General's office between the 24th September and 1st October, 1959, and the final schedules were framed.

Basing themselves on the results of the second pretest, the Superintendents of Census Operations were of unanimous opinion that the combined enumeration schedule consisting of the household schedule and the individual slips was inconvenient for handling and writing. The size was too large and it required a great deal of care to tear off the individual slips neatly without damage for tabulation purposes. The tearing off also took a lot of time. Though there may be obvious advantages in keeping a composite schedule the chief of which was the availability of a coherent and co-ordinated account of the entire household and the possibility of obtaining good samples at the tabulation stage, in view of the practical difficulties and the likelihood of wastage of paper it was decided that the household schedule should be separated from the individual slips.

THREE SEPARATE FORMS

It was thus decided that there should be three separate forms to be filled up for the 1961 Census. First, the houselist which should be in the same form as was used in the two pretests, second, the household schedule and third, the individual slips.

The contents of the houselist also did not undergo much change from the first draft. The original size was retained. A column was added in the case of workshop or factory to give the name of the establishment or proprietor. In addition to production establishments, establishments concerned with repairing and servicing were also included. In the case of fuel and power while in the first draft the question was "whether fuel or electric power was used" in the final form it was proposed to enquire about the "kind of fuel or power, if machinery is used".

While in the original form the number of rooms had to be recorded for a census house, it was thought convenient that the number of rooms could be recorded for each individual household. This information

will throw light on the extent of overcrowding in family units. Similarly the question in the original form as to whether a house was occupied by the owner or rented was related in the final form to the household. The question will be whether the household lived in own or rented house. It was not found necessary to record the adults and non-adults and the household population in the houselist was restricted only to the total number of males, females and total persons.

FINAL HOUSEHOLD SCHEDULE

The final household schedule will be of the size 6½" x 8". At the back of the household schedule there will be a Census Population Record as counted at the Census in each household giving the essential information for each individual enumerated in the household, e.g. name, sex, relationship to head of household, age, marital status and description of work, if working. This population record will be filled from the individual slips immediately after the enumeration of the household has been completed. This will serve as a valuable population record till the 1971 Census if it can be periodically brought up-to-date by making corrections for births, deaths and migrations. Even if this is not done, the population record will be a valuable document which can be used as a sampling frame after the 1961 Census in any enquiry based on households.

As regards the contents of the household schedule it was decided that the questions on "Non-Indian National, if any, Nationality" and "How long has the household been residing (in years)" should be discarded. The question on Nationality was to be transferred to the individual slip. Two additional items had to be recorded: one was whether the household was an institution and the other, whether the household belonged to any member of a Scheduled Caste or Scheduled Tribe. In the case of workers, in the final form, members of the family working were divided into three categories, viz, head, other males and other females.

HOUSEHOLD INDUSTRY REDEFINED

A simple definition acceptable to all levels of intelligence and application was adopted for household industry in modification of the original definition that was used during the first and the second pretests.

Household industry has been defined as "an industry (not on the scale of a registered factory) conducted by the head of the household himself and/or mainly members of the household at home or within the village in rural areas and only at home in the urban areas". Thus great emphasis is laid on participation of the head of the household and/or members of the household.

It was decided that household business should be excluded and only household industry should be investigated.

The first and second drafts of the household schedule are reproduced on p 622 and the final form is reproduced on p 623:

INDIVIDUAL SLIP

The individual slip will measure 4½" x 6½". There will be 13 questions as described below:

- 1 (a) Name.
- 1 (b) Relationship to Head.
- 2 Age last birthday.
- 3 Marital Status.
- 4 (a) Birthplace.
- 4 (b) Born R/U.
- 4 (c) Duration of residence if born elsewhere.
- 5 (a) Nationality.
- 5 (b) Religion.
- 5 (c) S.C./S.T.
- 6 Literacy and Education.
- 7 (a) Mother tongue.
- 7 (b) Any other language(s).
- 8 Working as Cultivator.
- 9 Working as Agricultural Labourer.
- 10 Working at Household Industry:
 - (a) Nature of Work.
 - (b) Nature of Household Industry.
 - (c) If Employee.
- 11 Doing Work other than 8, 9 or 10:
 - (a) Nature of Work.
 - (b) Nature of Industry, Profession, Trade or Service.
 - (c) Class of Worker.
 - (d) Name of Establishment.
- 12 Activity if not working.
- 13 Sex.

In the slip the actual questions will also be printed for facility of recording answers by the enumerators. Geometrical designs have been introduced wherever possible, in the case of questions where abbreviations or numerals will be used for recording the answers. This has been done with several purposes in view, first, to present the questions

Chart Comparing the Census Schedules or Census Questionnaires

(1872) (House Register)	(1881) (Census Schedule)	(1891) (Census Schedule)	(1901) (Census Schedule)	(1911) (Census Schedule)
1 Number of Houses, whether terraced, tiled or thatched.	1 Serial No of each inmate	1 Serial No and name	1 House Number	1 Census number painted on the house.
2 Name of Males	2 Name	2 Religion	2 Serial Number	2 Serial number of persons enumerated
3 Age	3 Condition i.e, whether married, unmarried, widow or widower	3 Sect of Religion	3 Name	3 Name
4 Religion	4 Sex	4 Caste of Hindus & Jains, tribe or race of others.	4 Religion	4 Religion (and sect of Christians)
5 Caste or Class	5 Age last birth-day	5 Sub-division of Caste, & C	5 Male or Female	5 Male or Female
6 Race or Nationality or Country of Birth	6&7 Religion	6 Male or Female	6 Married, Unmarried or Widowed	6 Married, Unmarried or Widowed
7 Occupation	7 Caste, if Hindu, sect, if of other religion	7 Age	7 Age	7 Age completed last birth-day
8 Youths upto age 20 attending School, College or under Private Tuition	8 Mother tongue	8 Married, Unmarried or widowed	8 Caste of Hindus & Jains, Tribe or race of others	8 Caste of Hindus & Jains, Tribe or race of those or other religions
9 Able to read and write	9 Place of birth	9 Parent tongue	9&10 Occupation or Means of subsistence of actual workers	9&10 Occupation or Means of subsistence of actual workers
10 Name or Designation of Females	10 Occupation of men; also of boys and females who may do work	10 Birth district, Province or Country	10 Subsidiary	10 Subsidiary Occupation, if any
11 Age	11 Education 1 Under instruction 2 Not under instruction but able to read and write 3 Not under instruction and not able to read and write	11 Occupation or means of subsistence	11 Means of subsistence of Dependants on Actual workers	11 If dependant, principal occupation or means of subsistence of actual worker on whom dependant
12 Religion	12 Infirmities 1 Unsound mind 2 Deaf-Mutes from birth 3 Blind 4 Lepers	12 Learning, literate or illiterate	12 Birthplace	12 District, Province or Country in which born
13 Caste or class		13 Language known by literate	13 Language ordinarily used	13 Language ordinarily spoken in the household
14 Race or Nationality or Country of Birth		14 If any person be insane, deaf-mute from birth, totally blind or a leper enter that person as such in this column.	14 Literate or Illiterate	14 Literate or illiterate
15 Youths upto age 20 attending School College or under Private Tuition			15 Know or does not know English	15 Whether literate in English
16 Able to read and write			16 Insane, deaf-mute from birth, totally blind or leper	16 If the person be insane or totally blind or suffering from Corrosive leprosy or both deaf and dumb from birth, enter as such here
17 Remarks showing number of Males and Females, blind, deaf, dumb, insane, idiots or lepers				

Prescribed for Enumeration in Indian Censuses from 1872 to 1961

(1921) (Census Schedule)	(1931) (Census Schedule)	(1941) (Individual Slip)	(1951) (Individual Slip)	(1961) (Individual Slip)
1 House Number	1 House Number	1 Name	1 Name & relationship to head of household	1 (a) Name (b) Relationship to Head
2 Serial Number	2 Serial Number	2 Sex	2 Nationality, Religion & Special Groups- Part (a) Nationality Part (b) Religion Part (c) Special Groups	2 Age in completed years last birth-day
3 Name	3 Name	3 Race, tribe or Caste	3 Civil Condition	3 Marital Status
4 Religion	4 Religion	4 Religion	4 Age	4 (a) Birth Place (b) Whether born in village or town (c) Duration of Residence
5 Male or Female	5 Male or Female	5 Married, Unmarried, Widowed or Divorced	5 Birth-place	5 (a) Nationality (b) Religion (c) Scheduled Castes & Scheduled Tribes
6 Married, Unmarried or Widowed	6 Married, Unmarried or Widowed	6 Age	6 Displaced Persons	6 Literacy & Education
7 Age	7 Age	7&8 Number of children born to a married woman and age at birth of first child	7 Mother tongue	7 (a) Mother tongue (b) Any other language (S)
8 Caste	8 Caste, Tribe or Race		8 Bilingualism	8 Working as cultivator
9 Principal Occupation of workers	9 Earner or dependant	9 Wholly or partly dependant	9 Economic Status- Part One. Dependancy Part two. Employment	9 Working as Agricultural labourer
10 Subsidiary Occupation of workers	10 Principal Occupation	10 Means of livelihood of persons on whom dependant	10 Principal means of livelihood	10 Working at Household Industry (a) Nature of work (b) Nature of Household Industry (c) If Employee
11 Means of subsistence of dependants	11 Subsidiary Occupation	11 Paid assistants employed, etc.	11 Secondary means of livelihood	11 Doing work other than 8,9 or 10 (a) Nature of work (b) Nature of Industry, Business Trade, Profession or Service (c) Class of worker (d) Name of Establishment
12 Birth district	12 Industry in which employed	12 In employment or not	12 Literary and Education	12 Activity, if not working
13 Language	13 Birth district	13 Search of employment	13 .....(Optional to State Govts)	13 Sex
14 Literate or Illiterate rate	14 Language	14 Means of livelihood	14 Sex	
15 Knows or does not know English	15 Subsidiary Language	15 Proportion of year in which means of livelihood is exercised		
16 Infirmities	16 Literate or Illiterate	16 Nature of employer's business		
	17 Know or Does not know English	17 Birth district		
	18 Infirmities	18 Mother tongue		
		19 Other Indian Languages in common use		
		20 Literacy		
		21 How far have you read?		
		22 Literacy in English		

HOUSEHOLD SCHEDULE

Second Draft

NAME OF HEAD OF HOUSEHOLD _____

NON-INDIAN NATIONALS, IF ANY: NATIONALITY _____

Males _____ Females _____

HOW LONG HAS HOUSEHOLD BEEN RESIDING HERE? (in years) _____

PART I

A. CULTIVATION

1. Land under cultivation by Household

(i) from Government or otherwise owned permanently

(ii) from private persons for payment in money, kind or share

(iii) Total of items (i) and (ii)

2. Land given to private persons for cultivation for payment in money, kind or share

B. HOUSEHOLD INDUSTRY OR BUSINESS

Household industry or industries, business or businesses conducted by the Head of the Household himself and/or mainly by members of the Household either at home or not far from home

Name(s) of Industry or Business _____

Months during which conducted _____

C. WORKERS AT CULTIVATION OR HOUSEHOLD INDUSTRY OR BUSINESS

Members including Head of family working and/or hired workers kept wholetime for last working season at

1. Household Cultivation _____

2. Household Industry or Business _____

3. Both in Household Cultivation & Household Industry _____

Hired workers _____

HOUSEHOLD SCHEDULE

First Draft

NAME OF HEAD OF HOUSEHOLD _____

NATIONALITY _____

WHETHER HOUSEHOLD POSSESSES : (a) a battery torchlight _____

(b) a bicycle _____

PART I

(To be filled in by ENUMERATOR first before filling up individual slips for each person in the Household)

A. LAND

1. If the household cultivates land, write number of persons engaged in cultivation

(i) Family workers _____

(ii) Hired workers working all the year round _____

2. If the household cultivates land, write

(i) How much land is held from Government _____

(ii) How much land is held from private persons for payment in money, kind, share or labour _____

3. How much land has been given to private persons for payment in money, kind, share or labour _____

B. HOUSEHOLD INDUSTRY OR BUSINESS

4. If the household conducts any household industry or industries located and conducted at home (or in a shed adjoining the home-stand) or any business or businesses, write

(i) the name or names of the industry or industries, business or businesses and conducted for how many months in the year _____

(ii) number of persons engaged _____

(a) Family workers _____

(b) Hired labourers working all the year round _____

Living in this house _____

Coming to work from their own homes _____

Months _____

every time to the enumerator and citizen. Secondly, to divide the slip into well-defined segments and focus attention on questions where abbreviations have to be used.

Thirdly, to help in manual sorting and tabulation after the census is taken. In the last two Censuses where the slip system was used only the question numbers were printed. The first draft of the individual slip is reproduced on p 624. For the second draft and the final form see p 625.

FROM CENSUS TO CENSUS

It will be interesting to compare how the census questionnaire has developed from Census to Census. The accompanying statement shows the actual questions asked in the last nine Indian Censuses from 1872, and the questions that are proposed to be asked at the next Census. (See pp 620-21)

It will be seen from the statement that name for identification purposes, sex, age, religion, literacy, birthplace and also caste have found a place in the questionnaire of all the Censuses.

In the matter of recording age there were some differences. In 1872, age next birthday was recorded. From 1881 to 1921 and also in 1951 age completed on the last birthday was recorded. In the 1931 Census the nearest age in years was recorded. In 1941 the age was recorded in years and months. It is proposed to record completed years in the next Census.

In the case of literacy, the definition of literacy has always been "ability to read and write". In practically all the Censuses additional information on literacy was sought to be collected. In the 1872 Census information was sought on youths up to age 20 attending school, college or under private tuition. In 1881 a distinction was sought to be made not only between persons who were literate or illiterate but also between persons under instruction and not under instruction separately among literates. In 1891 the literacy question included learning or under instruction and there was an additional question on language in which literate. In Censuses 1901 to 1941, information was also collected on literacy in English. In the 1944 and 1951 Censuses, information was also collected on partial literacy i e, ability only to read and on standard of education. Information on partial literacy is not

CONFIDENTIAL

CENSUS OF INDIA 1961

Final Form

(To be filled up during Enumeration)

Is this an institution? _____

PART I—HOUSEHOLD SCHEDULE

LOCATION CODE : _____

Full Name of Head of Household _____

S.C. _____

S.T. _____

A. Cultivation

1. Land under cultivation by Household	Local name of right on land	Area in acres
(i) owned or held from Government	_____	_____
(ii) held from private persons or institutions for payment in money, kind or share	_____	_____
(iii) Total of items (i) and (ii)	_____	_____
2. Land given to private persons for cultivation for payment in money, kind or share	_____	_____

B. Household Industry

Nature of Industry	Number of months in the year during which conducted
Household industry (not on the scale of a registered factory) conducted by the Head of the household himself and/or mainly members of the household at home or within the village in rural areas and only at home in urban areas. (a)	_____
(b)	_____

C. Workers at Cultivation or Household Industry

Members including Head of family working and hired workers, if any, kept wholetime during current or last working season.

	Members of family working				Hired workers
	Head	Other males	Other females	Total	
1. Household Cultivation only	_____	_____	_____	_____	_____
2. Household Industry only	_____	_____	_____	_____	_____
3. Both in Household Cultivation & Household Industry	_____	_____	_____	_____	_____

Dated Signature of Enumerator _____

Dated Signature of Supervisor _____

Note: Part II—Census Population Record overleaf should be filled up during the first round of enumeration (10 February to 28 February) from the enumeration slips relating to the household and brought up-to-date with corrections, if any, after the second visit during check period 1 March to 3 March, 1961.

proposed to be collected at the next Census as it does not serve any purpose but information on standard of education will be collected.

Right from the Census of 1872 till the 1941 Census there was a question on caste, tribe or race which was recorded as returned by the person enumerated. At the 1951 Census the return of caste was restricted only to Scheduled Castes and Scheduled Tribes. Anglo-Indians were also separately recorded. In addition to these, individual castes and tribes treated as backward classes by each State Government were recorded in respect of that State. At the next Census it is proposed to record the name of the caste or tribe in the case of only Scheduled Castes and Scheduled Tribes.

After the Census of 1872 Nationality as a separate question figured only in 1951. It is proposed to ask that question in the next Census also.

Infirmity as a question figured from 1872 to 1931. This question was given up in 1941.

MOTHER TONGUE

A question on mother tongue was asked from 1881 though the nomenclature of the question varied from Census to Census. In the Censuses of 1881, 1941 and 1951 the question was 'Mother-tongue'. In 1891 the question was 'parent-tongue'. In 1901 the question was 'language ordinarily used'. In 1911 the question was 'language ordinarily spoken in the household'. In 1921 and 1931 the question was 'language'. In 1881 and 1891 mother-tongue was defined as the language spoken by the person's parents. In the Censuses of 1901 to 1931, the language returned as ordinarily used in one's own home was recorded. In 1941 and 1951, mother tongue was defined as language first spoken from the cradle. In the 1961 Census mother tongue has been defined as language spoken in childhood by the person's mother to the person or mainly spoken in the household.

From the 1931 Census there was a record, in addition to the mother tongue, of any language or languages which a person knew or commonly used. In the 1931 Census all languages including any foreign language that a person knew were recorded but in the 1941 Census it was confined only to Indian languages. In the 1951 Census this was restricted only to one Indian lan-

guage commonly spoken by a person in addition to his mother tongue. In the 1961 Census it is proposed to record two languages, whether Indian or foreign, which a person can speak and understand best and can use with felicity in communicating with others.

CLASSIFICATION BY OCCUPATION

As regards economic questions, there was only one question which related to occupation in the 1872, 1881 and 1891 Censuses. In 1872 and 1881 the number of actual workers were recorded and were classified according to occupation. In the 1891 Census the concept was

changed by introducing the words 'means of subsistence'. Occupation was recorded in the case of every individual, male and female. While in the case of workers their actual occupation was recorded, in the case of dependents the occupation of the person on whom they were dependent was recorded. In the 1901 to 1921 Censuses there were three questions on occupation; two questions were on the principal and subsidiary occupation of actual workers and the third question was for recording in the case of dependents the occupation of the persons on whom they were dependent. Here also the same term, viz, occupation

First Draft

Location Code: _____

1(a) Full Name _____

Relationship 1(b) to Head _____ 2 Age _____

Marital 3 Status _____ Birth- 4(a) place _____

Born R/U _____ Duration of 4(c) Residence _____

5(a) Religion _____ 5(b) S.C./S.T. _____

Mother 6(a) tongue _____ Any other 6(b) language _____

Literacy & 7 Education _____

Whether Working 8(a) Not Working _____ Status if 8(b) Not Working _____

Main Work 9(a) Industry _____ Employment Status 9(b) _____

Place of 9(c) Work _____ Employment Status 10(b) _____

Other Work 10(a) Industry _____

Place of 10(c) Work _____ 11 Sex _____

Final Form

CENSUS 1961

CONFIDENTIAL

Location Code: _____

1(a) Name _____ Age last birthday 2 _____

Relationship 1(b) to Head _____

Marital 3 Status _____ Birth- 4(a) place _____

Born R/U _____ Duration of 4(c) residence if born elsewhere _____

5(a) Nationality _____ 5(b) Religion _____

S.C./S.T. 5(c) _____ Literacy & 6 Education _____

Mother 7(a) tongue _____ Any other 7(b) language(s) _____

Working as 8 Cultivator _____ Working as 9 Agricultural labourer _____

(a) Nature of Work _____ (c) If Employee _____

10 Household Industry _____ (b) Nature of Industry, Trade or Service _____ (c) Class of Worker _____

Doing Work 11 Other than 8, 9 or 10 _____

12 Activity if Not Working _____ 13 Sex _____

Second Draft

Location Code: _____

1(a) Full Name _____ Age 2 _____

Relationship 1(b) to Head _____

Marital 3 Status _____ Birth- 4(a) place _____

Born R/U _____ Duration of 4(c) Residence _____

5(a) Religion _____ 5(b) S.C./S.T. _____

Mother 6(a) tongue _____ Any other 6(b) language _____

Literacy & 7 Education _____

Whether Working 8(a) Not Working _____ Activity, if 8(b) Not Working _____

2 Cultivation _____ 10 Labourer _____

11(a) Industry or Business _____ Class of Worker _____

11(b) Nature of Work _____ 11(c) _____

12(a) Other Work _____

12(b) Trade, Profession or Service _____ 12(c) Class of Worker _____

12(d) Name of Establishment & Address _____ 13 Sex _____

or means of subsistence, was used as in the case of 1891 Census. In all these Censuses the term 'actual worker' also included persons who were in receipt of income without doing work such as rentiers, etc.

In the 1931 Census instead of the actual workers the term 'earner' was used. The population was classified into earners and dependents. Among the dependents a distinction was made between 'working dependents' who though dependent nevertheless worked and had an occupation, and other dependents who did not do any work and had no occupation. The principal occupation was recorded in the case of an earner as well as a dependent. It was the actual occupation in the case of the earner and the occupation of the person on whom he was dependent in the case of a dependent. In the column relating to subsidiary occupation, any occupation other than the principal occupation of an earner as well as the actual occupation of the working dependent was recorded. There was also a question on industry in the 1931 Census.

MEANS OF LIVELIHOOD

In the 1941 Census there were eight economic questions. At the outset the population was divided into three categories, viz, wholly dependent, partly dependent and independent. The concept of occupation or means of subsistence was adopted but the term 'occupation' was dropped and only 'means of livelihood' was used. In the case of persons who were wholly or partly dependent the means of livelihood of the person on whom they were dependent was recorded. In the case of persons who were not dependent either wholly or partly, their own means of livelihood was recorded. In addition to the recording of these primary economic data there were questions on paid assistants employed, unemployment, search for employment, seasonal employment and industry.

In the 1951 Census the concepts adopted were the same as in the 1941 Census, the terms used being self-supporting, earning dependent and non-earning dependent corresponding to the independent, partly dependent and wholly dependent of the 1941 Census. In the case of self-supporting persons their means of livelihood was recorded. Provision was made for the recording of a principal and a secondary means of livelihood. In the case of earn-

ing dependents the means of livelihood of the person on whom they were dependent was recorded under principal means of livelihood and their own means of livelihood under secondary means of livelihood. In the case of non-earning dependents, the means of livelihood of the person on whom they were dependent was recorded under principal means of livelihood.

In the 1961 Census there will be five economic questions. A worker will be recorded as working as cultivator, or as agricultural labourer or at household industry or doing any other work according to the work he does. If he is working at more than one of the above categories, he will be so recorded. In the case of a person working at household industry, the nature of his work, the nature of the household industry and whether he is an employee will also be recorded. In the case of a person who is doing work other than as cultivator or as agricultural labourer or at household industry, the nature of his work, the nature of industry, profession, trade or service in which he is employed will be recorded. In addition, it will be recorded whether he is an employer, employee, single worker or family worker. The name of the establishment in which he is working will also be recorded. In the case of

those who are not working, their activity will be returned under the eight categories already mentioned.

Seminar on Evaluation and Utilisation of Census Data

REPRESENTATIVES of 17 countries of the ECAFE region including India will participate in a seminar on the evaluation and utilisation of census data for the region to be held in Bombay from June 20 to July 8, 1960. Government nominees from countries outside the region will also attend the seminar. Sponsored jointly by the United Nations and the Government of India, the seminar will be conducted by the Demographic Training and Research Centre in Bombay.

The purpose of the seminar is to assist the Governments in Asia and the Far-East region in utilising the results of population census to be taken in and around 1960 as an aid to economic and social planning and policy making. Discussions will be held on demographic information needed as an aid to economic and social policy-making and planning, contribution of population censuses to the development of demographic information, evaluation of completeness and accuracy of census results and programmes of analysis of census results.



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Advertising Convention

From a Correspondent

ADVERTISING is today accepted the world over as an integral part of mass production. In India, too, advertising has developed considerably during the last seven years, reflecting the rapid economic development under the impact of the Five Year Plans. A little over 0.1% of India's national income, about Rs 16 crores is currently spent on advertising. This expenditure is estimated to be growing at the rate of about Rs 1 crore a year. This growth is of some significance as a pointer to the future, as it is taking place even before our industrial economy has reached the "take off" point.

It was in view of this development, that the first Indian Advertising Convention met in Calcutta during the last week of March. Organised with the active co-operation of the Indian Society of Advertisers, the Advertising Agencies Association of India, the Audit Bureau of Circulation, the Indian and Eastern Newspapers Society, and the Indian Language Newspapers Society, it attracted more than 350 delegates from all over the country. The Convention served the purpose of bringing together on one platform for the first time, all the allied professions connected with advertising to focus attention on their tasks and problems.

There is even today a sad lack of understanding of the important role of advertising in the national economy. Large sectors of Indian industry are blissfully unaware of the benefits it can offer. Serious misconceptions exist. It is not fully realised that advertising fosters healthy competition with ultimate benefit to the consumer. It is not an economic waste, but a normal element of basic selling cost. Money saved by cutting down all promotional expenses would not result in any significant reduction in prices. On the contrary, an increase in the volume of sales through promotional efforts, would ultimately reduce unit cost to the consumer.

Advertising today has to face not only the problem of getting itself accepted, it has also other problems probably unknown in other parts of the world. In India are combined all stages of marketing evolution. Primitive barter exists

side by side with sophisticated marketing, just as the bullock cart jogs along-side the jet plane. In such a situation distribution and marketing assume vital importance, especially with a rapidly expanding home market. Unfortunately, Indian industry seems yet unaware of it. No amount of high-pressured advertising can increase sales without proper marketing and distribution.

The days of reliance on experience and empiricism are gone. Modern methods are now available to aid marketing and distribution. There has to be a growing realisation of the role of such techniques as marketing research, operation research, motivation research and the comparatively new aid of statistical and econometric techniques.

The media to reach consumers are as yet limited. The Press is still the chief media. It can only reach a limited section of the urban consumers. What is more, the newspaper seems more concerned with repetitive policy statements of politicians than with news, the sort of news the readers want. As a result it loses its impact as a means of mass communication, and hence becomes less effective as a medium for advertising. Very little attention is paid to improving the standards of reproduction. This limits the use of photographs to provide authenticity, motivation and verisimilitude to advertising.

There is naturally a constant search for new media, such as outdoor hoardings, posters, and the film. Technical and organisational problems still hamper the growth of these media. Nevertheless it is obvious that in a country like ours audio-visual media are bound to play a more and more important role side by side with the language papers. With the market rapidly expanding in rural areas, not covered by the Press, the task is not only that of selling, but of establishing the concept of packaged and branded goods. For this, the cinema seems to be the only effective means of mass communication.

Another very important development in the field of Indian advertising today is the growing need for public relations activities, both with regard to the general public and also the Government. It is often

not realised that even without lobbying in its venal and unscrupulous form, ways and means are open to industry to vindicate its normal democratic right "to participate in policy making and the right to redress its grievances". The need of the hour is to develop well-recognised and institutionalised methods of interchange between Government and industry.

As India approaches the "take-off" stage, the home market will expand phenomenally. The needs of the consumer will multiply and expand. Indian industry and advertising has to be prepared to meet this new situation. It calls for a more scientific approach towards marketing and distribution, proper organisation and utilisation of various media of mass communication, a reorientation in advertising and a more distinct Indian approach and training in the tools of the trade.

The first Indian Advertising Convention is an expression of the awareness that exists in the profession and the allied trades of their responsibility in the task of building the industrial base of our society. In the papers read by the experts and in the discussions that followed, attention was sharply focussed on the tasks and the problems. Let us hope that future conventions will take concrete steps to solve these problems, take stock of achievements and march forward to fresh success.

Electricity Generation, December 1959

THE total electricity produced by the public utility power stations in India in December 1959, was 1299.7 million kWh, of which 1046.9 million kWh, were sold to ultimate consumers. Corresponding figures for December 1958, were 1120.2 million kWh, and 914.0 million kWh, and for December, 1951 these were 499.2 million kWh, and 414.3 million kWh, respectively.

These figures indicate that the annual increase in electricity production is about 16 per cent.

The statistics for the month of December 1959, are based on 815 returns received from the public electricity supply undertakings.

Even when citizens sleep, the railways are at work, ceaselessly, round-the-clock... You hear it sometimes—the lonely wail of

a distant whistle in the night—

evidence that the Indian Railways are forever on the job... moving goods and people to their far-flung destinations.

The production and distribution of the country's national wealth depends on the railways—linking ports with the hinterland, feeding industry with raw materials and taking back the finished goods; helping the farmer to market the produce.

On the move all the time, in fair weather and foul, in sizzling summer or freezing winter, nearly 7,500 trains speed the Nation's business; they carry 4,000,000 passengers and over 370,000 tons of freight each single day.

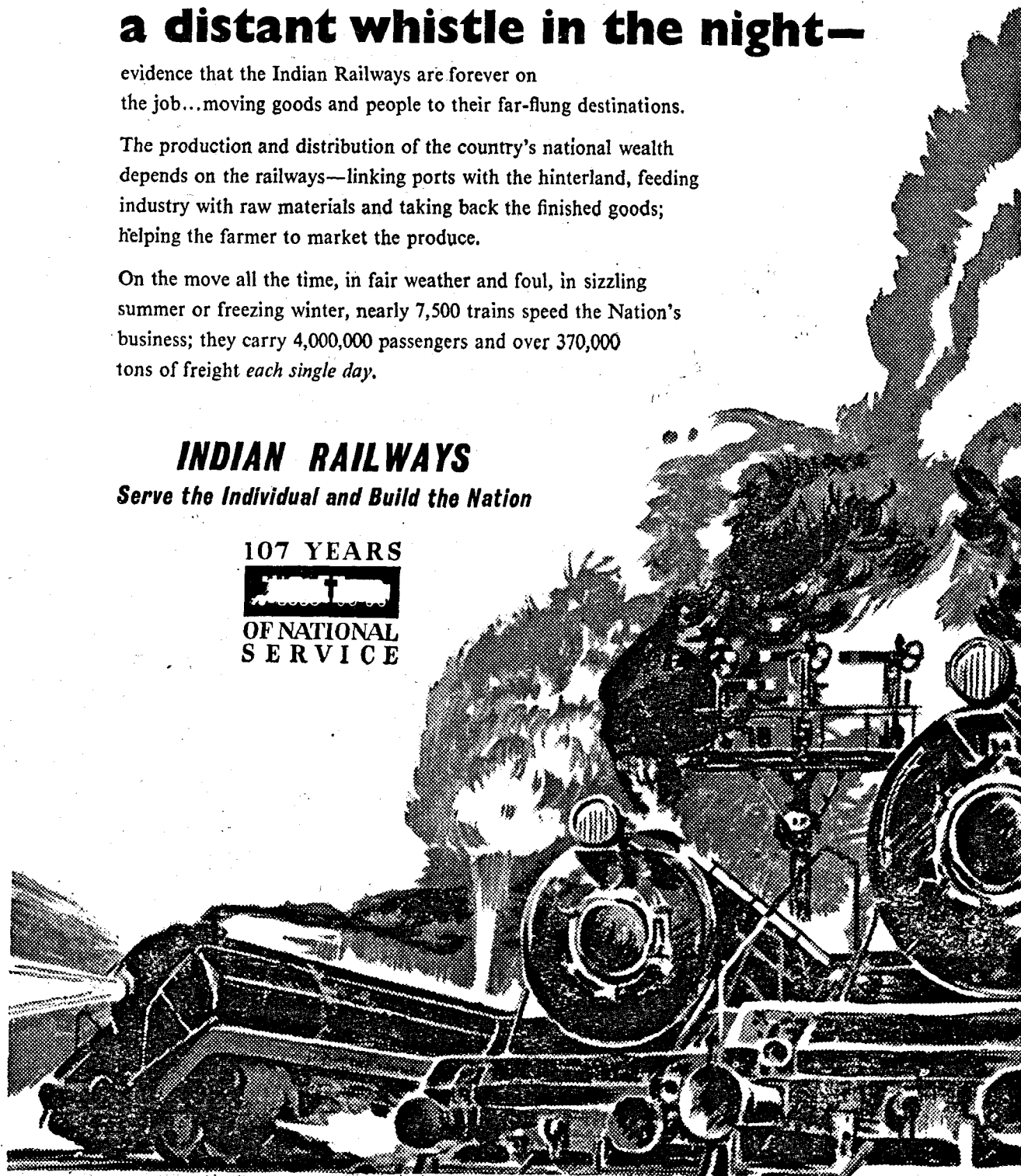
INDIAN RAILWAYS

Serve the Individual and Build the Nation

107 YEARS



OF NATIONAL
SERVICE



Vacillating Mood

Thursday, Morning

EQUITIES last week suffered a small setback all-round due to steady bull liquidation and lack of adequate follow-up support on the rise. Exceptions were few. Only Gwalior Rayon and National Rayon displayed conspicuous strength and struck new all-time highs. Gwalior Rayon were bid up from Rs 34.25 to Rs 38 mainly because they are soon to be placed in the forward list. National Rayon were marked up from Rs 470 to Rs 483 on hopes of a substantially higher dividend due to be announced on 14th April evening. The spurt in both these shares occurred only on April 13. Earlier, they too were rather subdued with the rest of the market.

The generally subdued tone of the market most of the time during the week under review reflected the weakened technical position as a result of the heavy bear covering over the past few weeks, anxiety over the outcome of the forthcoming meeting between the Prime Ministers of India and China and last but not least the prospect of high "badla" charges on April 14. Enthusiasm to bull the market is lacking, though bears are not aggressive. Outside interest in the market has declined appreciably over the past few weeks.

Technical analysts are busy scanning their charts because the market is thought to be passing through an important phase. The post-Budget rise took the market to a new peak in the major uptrend. The break that followed the announcement of credit curbs, which were both an excuse and an explanation for the fall, brought the market down by nearly 12 per cent to an important support area—intermediate bottom. From here followed the rally which has enabled the market to make good nearly half the ground lost earlier. This rally now seems to have spent its force. If this rally were to peter out here and the decline resumed it could have a significant bearing on the primary trend itself.

NO MORE CAPITAL APPRECIATION

Whether the market will change its main course is still anybody's guess. It is always hazardous to

predict how a particular trend will progress week by week. One thing, however, seems certain. Investors are unlikely to reap this year the big harvest they did in the previous two years. They will have to exercise utmost care in selecting their stock because the current levels for most shares seem to discount almost all that is good in the near-distant economic prospect. For too long has the market been feeding itself on inflationary ideas but since inflation is as much demand induced as cost induced, industrial profits have not recorded any spectacular gains which could explain the boom in equities.

In 1959, a reasonably good year for the textile industry, Kohinoor Mills have a gross profit of only Rs 16 lakhs on sales aggregating Rs 6.59 crores which gives a return of merely 2.4 per cent on sales. At around Rs 320 the share yields less than even two per cent. Century Mills, whose shares have always been in the limelight since long, made a gross profit of Rs 176.37 lakhs compared with Rs 133.80 lakhs in the previous year. And yet shareholders received only Rs 22.05 by way of net dividend. In the previous year too they had got Rs 22. Few companies have been able to reward their shareholders with larger disbursements. Costs have affected profits and the new system of corporate taxation has affected the net return to the shareholders.

Oilseeds

UNCERTAINTY PERSISTS

APRIL is half way through but the Bombay Oilseeds and Oils Exchange has yet to receive permission from the Forward Markets Commission to trade in new hedge contracts. It is not that the Commission wants futures trading to end with the expiry of the May contracts. Not many will really regret if it did. For, in the prevailing circumstances the utility of futures trading in most commodities is, of course, suspect. But the Commission only insists on certain conditions being fulfilled before allowing trading in the new contracts. It wants the dismissal of the secretary because of his gross negligence in the discharge of his

duties. It also wants the Board of Directors to be reconstituted by giving wider representation to crushers and shippers. Opinion differs sharply as to who should be the final authority to deal with the secretary of an association—the governing board or the Commission. But the Commission's stand on the reconstitution of the board will be widely endorsed. It does not, however, follow that the issue should be decided right now. The Commission could have taken up this issue when granting permission to trade in the new season's contracts.

Uncertainty about the new contracts and the Commission's stern warning against dealings in options, which, though illegal, have become an integral part of forward trading in nearly all the important markets in the country, were the main factors influencing last week's price pattern, particularly of castor which alone are popular with speculators at present. After being bid up to Rs 177 castor May declined sharply to Rs 172.50 and the closing rate of Rs 174.12 was about a rupee per candy below the previous week-end quotation. The setback was due both to heavy bull liquidation—a good deal of it was on account of maturing options—and renewed bear pressure. With the contract approaching maturity and the spot material quoted at a discount, it was only natural that bulls should reduce their commitments when they had no facility to transfer their interest to a new contract.

But sentiment near the week-end was also affected by reports that the U S authorities intended to dispose of castor oil from the stockpile. Little is known about the quantity of castor oil held in the stockpile. Perhaps it is not large. But uncertainty in this regard might discourage prospective buyers of Indian castor oil in the near future. Export houses said that the U S reports had already made the overseas buyers cautious and there had also been some precautionary marking down of prices. The U K quotation for B.S.S. eased from £ 129 to £ 127. Fresh business put through last week was estimated only around a few hundred tons. For a while at least

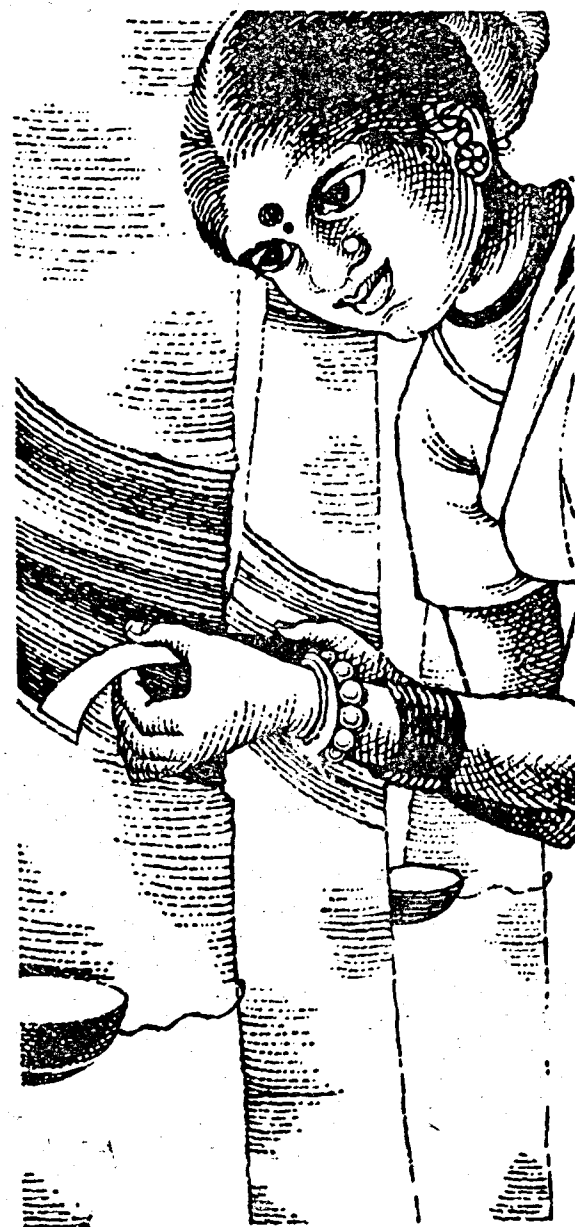
market's attention has been diverted from the feared damage to the Brazilian crop to the expected release of stockpile castor oil by the U S. And if the U S buyers were to keep off the Indian market for some months, castor prices might not find it easy to record any big rise. But considering the excellent performance up to now shipments during the first five months of the year are likely to

exceed 20,000 tons—and with crop estimates revised downward, it is doubtful whether prices would suffer any material decline.

NEW PEAK

Groundnut futures struck a new high of Rs 218 per candy, which merely reflected the remarkable strength in the spot material because of the keen demand and

poor offerings. The premium on ready induced short covering in futures, particularly because of the lack of any facility to switch over sales to the distant contract. Bulls, however, could not afford to be aggressive because of the heavy margin. Groundnut oilcakes held firm on prospects of early revival of export business in extractions. Sales put through last week were limited.



She knows the secret of these giant trees. Moving in their gentle shadows, she goes from one to another deftly making a cut in its bark. The liquid latex which drips into the cup is the starting point of a great industry. Far and near, unknown to her, yet bound to her by unseen ties, work thousands of men and women to make the rubber products which keep the wheels of industry and transport moving and help to make life better for every one. At the head of this national industry are the fine, modern Dunlop factories at Sahaganj and Ambattur helping the country to achieve self-sufficiency.

DUNLOP

DC-524

Only the U K was reported to have made some purchases in extractions at around £31-10, April-May shipment. Inquiries in groundnut H.P.S. were poor and overseas prices were easier around £88 for bold against £91 in the preceding week. Out of the recent quota for 20,000 tons only about 9,000 tons are believed to have been sold up to now. The time factor is against further large business in the near future. Prospects of selling groundnut oil, which had seldom been encouraging, have receded further because of the widening of the disparity between Indian and world prices resulting from a rise here and a setback abroad. Coconut oil prices have declined by about £20 per ton over the past few weeks. According to unconfirmed reports certain vanaspati manufacturers have been allowed to import soya bean oil from the U S under P L 480. Soya bean oil can be had at around £75 per ton, while Indian groundnut oil costs about £135 per ton.

Linseed were a dull market throughout the week. Neither bulls nor bears were inclined to be aggressive. Export houses did not mention any important fresh business, either in oil or cake. The U K quotation for linseed oil fluctuated between £109 and £111 while linseed cake held fairly steady around £31-15. Reliable reports from the Argentine indicate that the authorities there are not considering any move to raise the support price for linseed or linseed oil.

Cotton

FIRM BUT DULL

TRADING in cotton, both in ready and futures, was an extremely dull affair. Activity in futures dwindled to a mere trickle. The August contract drifted idly between Rs 771.75 and Rs 766.75 and the closing rate of Rs 771.75 was only Rs 1.75 per candy higher than the previous week-end quotation. Business was mostly professional and of a jobbing nature. Heavy margin at above Rs 770 discouraged bulls from adding to their commitments and bears could scarcely afford to risk much in face of the acute shortage of the ready material.

Spot cottons are again almost at their previous tops, which are substantially above the official ceiling rates. Higher count cottons which

had been rather subdued for a while firmed up again on scarcity of offerings and renewed inquiry from Ahmedabad mills. Buying was limited only by the availability of quotas. The statistical position of Indian cotton this season is exceptionally tight. The crop is estimated barely at around 38 lakh bales, of which 23.45 lakh bales have already been consumed during the first six months of the season. According to unofficial reports the quotas sanctioned to the mills to date add up to about 29 lakh bales, of which mills have actually purchased and taken delivery of nearly 21 lakh bales. This implies that the market will have to live on a very lean diet during the rest of the cotton season. One can only pray that the next crop turns out to be a bumper one.

The acute scarcity of indigenous cotton and the Textile Commissioner's warnings have prompted mills to avail of their import quotas expeditiously. The figure for quantity licensed for import up to April 2 has risen to a little over 7 lakh bales. Actual arrivals are expected to be at their peak in May/June.

The International Cotton Advisory Committee expects world cotton exports this season to exceed 14.5 million bales, about 3.5 million bales more than in the previ-

ous season. This is based on the assumption that there will be some replenishing of stocks in importing countries. Out of this total, the U S with 6 million bales already registered under the Payment-in-kind Programme, is likely to export 6.5 million bales or conceivably more. Elsewhere most of the cotton harvested during the first half of the season has already been sold. Exports outside the U S this season should total 8 million bales, the decline compared to the last season being inevitable because of supply limitations.

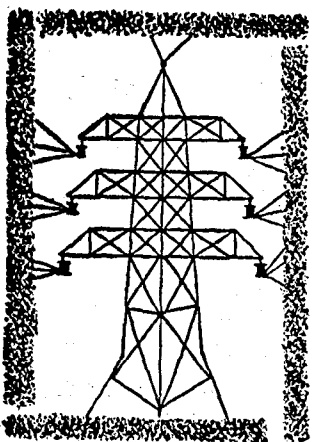
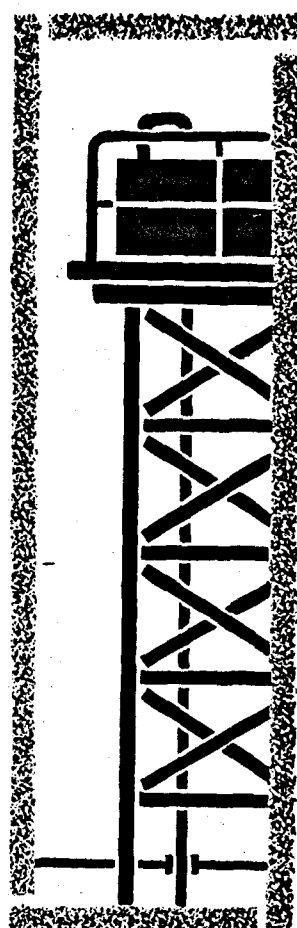
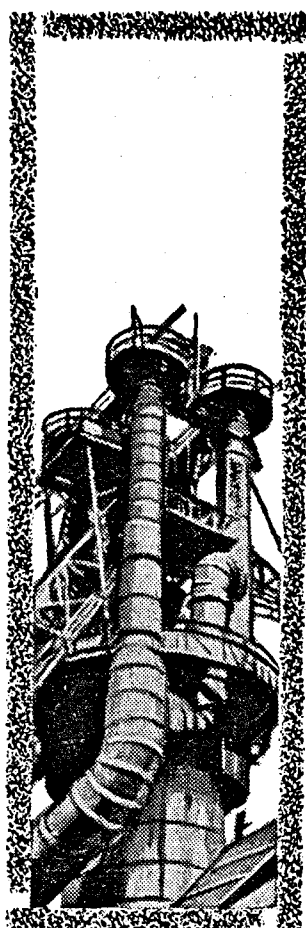
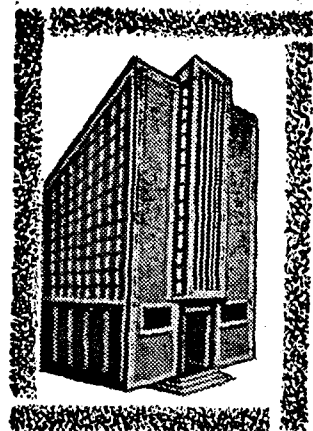
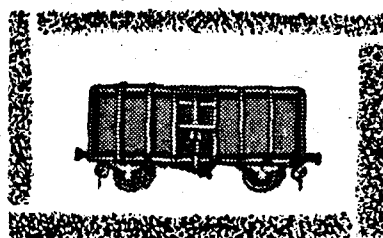
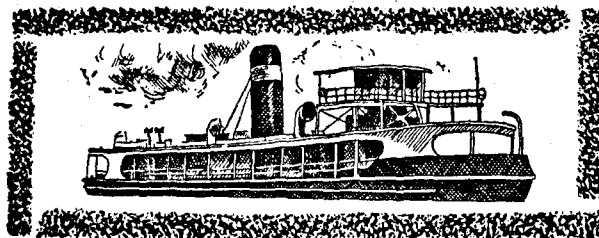
Bullion

"BADIAS" RISE FURTHER

THE story of bullion is that of rising backwardation charges and penal margins against bulls. On April 11 backwardation charges in gold Chaitra delivery rose to a high of Rs 3-2 per tola compared with Rs 1-14 at the previous week-end. Silver Chaitra commanded a premium of Rs 2-11½ over Vaisakh delivery on April 13. The exorbitant premiums enjoyed by the expiring contracts which led to the imposition of heavy margins on bulls, reflected near-squeeze conditions in the expiring contracts because of the control over the bulk of floating stocks in both the metals, particularly gold.



AIDING INDIA'S PROGRESS



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Bulls have not been much bothered by the heavy margins they have to pay because of the huge back-wardation charges they can extract from their rivals. The prospect of the slack season ahead has also not caused any uneasiness because fresh arrivals are unlikely to be large in any case. Silver coins from Tibet come no more and smuggling activity in gold has declined very much of late.

Price-wise, last week's showing was a mixed one. Gold recorded a small rise over the week, while silver suffered a moderate decline. After being down to Rs 128 gold Vaisakh delivery improved to Rs 129-7 and wound up the week at Rs 129-1. Silver Jeth delivery drifted lower gradually from Rs 212-14 to Rs 211-14 due to bear pressure and tired bull liquidation induced by the somewhat unencouraging off-take.

Company Note**Indian Aluminium**

THE latest annual report of Indian Aluminium for the year to December 31, 1959 shows continued and steady expansion. The sales turnover has improved from Rs 743 lakhs to Rs 970 lakhs. Gross profit on sales has gone up even more impressively from 16 per cent to 22 per cent. The company's net earnings have trebled from Rs 48 lakhs to Rs 141 lakhs. This gives a net earning on capital invested of 11.4 per cent against 5.8 per cent and on net worth of 21 per cent against 8.3 per cent. Preference dividend is covered 70 times against 24 times.

Net earning per ordinary share has increased to Rs 3.47 from Rs 1.19. Dividend has been raised from Rs 0.70 net to Rs 1.20 gross. Indian Aluminium Ordinary is currently quoted at 7.5 times earning and 31 times net dividend.

The company's new smelter at Hirakud was commissioned in January last year. The initial operations were successful and plant efficiency is steadily improving. The older smelter at Alupuram suffered from shortage of electricity during the year. Production from the two smelters has, nevertheless, enabled the company to stop imports of primary metal. Despite shortage of supply in the face of heavy demand, the company continued to develop new market outlets for aluminium, with a view

to long range growth of the industry.

With the successful completion of the first stage of the smelter at Hirakud, the company has embarked upon the second stage of expansion. The capacity of the smelter will be doubled from 10,000 tons of ingot per year to 20,000 tons while alumina and related bauxite facilities will be expanded from 18,000 tons of alumina per year to 54,000 tons. An engineering project department has been established for

the execution of the expansion programme.

Capital expenditure on expansion will amount to Rs 9 crores, of which the foreign exchange component for fixed capital equipment is currently estimated at Rs 5 crores. The latter will be financed with loans from the Export-Import Bank and the Canadian principals of the company. A part of the rupee funds required will be financed from the recent debenture issue of Rs 3 crores.

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Industrial Capacity and Production - III

Metallurgical, Mineral, Timber and Cellulose and Leather

	No of Units					Capacity					Production				
	1951	1956	1957	1958	1959	1951	1956	1957	1958	1959	1951	1956	1957	1958	1959
Metallurgical Industries															
Virgin Metals :															
Aluminium	2	2	2	2	3	4.0	7.5	7.5	7.5	17.5	3.8	6.5	7.8	8.2	16.5
Antimony	1	1	1	1	1	7.00	7.00	7.00	7.00	9.00	3.28	5.89	5.02	5.27	6.00
Copper	1	1	1	1	1	6.0	7.2	7.2	7.2	7.2	7.1	7.6	7.8	7.9	7.9
Lead	1	1	1	1	1	7.0	6.0	6.0	6.0	6.0	0.9	2.5	3.0	3.3	3.5
Semi-Manufactures :															
Aluminium Foils	1	1	1	1	1	—	1.2	1.6	2.0	2.0	—	1.1	1.4	1.6	1.6
Aluminium Rods/Sections (Extruded)	—	1	1	1	1	—	960	960	960	1,200	—	370	730	1,093	1,100
Aluminium Sheets/Circles/Strips	8	7	7	8	8	7.0	17.4	17.4	18.0	18.0	7.0	10.5	11.0	13.5	15.0
Aluminium Coire Rods for ACSR	2	2	2	2	3	—	10.8	10.8	10.8	13.8	—	2.4	3.3	1.6	2.2
Brass/Copper Rods Including Arsenal	4	3	3	3	3	3.5	5.2	5.2	5.2	5.2	0.8	1.6	1.8	2.1	2.5
Copper Rods, Sections, Bars etc	14	19	17	19	17	48.0	46.0	45.0	46.0	46.0	16.4	16.1	20.7	24.7	30.0
Brass/Copper Sheets/Circles/Strips	4	4	4	4	4	2,200	1,958	1,958	1,958	1,958	1,400	538	676	822	800
Lead Pipes and Tubes	3	3	3	3	3	4,800	4,800	4,800	4,800	4,800	200	340	335	339	600
Lead Sheets	2	1	1	1	1	2,800	1,092	1,092	1,092	1,092	118	38	43	85	30
Zinc Sheets/Strips	1	3	4	4	4	0.3	3.7	5.7	5.7	5.7	0.4	0.9	1.8	2.1	2.5
Non-Ferrous Alloys :															
Anti-Friction Bearing Metal	13	15	15	15	15	68.0	69.0	69.0	69.0	69.0	11.7	17.2	16.7	15.4	17.0
Bell Metal, Bronze, Gun Metal, Solders etc	10	9	10	15	15	27.0	18.6	18.8	38.6	39.3	10.0	20.5	23.3	28.1	29.2
Steel Castings	—	—	—	5	5	—	—	—	85.8	85.8	—	—	—	44.0	60.1
Ferro Manganese	—	1	1	1	1	—	864	864	864	864	—	527	655	822	640
Mineral Industries															
Abrasive Grains	5	6	6	6	6	170.0	141.0	141.0	210.0	210.0	83.2	119.6	157.6	185.6	182.3
Asbestos Cement Sheets	—	28	28	31	32	—	5,700	6,332	7,060	8,120	—	4,928	5,601	6,068	6,687
Cement	1	1	1	1	1	360	360	360	360	360	20	52	63	60	45
Brass/Copper Pipes & Tubes	—	4	4	4	4	—	870.0	559.4	559.4	919.2	—	454.7	520.5	545.3	706.7
Ceramics :															
Glazed Tiles	—	6	6	6	6	—	512.2	2,089.3	2,089.3	2,089.3	—	62.2	192.9	751.3	967.8
Insulators	—	11	12	13	12	—	7.3	12.1	12.1	11.9	—	4.7	4.7	5.1	5.2
H T	—	14	16	18	18	—	2.7	4.5	8.5	8.8	—	2.7	3.5	4.6	5.6
L T	—	26	24	24	24	—	15.8	11.5	11.5	11.5	—	7.1	8.1	8.5	8.2
Sanitarywares	—	18	19	19	19	—	56.4	58.1	62.9	67.9	—	36.1	43.9	55.0	55.6
Stoneware, Other Kinds	—	38	37	42	43	—	17.4	20.8	29.7	40.0	—	15.1	15.8	19.0	28.0
Stoneware Pipes	—	22	22	22	22	—	30.0	30.0	30.0	30.0	—	35.2	14.1	16.2	16.5
Whitewares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Enamelware	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Glass and Glassware :

Glass and Glassware :															
Bottlewares	(Tons)	90	92	92	93	140.5	143.5	163.2	210.9	—	62.4	70.2	82.3	93.0	
Glass Shells	(Nos)	—	3	3	3	27.4	27.4	27.4	27.4	—	35.9	39.1	30.2	37.0	
Laboratory Glasswares	('000 Tons)	—	12	12	15	6.0	6.0	6.7	6.7	—	3.4	3.1	4.2	5.1	
Lampwares	('000 Tons)	—	81	82	82	33.2	34.7	34.7	34.7	—	19.9	17.9	18.7	20.0	
Miscellaneous Glasswares	('000 Tons)	—	28	29	29	19.9	21.4	21.4	21.4	—	3.0	3.6	5.8	5.8	
Sheet Glass	(Mn Sq Ft)	—	4	4	4	100.6	106.6	106.6	106.6	—	47.6	54.2	73.8	88.0	
Table and Pressed Wares	('000 Tons)	—	75	79	80	40.4	46.4	63.8	64.6	—	28.2	31.7	35.5	36.0	
Thermos Flasks	('000 Doz)	—	2	3	3	77.3	107.3	107.3	297.3	—	48.3	53.4	71.0	121.5	
Graphite Crucibles	('000 Nos)	—	12	15	15	—	800.0	1,000.0	1,000.0	—	—	400.0	905.4	1,015.5	
Pencils	('000 Gross)	—	13	13	14	1,330.2	1,330.2	1,570.2	1,570.2	—	580.7	715.1	744.2	809.9	
Refractories	('000 Tons)	25	33	33	35	293.6	579.2	579.2	724.3	238.2	318.4	363.7	434.4	493.0	
Timber and Cellulose Industries															

Leather Industries :

Vegetable Tanning of Hides by Organised Units (Mn Cow Hides)	26	24	23	29	32	3.2	3.4	3.2	3.9	4.4	1.7	1.7	1.8	2.1	2.4
Chrome Tanning of Hides by Organised Units (Mn Hides)	16	13	12	13	13	2.0	1.7	1.6	1.6	1.6	0.9	0.7	0.6	0.7	0.6
Western Type of Leather Footwear by Organised Units (Mn Pairs)	—	12	12	12	12	—	6.0	6.0	6.7	6.7	—	3.6	4.4	4.3	4.2
Indigenous Footwear by Organised Units (Mn Pairs)	—	12	12	12	12	—	Not Known	—	—	—	—	2.9	3.0	3.3	4.0
Glue	('000 Cwts)	—	9	9	8	—	48.1	48.1	37.1	50.7	—	21.8	25.8	23.7	35.0
Pickers	('000 Gross)	—	9	9	5	—	73.0	56.5	29.8	29.8	—	27.3	23.3	10.7	8.3
Myrobalan Extracts	('000 Tons)	—	3	3	3	—	10.0	10.0	7.6	12.1	—	4.0	3.4	3.3	3.2

* Unregistered units excluded

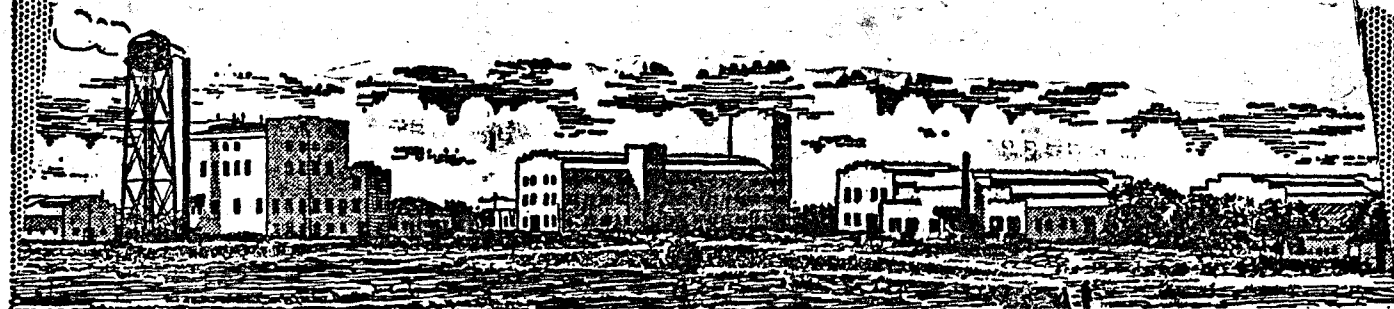
NOTE : Estimates for production in 1959, based on actuals for nine months January to September

Source : Ministry of Commerce and Industry.

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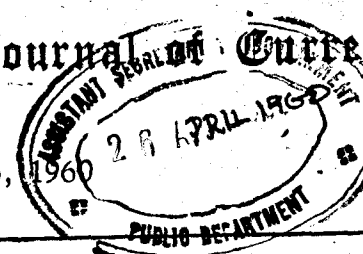
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THE ECONOMIC WEEKLY

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The Letter to the President

THE three leading bankers from the West who visited India and Pakistan for six weeks early this year at the suggestion of Mr. Eugene R Black, President of the World Bank, have submitted their views on the problems of development of these two countries in a letter to the President which has been released to the press. They came in their private capacity and, though the purpose of their survey was to help the countries in the West, which are in a position to extend long-term capital assistance, to acquaint them with the magnitude and nature of our requirements, their assessment commits neither the World Bank nor the governments of the countries to which they belong to any programme of aid. But all the three members of the team are men of eminence and held in great esteem for their judgment of men and affairs, apart from their specialised knowledge of banking. The letter will, therefore, be not only read with great interest, every paragraph of it will be scanned carefully for clues as to what is expected of us and what we can expect by way of assistance from the West.

They did not have the time to study our problems very deeply nor could they attempt a technical appraisal. The impressions which they formed, however, show a fairly open mind and a pragmatic approach, as also a keen insight into our weaknesses. The Plan is not dismissed as over-ambitious; on the contrary, the targets are accepted as modest. The need for flexibility is rightly stressed, and let us hope that what the officials in Delhi told them is true, that they are working out a detailed phasing of the Plan which will allow necessary room for manoeuvre, and that they are also thinking in terms of different Plan variants to meet changing circumstances and that there will be no necessity of a forced cut back, such as the one in the early stages of the Second Plan.

The industrial programme is commended as being solidly founded upon the availability of domestic raw materials and power. The team is impressed with the comparative cost advantage that India holds in producing steel and some other metal manufactures and mentions India as among the cheapest steel producers in the world. It sounds no warning against 'fatal fascination of steel,' though it rightly emphasizes the need for efficient utilisation of existing capacity when deciding upon further expansion of capacity. Attention is drawn to the necessity of stepping up coking coal output to keep pace with the growth in steel-making capacity and the fertiliser industry.

It is agriculture, however, which receives the most incisive criticism. The difficulties of the problem are by no means minimised; it is posed as one of educating more than 50 million farmers in improved cultivation techniques and the risks of efforts being wasted by being too thinly dispersed over the entire agricultural front are held up, impliedly, in support of the Ford Team's package deal. The need for effort to ensure success in agricultural policy, says the letter, cannot be over-stressed, but the team "found it difficult to be certain whether the implications of these have been fully realised in all quarters." The need for co-ordi-

nation and effective implementation by the States of the overall policy of the Centre in respect of agriculture is brought out in sharp relief.

The foreign exchange requirements of the Third Plan have been fairly assessed. The team realises that in order to be able to plan, India must be assured of assistance during the next five years, while the aid-providing countries requiring the sanction of their legislatures may be in no position to make any such long-term commitment. This long-term assistance, again, has to be independent of any further requirements of foreign exchange arising from crop failures. This is fully recognised. The assistance, whatever it is, the team would like to be on a multi-lateral basis, instead of being arranged through the bilateral agreements. This opens up a new chapter of international economic relationships and calls for a high order of statesmanship at the other end and a close understanding as well as continuous consultations between the aid-giving and aid-receiving governments.

The team realises that the bulk of the aid has to be on government to government basis and on a very long term. Therefore the Marshall Aid strategy will not work. But however fair, open-minded and pragmatic the members of the team may be, they have their predilections, which are in favour of private foreign investment as a source of assistance for development and for export promotion as a means to the same end. Both can be questioned. In fact, the members concede that the immediate impact of private investment is not likely to be large and that only when the economic structure of India is "brought nearer to viability with the help of government assistance", it can be possible to substitute the ordinary flow of private investment for the more exceptional forms of aid.

In its emphasis on exports, however, the team does not have any similar reservations in mind. The assumption that India's exports have tended to stagnate in recent years because India has not been doing enough to promote exports is completely belied by the course of deve-

lopment of world trade, particularly that of industrial and non-industrial countries in recent years. If our trade partners in the West progressively reduce their demands for our exports because of the well-known recent developments in their own economies, the adjustment to this new situation is not possible without structural changes in our economy which is the whole object of planning. Export incentives in such a situation, except in a very limited area, can only lead to undesirable multiple currency practices. Exports cannot be increased by the creation of a state of export-mindedness alone, without certain basic economic changes which are structural, which have to be thorough-going and can only be the end points of developmental planning. On both these points, questions of private investment and export promotion, the assessment presented in the latter suggests that the august visitors were not appraised of our situation properly. It is high time that we realised that good manners or politeness or even courtesy to visitors does not demand double talk.

Teen-Age Victory

NEWS from South Korea will be scant and infrequent in the immediate future because of the press censorship imposed on local newspapers, and on all out-going despatches. But this censorship is like locking the stable after the horse has escaped. All the essentials of the South Korean situation have long been an open secret; and enough is already known about the causes and nature of the present riots to make any belated attempt at secrecy look foolish.

It must be a bitter thought for Dr Syngman Rhee that the current revolt against his regime comes from University students and teenagers, just the people whom he had always trained to be his worshippers, and who were always made to turn out in strength, waving flags and cheering the great name of Rhee on every conceivable occasion. But the young are easily disillusioned; and what the students saw of the regime's methods when many of them were manhandled by the police during the elections of last month, turned their stomachs. On that occasion anyone (the students

not excluded) who showed any sympathy, or was suspected of showing any, for the opposition Democrats, was given rough physical treatment. There had been minor clashes between the students and the police even at election time. Now these people, whom Rhee had initiated into ceremonial politics, are coming out into active politics. There are nearly 90,000 students in the country, and it seems that all of them have joined the uprising against Rhee's "Liberals". What is more, they have done it to such purpose that the Government has had to recall troops from the frontier with North Korea to suppress the revolt.

There is no doubt, of course, that the students will lose the unequal physical fight. But that is perhaps unimportant. The essential point is that they seem already to have won a great moral and political victory. They have succeeded in creating a situation which has compelled the United States to criticise the Rhee regime publicly, even at the risk of being snubbed for interfering in the "domestic affairs" of Seoul. Until now Washington has scrupulously

avoided such "interference", pretending that it would be wrong to make it. But so nasty is the stench created by the massacre of 70 teenagers in Korea that these sophistries have had to be laid to grave. This is the second time in recent weeks that America has given short shrift to the "non-interference" principle in cases where the basic rights of man have been at issue. It did so last month when it officially condemned the shooting down of 72 unarmed Africans in Sharpeville in South Africa; and it has done so again now in South Korea. In both cases, the American action has had immediate and salutary effects. That Mr Hammarskjöld, the United Nations Secretary-General is able to visit South Africa with the full concurrence of the Cape Town Government, is due at least partially to the U S vote against South Africa in the Security Council. The Verwoerd Government has realised that the U N can no longer be dismissed as an ineffective noise-maker. And in South Korea now, the effect of Mr Herter's sharp rebuke to Dr

Rhee has been to force the latter to make a public promise at once that the fundamental grievances of the demonstrators will be redressed.

The students can congratulate themselves that they have done what the Democrat party failed to do all through the last 12 years. The extent of their success will, however, be determined by the political steps Dr Rhee takes next. The resignation of his Cabinet has already put him in serious difficulties; and since neither he himself nor the opposition Democrats are likely to consider any move for a coalition, the prospect now is of another Liberal party cabinet drawn from the second rank of leadership. Knowing how hard Dr Rhee gives up power, he will no doubt try his best to hang on, no matter how ineffectual his new colleagues, or how awkward his old ones.

What is material from the viewpoint of stability and peace in

South Korea, however, is that another Liberal party cabinet appointed by the President will be a futile step. Public opinion, after being suppressed for too long, is now expressing itself firmly and violently in favour of a new election; and the general sentiment of the opposition, if not this particular demand, appears to have the support of the United States Government. Dr Rhee will, no doubt, reiterate his claim that a general election has only just been held and that there is no warrant to go to the polls again. But the riots of this week provide a crushing retort to that plea. How is it — if the elections were not as shamelessly rigged as the opposition alleges — that a Government so overwhelmingly returned to power by the popular vote is suddenly in danger of being wiped out by civil revolt?

There is little doubt that Washington has been upset as never before

with this week's events in Seoul; and now that it has broken its ill-advised silence on the Rhee administration, it is not perhaps too much to hope that it will back its indignation with continued pressure on the regime to democratise itself genuinely. If America fails to satisfy the expectations of everybody in this regard, it will have been unfair to Dr Rhee himself for having started something without finishing it properly; and, of course, it will also have been unfair to the opposition and itself. The only sensible and effective thing to do under the circumstances is to force the President to hold another election, and, having done so, to ensure that this time at least the voting is free and fair. If Dr Rhee's friends in the United States do not force this course on him, we may be sure that it will not be long before his enemies in Seoul do so.

Defence Debate

(From Our Delhi Correspondent)

LISTENING to Parliamentary proceedings, watching the excitement in the lobby and reading newspaper reports, one can easily mistake that the matters *a la* the Defence Minister are as lively as the defence of the admittedly lively northern border. About the latter, the present parleys between Mr Chou-En-Lai and Pandit Nehru may show some way out. At worst, their talks might end up in reiteration of their respective positions and there might follow, as a result, a long and uneasy peace. Not so about the Defence Minister who, by all accounts, promises to provide a number of people, inside and outside the Parliament, a severe and recurring pain in the neck.

The Defence budget itself is significant. Not perhaps the figures so much (which in these inflationary days, lose much of their meaning) as the new turn in defence emphasis. In essence, by this turn, the Defence Minister wants us all to be looking north constantly for danger spots instead of only to the immediate east and west. Should the Minister have provided for this earlier than he did and was it that he did not do so because he under-estimated the danger because of his predilections in the matter, was the purport of a

major criticism in the House. Here, as elsewhere, there was an apparent confusion between the 'Minister' and the 'Ministry', for the Minister personally could not be the sole judge of the preparedness of the country's defence.

What was the state of preparedness now? Were the equipments being put to the best use? Could we withstand an attack, if it came from whatever source? To these and similar questions, while Menon adequately answered and went a long way to reassure the doubtful, he was more than adequate in replying to the criticism about the Ordnance factories manufacturing pressure cookers and hair clips. The sarcasm in these remarks stung the Defence Minister and he retorted with equal sarcasm that if the forces stationed in high altitude and other difficult advance posts wanted pressure cookers and hair clips, they were entitled to them from their countrymen. If the point of the criticism was that these and other things be left to be manufactured by private concerns, the Defence Minister declared that he would not agree, for he had enough experience of their unbusiness like methods and avarice.

Evidence of self-sufficiency in the equipment for the defence forces was as ably presented by Menon in the Lok Sabha as in an official exhibition of their samples nearby. There were the usual officers' all round patting on the back and some deputy secretaries and joint secretaries strangely found themselves shaking hands with an obtrusive lot of 'back-room' men, the research workers. The Prime Minister when he addressed the gathering had no doubt where his interest and sympathies were. In his mind the officers shrank and the 'back-room' men loomed large as the real back bone of our armed strength.

While the Prime Minister was complimenting the research workers at one end, Shri S K Patil, the Food Minister, was painfully recapitulating the Joseph episode to a cynical House. Patil assured that as far as his Ministry was concerned there would be no more Josephs and that Shri Joseph's family would at least get what ought to have gone to the unfortunate deceased. The House cheered him, no doubt, but reserved judgement. The House and the public have by now come to equate some of the official assurances with the windy election promises.

Weekly Notes

Audit Report on Defence

FEW outside the Members of Parliament or newspaper offices would have actually seen the Audit Report on Defence Services, the presentation of which set off the controversy which went on for a fortnight and monopolised the debate on the day that the Finance Bill was passed. Those who have actually read the Report will still wonder, even after all the statements and counter-statements and the move by Members of Parliament to defend the Defence Minister and the counter-move to defend the Auditor General, what was so exciting in the Report to keep the controversy going so long. The Report details the usual financial irregularities which are to be found in every Ministry and many of these have been traced back over the years. True, the irregularities are probably greater and the financial losses resulting from incorrect appraisal of requirements or inadequate provision or neglect of storage are of a higher order of magnitude. But these are matters to be thrashed out before the Public Accounts Committee. Far from the Report being damaging, by mixing up irregularities of long vintage with those which are fresh and relate to the financial year under review, it loses sharpness of focus and much of the criticism is robbed of its sting.

To sift the chaff from the grain, it is not the recital of irregularities which makes the Report such a subject of controversy but the timing of its issue and a one-page chapter on the Defence Ministry's contract with a Japanese firm for manufacture of tractors which appears under the heading 'Other Topics of Interest'. The Auditor General should be indeed congratulated for speeding up the issue of Audit Reports. In fact, this year, the speed up has been amazing, from end of August to early April, a jump of several months. From a cursory examination of the Audit Reports which are received in this office, however, it is difficult to confirm the claim that there has been a steady progress over the years in speeding up the issue of Audit Reports. Even last year, a whole hunch of Audit Reports was issued only at the fag-end of August. This year, at least three Reports have already come out and

thus the suspicion that special effort has been made to bring out this particular Report with undue haste in order to embarrass the Defence Minister cannot be substantiated.

The issue of an Audit Report in advance of the Appropriation Accounts is only a minor procedural matter for which also there are precedents. So the only point of exceptional interest could be the last chapter which the Defence Minister did not like. But what is there in it which is such a revelation? If production programmes had to be drawn up on the Auditor General's advice or, for that matter, on the guidance of an auditor in a commercial firm, there would be an end to development. Whether the Defence Ministry should undertake the manufacture of tractors or not is after all a matter of high policy. It does not follow that the Auditor General should not draw the attention of Parliament to any developments subsequent to the financial year, to which, in his opinion, attention of the Parliament should be drawn. His independence and high status, guaranteed by the Constitution, is one of the main pillars of the Parliamentary system just as the independence of the judiciary is. That there should be occasion for controversy in regard to either may be unfortunate, but is still to be welcomed. Both have emerged fully vindicated. That a Bill is being introduced to define the functions and scope of the Auditor General is welcome. It has been long overdue. Perhaps, had this been done before, the occasion for controversy would not have arisen at all.

No Excess Liquidity

WHAT is the extent of liquidity in our banking system? Has it been growing so fast that it constitutes a threat, or a potential threat, to the stability of the economy? The pointed reference to this supposed danger in the letter to the President of the World Bank from the Three-Man Mission has brought this question to the fore.

What are the facts? A banking correspondent points out that the distinguished visitors could have formed such an opinion only on a superficial examination of our banking statistics. Even going by

the aggregate figures of the Scheduled Banks, there has been hardly any change in the liquidity of the banks over the year. The liquidity ratio of the Scheduled Banks defined as the ratio of cash on hand, balances with the Reserve Bank and unencumbered Government securities to their net deposit liabilities on April 8 was 42.6 per cent as against 42.4 per cent on April 10, a year ago. On the same day, the ratio of advances and investments to deposits was 58.5 per cent and 37.2 per cent respectively as against 61.2 per cent and 36.4 per cent a year ago. So, even taking the aggregates, there is hardly any change.

The aggregate liquidity ratio, however is extremely misleading as it is influenced unduly by the figures of one single bank i.e., the State Bank of India whose deposits have been inflated by PL 480 funds and whose liquidity ratio has correspondingly been raised abnormally by the increase in its holding of securities in which these funds are invested. As against the liquidity ratio of all Scheduled Banks of 42.6 per cent on April 8, that of the State Bank was 62.2 per cent. In the corresponding week last year, the ratios were 42.4 and 63.1 per cent. The distortion in the Scheduled Banks' totals resulting from the excess liquidity of the State Bank is so obvious and so well known that it is hardly necessary to labour the point.

If the State Bank is excluded, it will be found that the the liquidity ratio of other banks taken together has hardly changed at all for several years and has ranged between 28 to 30 per cent. The excess liquidity that arises from the inclusion of the State Bank in the figures of other Scheduled Banks will also soon disappear when PL 480 deposits are shifted from State Bank to the Reserve Bank.

In view of the above, it is not only the Three-Man Team which is wrong, the monetary authorities have also been wrong in basing their recent policy measure of credit restraint on this incorrect diagnosis of the current banking situation. Perhaps the Three Wise Men were mislead by what our monetary authorities have been trying to do.

Rat-Caused Famine in Mizo

DEATHS from starvation, at least authenticated reports of such deaths, are fortunately no longer periodic features of the day's news. This is the one respect in which the country can claim a definite achievement after attaining independence. The claim, however, has not always gone undisputed. That is hardly to be expected, considering the very narrow margin of subsistence on which vast numbers still live and the presence of an outer fringe, never so far, of near-starvation, undernourishment, extreme indigence and squalor. Mizo, the district formerly known as the Lushai Hills in Assam, has hit the headlines with reported cases of death from starvation. Not that the reports have been admitted by the Food Ministry at New Delhi. There were heated exchanges on the floor of the Lok Sabha when the question was raised. Shri A M Thomas, the Deputy Food Minister admitted, however, that the Chief Executive Officer of the Mizo District Council had reported such deaths, though he did not specify the number. Any more questions were blocked by the formal reply that the Assam Government had been requested to make further enquiries and its report was awaited.

This is not a subject on which Government admission is to be readily expected. In Assam, however, the subject of starvation deaths in Mizo Hills district has become a matter of acute political controversy which was started off in a big way when Shri A Thanlura, the Chief Parliamentary Secretary to the Government, announced his decision to resign on this issue. Shri Thanlura is the leader of the Mizo Union; following his decision, the Mizo Union has decided to secede from the Congress Parliamentary Party in protest against the unsatisfactory relief work in the famine-stricken district.

Though it is only natural that the people of Mizo should feel strongly about it and that their representatives in the Congress or the Government would act in the most effective manner that is open to them, the difficulties of relief work in so inaccessible an area should not be under-estimated. In the latest Statistical Abstract, India, following the Census Report in letter, minus the qualifying footnotes, Mizo is shown to be the most sparsely populated

district in the whole of the Indian Union after Jaisalmer, with a density of population of 24 per square mile, as against Jaisalmer's 7. This is not correct, for there are at the least four districts in the Assam Hill Tracts with a population density much lower than that of Mizo. But in a desert area like Jaisalmer, sparseness of population means something quite different from that in Mizo which is tucked up in a most difficult hilly terrain with hardly any roads. As Mizo had only a population of 196,000 in 1951 in an area of 8,134 square miles, the population involved is not large but the area to be covered is vast and that creates the bigger problem.

No detailed reports are available but there is a first-hand account from an Assam Oil Company man, who had been sent to arrange for the supply of petroleum for relief operations in this district, in the last issue of *Digboi Batori* from which it appears that the crops did not fail for the usual reasons, viz drought, flood or even invasion by locusts. The famine had something to do with the flowering of bamboo in this district. Now the bamboo flowers at intervals of many decades, perhaps only once in about 50 years. But when it happens, it brings along rat infestation of a magnitude which is really incredible. It is not difficult to appreciate why so many people in Mizo are willing to believe that the bamboo flowers, shoots and stalks — all turn into rats, which keep on dropping from the bamboo, infest the crops and eat them up.

The visitor, whose account has been referred to, came across forests of dead bamboo covering the hill-sides. Stark brown spears were all that were left of the luxuriant growth which one comes across so frequently in the Assam hills. When the bamboo flowers turned into fruit, from hill and valley the rats swarmed out for this new delicacy. The local people also suspect that bamboo fruits stimulate the fertility of rats. Certainly, the rats did multiply, and soon the bamboos were all but eaten up and then the rats attacked the crops and, like swarms of locusts, destroyed the harvest of whole villages in a night.

Air Dropped Food and Subsidy

THE havoc wrought by the rats has been terrible. The Assam Government has estimated that 5

lakh maunds of rice will be needed to ward off hunger until the new crop is harvested in October. Food is being air dropped in the more inaccessible areas, and it is being rushed by whatever transport is available, by road, air and river. The Centre has agreed to supply 2½ lakh maunds of rice to Assam of which 1½ lakh maunds have already been despatched. It holds enough stocks in Assam from which the Assam Government can draw but the latter is not able to lift more than ½ lakh maunds in a month.

Apart from the estimated shortage and the steps that have been taken to meet it, what about the ability of the people of Mizo to buy the food that is being rushed for them? There is not only food famine but also money famine and though relief works have been started — by the Defence Ministry, it is stated — it is difficult to be convinced that the earning opportunities created by such public works as road building and house construction can enable the famine stricken people of Mizo to buy rice even at the subsidised price of Rs 21.60 per maund. This is the price at which it is being distributed by the Assam Government, according to the statement by the Deputy Food Minister in the Lok Sabha. This price may be compared to that at which rice is sold in fair price shops in Bombay, viz, Rs 25 per maund. Surely, the average cash earnings of the distressed Mizos cannot be anything comparable to that of, say, even unskilled labour in Bombay. It would therefore be useful to know how much of this rice is being sold at the subsidised price and how much of it is actually being given away. The quantity needed is small and it is reassuring to find that the Centre has raised no objection against or found any difficulty in supplying rice instead of wheat for making up the deficit. The Mizos like most of the hill tribes of Assam are exclusively rice eaters.

Postal Banks Join Clearing System

CHEQUES drawn on post office savings banks will soon be collected through scheduled banks, now that the decision has been taken to make the post office savings bank a sub-member of the bankers' Clearing Houses wherever they exist. Cheques drawn not only on head post offices but on sub-post offices also will be entitled to this facility.

The cheque system has been introduced at almost all important post offices in the country. Many commercial concerns, local bodies, etc., however, were not accepting these cheques because there were no arrangements hitherto for clearing them through other banks. Banks found it difficult and costly to have these cheques realised for their clients. Hence their reluctance to accept post office savings bank cheques from their clients.

Now that post office savings banks have come within the clearing system, cheques drawn on them will be

put on a par with those drawn on any other bank. That this improved status of post office savings banks will give a fillip to postal savings goes without saying. There is little doubt, either, that instead of being used as purely savings banks, they will be increasingly called upon to undertake some purely banking functions, viz payments and remittances. This is a tendency which the postal department was unwilling to encourage in the past as can be seen from the restrictions which have been all along maintained on the maximum amount that can

be kept on deposit with these banks and the extremely limited facility that had hitherto been given for withdrawals.

It would be interesting to speculate, to what extent, if any, postal savings banks, now that they have become members of the clearing system, will utilise the savings in the areas from where they are collected. Hitherto, they have acted as channels for collecting rural savings and diverting them to the central pool, the funds being invested for meeting the needs of the Government.

Letter to the Editor

The Concept of Value Added A Comment

SHRI KEHAR SANGHA in *The Economic Weekly* (Volume XII, No. 14), of April 2, 1960 examined the concept of value added and discussed some of the uses to which it can put for industry analysis. The interpretation put by him on the concept of value added is slightly at variance with the internationally accepted and used concept. The concept of value added is mainly designed to measure the contribution which an establishment, productive enterprise, or industry makes to the materials and fuels that it consumes in the processes of manufacture, production or generation. It is usually measured by deducting the purchase values of all basic materials, chemicals, packing materials, fuels, etc., consumed and the value of work given out to other establishments during the reference period from the ex-factory net selling value (which may be 'market value' or 'factor cost') of all products, by-products, semi-finished products and partly finished products manufactured or produced, including the value of work done and services rendered during the same period of time. This is irrespective of whether the products and by-products manufactured are sold, or held in stock for sale or further manufacture.

It is the "gross output" manufactured or produced during the given period of time, whether sold or not, which has to be taken into account and not the value of sales or shipments which may be less or more than the 'gross output', depending on the total sales during the period

and the extent to which stocks of finished products manufactured during the previous period were sold during the reference period. No reliable estimates of value added (gross or net) can be framed unless the value of all inputs is juxtaposed against the value of gross output and *not* sales. The recommendations made by the Statistical Commission, United Nations in this regard are as under:

"The value of gross output less the value of materials consumed and the cost of work given out to other industrial establishments. In practice, it is likely to be calculated by substituting value of shipments for value of production (and adjusting by changes in stocks of semi-finished and finished goods) and possibly by substituting materials received for materials consumed. (with adjustment for stocks of materials.) — International Standards in Basic Industrial Statistics, Series M No 17, Statistical Commission, U.N.

It will thus be clear that the value of shipments or sales would not give reliable estimates of value added.

Shri Kehar Sangha has based his subsequent discussion regarding uses of this concept for industry analysis on the implicit assumption that value added, as it is calculated, is always a positive quantity. An examination of the Reports of the Indian Censuses of Manufactures for the years 1946 to 1956 would show that value added can also be negative. The paradox lies in the erratic behaviour of prices of raw materials and finished or manufactured products.

If there are violent fluctuations in the prices of manufactured goods, or a sudden recession sets in in the economy, the producers and manufacturers may not be in a position to realise the anticipated prices of their manufactured articles with the result that the gross output, when valued at current prices, gives a negative value. This knocks out the basic presumption made earlier that during the production or manufacturing processes value is *added* to the materials and fuels consumed.

To express it in real terms, utilities are no doubt created, but when expressed in monetary terms they show a negative value. Shall we say that no value was added to the materials consumed or there has been net decrement from the national income to the extent to which value added is negative? Certainly we cannot make such a statement, as it runs counter to our basic premise that during the production or manufacturing processes, value is added and it must be positive.

It leads one to the inevitable conclusion that money as a measure of this quantity of value added fails to give any precise idea of total utilities created and this is true in a period of price instability. As stated by Shri Kehar Sangha, a wide variety of factors, including price changes, affect this quantity and hence any generalisations based on coefficients and ratios calculated with value added as one variable are subject to a large number of limitations and restrictions.

Bhopal
April 8. STATISTICIAN

Off the Record

The People of India

THERE is much to be said against loading up the Census questionnaire with too many questions, lest its primary purpose, which is that of getting as accurate and as complete an enumeration of the population as is possible, be defeated. If any special information is required or a particular aspect of the life of the people has to be studied, this could be done by a separate survey or investigation by some method of sampling.

In fact, sample surveys are being carried out in this country on a range of problems and on a scale which is unique in any country of the world. True, the results of the National Sample Surveys are not yet being used as widely as could be expected or desired. There may be many reasons why they are not so widely used. It is possible that the surveys are not designed in a manner which could make the results useful for large numbers of people. It is also possible that being national, the surveys are not so meaningful for most people, for the simple reason that all-India aggregates or averages are abstractions of an order for which few social scientists or even lay students of social problems can have much appetite. The possibility is not to be ruled out either perhaps that if more attention were paid to their interpretation and many more people worked on them, the results of the surveys could be of wider interest.

But whether these criticisms against sample surveys on such a scale and of such wide range are justified or not, the alternative which the surveys offer to special investigations, strengthens the case for not loading up the Census questionnaire with more than it can easily bear.

This does not apply, however, to dropping from the Census the question about caste, which had been a regular and moderately manageable feature of all the Census Schedules until the Census of 1951. The question was dropped for political reasons. The wisdom of this decision has been widely questioned by serious social scientists the world over. The absence of data on caste except for Scheduled Castes and Scheduled Tribes is to be regretted because it removes one of the useful

and handy criteria for studying social change.

With so much spirited attack on 'casteism' from the press and the platform and so many reports, not all unreliable or tendentious, about caste groupings and caste alignments permeating and corrupting public life and administration, the decision to continue the omission of caste from 1961 Census Schedule also cannot but be regretted. But it is a political decision taken at the highest level and what the students of social affairs feel about it, does not weigh with or worry the Home Ministry or the Government.

The reason why caste was left out from the Census is simple, viz, that the enumeration of people by a caste would imply in some way giving official recognition and blessing to an institution with which the Government and the country are determined to have no truck or barter. That caste affiliations cannot be wished away by the refusal to record the facts on a piece of paper is self-deception of a sort which, unfortunately, excites neither indignation nor laughter in this country. Caste differences do not disappear because they are no longer recorded in the Census returns, but many significant social changes that go on beneath the surface, the way different castes gradually move up, the slow but steady changes in the relationship between occupation and caste—rapid in some cases and hardly noticeable in others—all these facets of our social life remain hidden from the eye, awaiting the patient labours of skilled observers whose range of study is woefully limited by the absence of information which could be collected only by an organisation as big as the Census.

Though, by its very nature, Census has largely to conform to the standard pattern set over many decades, many interesting and useful changes are possible even within the limits set by the organisational or administrative resources available to the Census. The changes in the 1961 Census Schedule which have been introduced merit wide attention. These have been set out in a very lucid and interesting manner in an article on the 1961 Census Schedule by

Shri D. Natarajan, Deputy Registrar-General, in the last issue of this paper. The primary interest, of course, lies in what used to be called livelihood categories, enumeration of occupations and questions intended to elicit useful information on the economic activity of the people.

In any Census, there is inevitably a conflict between the objective of maintaining comparability with past Censuses and that of changes necessary to make the information more meaningful as also more useful. The last consideration naturally becomes uppermost for a country engaged in planned development and the economic data to be selected for the next Census have been chosen with an eye to these twin objectives. There are the general considerations of finding information about the economic activity, size of the working force and its occupational distribution on all of which the past Censuses left much to be desired. There is also the temptation to get to know something about the principal occupation and means of livelihood of the people, viz, agriculture. It is interesting to find that in the first draft schedule, questions asked for households which cultivated land extended not only to the operational unit of cultivation, viz, the size of land held by the household in any form—ownership, on rent or share cropping basis—*minus* land leased or given out to others, it also included questions about the principal input, viz, the numbers engaged in the cultivation of the household, of those belonging to the family and those engaged on hire "working all the year round". This latter question was dropped after the pre-tests, but the question on the operational unit is still there in the final form of the "household schedule". If this information is elicited, it would at one stroke remove one of the baffling obscurities in the understanding of our agricultural problems. Past experience, however, raises doubts about the possibility of finding out reasonably correct answers. "In the field tests, the question on amount of land cultivated proved a complete failure. Even when no family was recorded as engaged in cultivation of family land, all land with the household was listed as under cultivation of the household" (Economic

Recommendations for the Census of 1961, by Daniel & Alice Thorner, in the September 5, 1959 issue of this paper). The present Census has benefited from two pre-tests which no Census ever had in the past. And the results must have come out better than the one referred to above. Let us wait with baited breath and hope for the best.

Of course, the size of land holding and the nature of the right to land which the next Census will attempt to find out, will provide the necessary information on the conventional status of the rural population. But one cannot help feeling a sneaking sympathy for the Census Commissioner for his attempt to find out a little more about the changing economic status of the people by a less conventional status symbol, viz, use or ownership of torch light and bicycles. But unfortunately these additions or innovations did not survive the pre-test. To quote the Deputy Registrar-General on this point

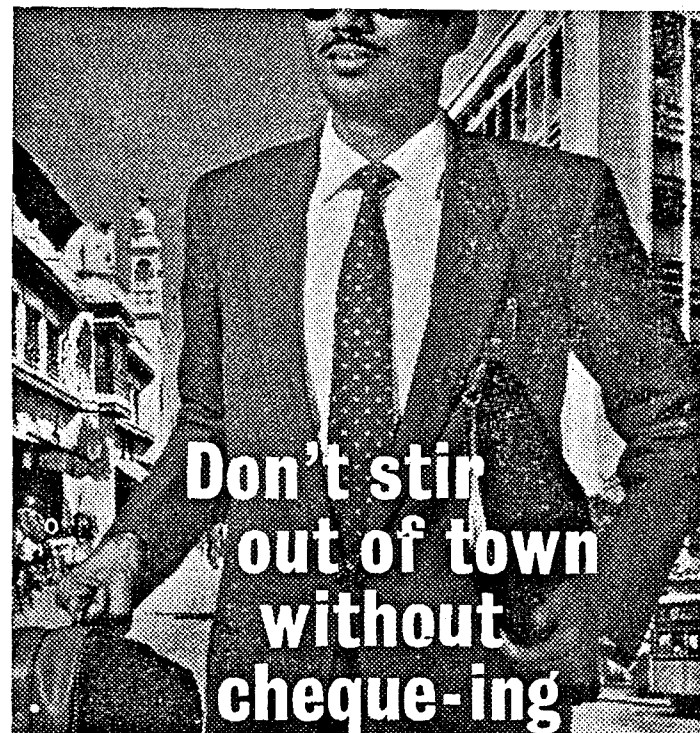
"The items included in the household schedule regarding torch light and bicycle did not find favour with most of the persons who were enumerated. These items were, therefore, left out from the second household schedule".

It is rather depressing that even such simple questions proved so difficult to handle and had to be dropped.

Some status symbols do provide a significant clue to economic development and social change. Mexico tried, quite successfully it seems, to find out the changing status of the population in the 1940 census by putting two simple questions, viz, whether the persons enumerated slept on some sort of a bed or on the floor, bed being defined as any kind of raised structure, and whether they ate leavened bread which was the mark of rising standard of living or the native *torilla*. Later, however, other things have come in as index of standards of living, viz, use of laundered shirts and the habit of drinking bottled beer instead of the native brew. Changing food habits are a significant index, no doubt. In the case of Indian rural population, significant changes have occurred in food habits in recent years. These have been observed and commented upon, not always favourably. In fact the

change over from millets and coarse grains to wheat and rice, especially rice, has considerably accentuated the country's food problems. But it is not a change that can be readily ascertained to any significant extent through a Census questionnaire. True enough, the use of bicycles or torch lights does not lead us very far. The total consumption of both can be estimated fairly accurately

though its breakdown by urban and rural sectors is a problem which, perhaps, Census alone could handle. But leaving out land holding, changing food habits or consumption of things like soap, umbrellas, torches or bicycles, what other single item of consumption could one fix upon for a significant and meaningful measure of the changing status of the population?



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LIC Investment and the Finance Minister

From a Calcutta Correspondent

AS one who had the opportunity of going through the speech of Dr A N Bose at the Rajya Sabha on the question of the LIC Investment Policy, as well as the reply of the Finance Minister, I must congratulate both: Dr Bose for his compact neat speech supported by facts and drawing logical conclusions, and Shri Morarji for setting an example to his colleagues in the Cabinet how to say so much which means so little.

When Dr Bose gave specific instances of wrong policies in investments in scrips like Indian Copper, Madura Mills, Ashok Leyland, or Calico Printing, the Finance Minister neatly evaded all these, saying that he is still studying the bulky reply of the LIC to Subbiah's charges. Of course, he did mention about the last scrip and by implication admitted that the serious charges made by Dr Bose were correct. But these should be overlooked simply because the company made profits.

The Finance Minister has also not mentioned anything against the charge that the LIC allows certain favoured banks to make use of nearly 15½ crores of rupees a year which is unnecessarily kept in the current account, thus depriving itself to earn about 50 lakhs a year as interest.

The Finance Minister has tried to make out that the members of the Investment Committee are all honourable people. But this is no reply to what Dr Bose says. His main attack is on the method of operation of the Committee itself. What he says is worth repeating:

"The way in which investment proposals are placed before the Committee meetings is revealing. Generally, they are put up without necessary information being circulated beforehand among the members. The particulars of the scrips are not properly classified and adequately analysed to help examination and selection. The Executives refrain from taking responsibility for the proposals they put up before the Committee, while the Members themselves have neither the time nor the necessary material to form a pro-

per judgment. At each fortnightly meeting, proposals for investments aggregating to Rs 2 to 3 crores are rushed through in an hour or so. Whatever is proposed by the interested few is passively acquiesced in by the others, the former apparently having prior knowledge of the proposed transactions. Dissents are not always recorded; minutes are drawn up after the meetings. Thus the initiative goes to the brokers and to a few interested members who, along with the Chairman and the Managing Director, dominate the proceedings."

However capable the individual members of the Committee may be, can they really do justice to the job of scrutinising dozens of scrips in an hour or two involving such bulk purchases? Obviously not. Under these circumstances it is quite natural that the pattern of functioning of the Committee would degenerate in the manner Dr Bose has described.

In this context, when Morarji asserts that "I find no investment has been dishonest; no investment has been made with any wrong motive", he is taking too much on himself. The more important issue is: Under these conditions of decision-making is it possible for all the members to do an honest job of it?

Consider the importance of the matter. Over Rs 60 crores of national funds, collected from the small savings of lakhs of policy-holders has to be properly invested by the Corporation and this is left to a small centralised committee. Does the Finance Minister really believe that the job is being properly handled, even after the Mundhra episode; and does he believe that these countless policy-holders believe him if he says so?

The Finance Minister has admitted that the investments by the LIC are unevenly distributed. But that again is not the main point. Savings through insurance should as far as possible be invested in the region (in terms of industries and their location, not in terms of the stock exchange only). For this purpose the suggestion of giving the authority to Regional Offices of

the LIC needs to be seriously considered.

But the strangest portion of the Finance Minister's speech consists of the fact that he starts by saying that Shri Subbiah will get his reply after the Minister has studied the LIC's long reply and ends by saying: "I do not find any reason for any further investigation so far as I see it". This means that the Minister has already come to his conclusion without studying the LIC reply! A Daniel has come to judgment!

The most unfortunate part of this sorry mess is that the Minister starts by giving a bad name to Shri Subbiah, trying to hang him. What was Shri Subbiah's fault? He thought that the issue is urgent! Morarji says: "It is an old matter. There is nothing new about it". But to us poor policy-holders Dr Bose's charges came as a bolt from the blue! There should be no attempt to suppress or ignore them. And his second fault is that he is carrying on "propaganda in other quarters". If he did not do so, Dr Bose would not have come across them. And we the public would also have been in the dark. When Shri Subbiah submitted a report to the Finance Minister making serious allegations with specific details, the latter took months and months even to acknowledge it; and now he has charged Shri Subbiah that he is doing propaganda! Shri Subbiah has indeed done public service, firstly, by not being hustled into acquiescence to the coterie, and, secondly, by refusing to be hushed into silence after resigning. We want more such men.

Well, the best course now would be for the Parliament to demand that Subbiah's Report and LIC's reply be placed on the table for the real proprietors, the policy-holders, to judge what is what.

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The Commonwealth in Travail

PANDIT NEHRU's description of the Commonwealth as an 'invisible association' is possibly the nearest definition of what the *Economist* justifiably regards as the 'most remarkable club in the world'. For here is a club composed of ten sovereign nations, accepting the Queen of England as its head and beyond that very little else, at least formally. The only factor common to all of them is that they have been part of the British Empire. The Government of Mr Macmillan has been careful to foster the illusion (or fact, depending upon one's interpretation) that the Commonwealth is the continuation of the Empire, that it accords Britain — reputed in some not very precise way to be the 'centre' of the Commonwealth — with all the opportunities as did the old Empire, and that the notion of Imperial Britain is in some sense alive.

It is true that in some regions of the Commonwealth, the link with and dependence on Britain is manifest not only by economic factors but also by a constitutional monarchy in permanent residence in London. A visiting Australian Minister explained the other day that he could not get used to the term 'Commonwealth' and very much preferred 'Empire' as a description of present links. Almost simultaneously, the new Prime Minister of Ceylon announced plans for a republic on the ground that the Ceylonese people found it difficult to show loyalty to a foreign lady.

BIG POWER STATUS FOR BRITAIN

The Commonwealth association is truly invisible in its political character. The non-white members, whose numbers are growing, have tended to become republics. They are exercising their sovereignty in a particularly robust manner, and, with one exception, are totally uncommitted to the political alignment espoused by Britain. The white members remain constitutionally loyal to the British crown and are heavily committed to the 'West' and the 'free world'. The Commonwealth club appears, therefore, to be of little political significance. Paradoxically enough, its role as the head of the Commonwealth secures for Britain the sponsorship for big

power status and adds to its prestige, justifying the ceremonial and pomp to celebrate Britain's imperial glory and the ideas which flow from it, and which, in certain cases, influence Britain's policies and actions. This clearly deepens the mystery of the Commonwealth association.

This prestige factor operates in the most conflicting of ways. The British Government has set up a special ministry with its own Secretary of State having cabinet status, to carry out what it calls 'Commonwealth Relations'. The Secretary of State for Commonwealth Relations meets the Commonwealth High Commissioners in London at regular intervals, briefs them and discusses international questions. In New York, the British permanent delegate to the UN holds a monthly meeting with the Commonwealth delegates, with a view, one guesses, to co-ordinate attitudes and establish a Commonwealth view-point on questions which come up before the United Nations. Apparently, the British Ambassador in Washington does the same. And yet, on major international questions, the Commonwealth has never acted in unison. Some Commonwealth countries identify themselves more closely with the 'Afro-Asian Group'. Indeed some of them have sharp disputes with each other (e.g. India with Pakistan and South Africa). The cost to Britain of all the Commonwealth machinery it provides is not matched, so it would appear, by the extent to which the Commonwealth tangibly succours Britain in the international field.

SOUTH AFRICA CASTS ITS SHADOW

As for rules of association and membership, there is little known to warrant any definition of the Commonwealth except, in terms of what Nehru has said. What is known is that the Commonwealth club, as a club, is precluded from interfering in or commenting on matters wholly within the domestic jurisdiction of member countries. It is known that India has refused with steadfast pointedness to permit any collective Commonwealth discussion on the Kashmir question or to participate in any Commonwealth defence or military discussions. And this, un-

til recently, was a cardinal principle in British and indeed Commonwealth policy. But even this principle is now being subverted willy-nilly by the dictates of longer-term interests and by the force of Commonwealth (and British) public opinion. And here again, the Commonwealth becomes that much more inexplicable.

This latter point arises, of course, from what is happening in the Union of South Africa. In a unique sort of way Britain has succumbed to pressures for revising at least its political attitude towards South Africa. How strong these pressures are can be seen from the fact that even the *Daily Telegraph*, the British Conservative organ, declared:

"Apartheid after Sharpeville looks like becoming an emetic which may make it difficult for the Commonwealth to prevent South Africa from being spewed out. There must be a limit to what any club can tolerate".

The *Economist*, which in America is reputed for being written by senior British civil servants, echoed this sentiment when it described South Africa as a 'sjambok (whip) state' and declared that "unmistakably the feeling is spreading that even diversity must have its limits".

UNANIMOUS RESOLUTION IN COMMONS

The situation in South Africa is by no means unique. At least the South African racialists in their hideous search for comparisons, have a point to make when they say that the violence let loose by Britain to suppress African nationalism in Kenya and Nyasaland has been no different from what the apostles of *apartheid* are perpetrating in South Africa. And yet, in three crucial ways, Britain has subverted the principle of non-interference. By making the now famous 'winds of change' speech in Capetown, Mr Macmillan made a most influential and devastating attack on *apartheid*. Secondly, instead of voting against in the discussions in U N, the British representative abstained, so allowing the Security Council to consider and condemn *apartheid*. And most remarkable of all was the unanimous resolution adopted in the House of Commons condemning

"India is the largest market for illuminating Kerosine in the world. This product represents 30% of the country's requirements of petroleum, and demand continues to grow steadily. The very large demand for Kerosine cannot be met from the normal product yield of the four local refineries, and has meant that two-thirds of India's requirements of the product have still to be imported."

Extract from a Burmah-Shell publication

apartheid and calling for its abandonment by the Union Government.

ASSOCIATION OF FREE NATIONS?

It is, however, commonly accepted that these British actions were unavoidable. As news poured in from South Africa of the ruthless behaviour of the police there towards the African population, of the violence and the brutality which followed from the pursuit of *apartheid*, a chilling horror swept through the Commonwealth and the world at large. The clear and sharp statement from Prime Minister Nehru provoked considerable rethinking in official Commonwealth circles. The Malayan Prime Minister said he would raise the matter at the London Conference of Commonwealth Prime Ministers (and one President). In Nigeria, the question of entry into the Commonwealth when independence came later this year was made conditional on the situation in South Africa. With the exception of the White Dominions, the Commonwealth became officially involved. No British Government could ignore this pronounced trend in Commonwealth politics. The *Economist* reported that "as the grim news from South Africa has poured in, there has been talk among Indians and others of a choice between getting the Union expelled from the Commonwealth and withdrawing themselves."

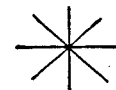
At the same time the British public who have over the years come to believe as a result of British education that the Commonwealth was an association of 'free nations' in which British democratic ideas and political influence have been paramount in holding back the advance of communism, etc. were suddenly shaken from their illusion and began to raise new questions. While the Commonwealth may have shielded Britain from the 'bruising shocks' of a declining empire, the South African events let loose the consequences of the shock that the Commonwealth was *not* an association of free nations. This, too, the Macmillan Government dare not ignore.

1960 IS AFRICA'S YEAR

Finally, 1960 is Africa's year. The 'storms and tempests', as the Indian Prime Minister has put it, are rampant on the African continent. The last major stronghold of European colonialism has come up for adjustment and Britain can-

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not in its own interests allow the patent bestiality of South African racialism to foul the future relations and attitude of the African people towards Britain.

These developments then have pushed Britain into violating the cardinal principle of non-interference in Commonwealth affairs. But having said this one must not be unmindful of the difficulties which follow from this for Britain. To allow a situation to develop which raises the question of 'spewing' South Africa out of the Commonwealth is to create an unparalleled crisis in Commonwealth relations. Apparently, the principle of unanimity is adhered to on admissions to the Commonwealth club; hence expulsions, too, have to be unanimous.

What is the consequence, then, of a Commonwealth debate on the ex-

pulsion of South Africa, if it does not lead to a unanimous vote? Will South Africa itself tolerate such a debate and, more important, how will those voting for expulsion react to an indecisive aggregate vote? Will not the cohesion of the Commonwealth be imperilled at a time when Britain faces isolation in Europe? These questions are by no means academic. They agitate public opinion. Above all, the barbarity of white rule in South Africa is so patent as to force the African continent to view the Commonwealth in terms of its treatment of the South African regime. The last time the Commonwealth faced anything of a crisis was in 1956 when the British Army invaded Egypt. It was the resignation of Sir Anthony Eden which (possibly) saved the Commonwealth then. Now, the Verwoerd Government shows no signs

of withdrawing or even retreating.

There is a certain incongruity between the view that politically the Commonwealth is a vague, indecisive club and the fact that this club is capable of becoming involved in crises of membership and policy. This incongruity is, however, only apparent. For what the Commonwealth lacks politically, it possesses in matters of an economic character. It is this which keeps it going; the advantages for all are many and those reaped by Britain are overwhelmingly important. What are now conceivably at stake for Britain are some of these economic benefits — all because of the inability of civilized opinion and Governments in the Commonwealth to stomach the presence of white South Africa. When the Prime Ministers meet, it will be in Africa that their Commonwealth will face the severest test of all.

Letter from Geneva

ECE on Economic Growth

April 12

THE Annual Survey of the Economic Commission for Europe (ECE) has been just published. This will be discussed at the fifteenth session, when the Commission meets on April 20. The survey analyses the developments of the European economy. It also reviews the rate and pattern of growth in Eastern Europe and the Soviet Union.

An interesting part of this year's study is the chapter on "Development Problems of Southern Europe and Ireland".* The experience of the undeveloped Southern fringe of Europe is of great relevance to all pre-industrial countries. In the past decade, much has been written on the theory of economic growth. A mass of resolutions has been passed on economic development. Frequently, economic terminology has been found inadequate to express the conditions and situations of the poor countries. In an effort to explain the complexities of the economic reality, often the obvious has been over-looked. Although, this study avoids a theoretical discussion on

* There is another chapter dealing with problems of external and internal balance in relation to economic growth.

principles, it provides striking analyses of concrete situations which clear up much fog obscuring general problems of backward economies.

DEVELOPMENT IN A GENERATION

The authors have preferred a commonsense approach. In three paragraphs of the introduction, the post-war pattern of economic growth in Turkey, Greece, Yugoslavia, Spain, Portugal and Ireland is summed up. This is placed in a time perspective of a century. Two interesting conclusions emerge. One, that the per capita income levels of Southern Europe and Ireland at present are no different from those of the industrially developed countries in the 1870s. A per capita rate of two per cent is what made the latter rise to their high levels in a few decades. The second is a corollary to the first. Within a generation, the less developed countries could also reach the levels of industrial Europe. This would require maintaining a rate of growth of two to three per cent above the industrial countries. The review of the past two decades of Southern Europe and Ireland also indicates the potentialities of their future growth.

Study of the nature and extent of economic growth does not by itself

provide an answer to how these countries were left out of the momentous developments that transformed other parts of Europe. The survey takes this fact for granted. But what is significant is the conclusion that by holding on to a rate of growth of two to three per cent for fifty to sixty years, any economy could develop adequately. The ECE analysis implies that despite different stages of under-development and politico-social variables, it is possible to eliminate poverty. The general pattern of development of all industrialised countries beginning with England also indicates similar conclusions.

EFFICIENT USE OF RESOURCES

By pointing to the success of Yugoslavia and Greece in increasing agricultural productivity, the study raises a very fundamental question. (There is a detailed analysis of Yugoslav experience in Agriculture in the Appendix.) Within the last three years, Yugoslavia has increased its wheat yields from ten to thirty eight quintals per hectare. This result was achieved by employing the composite technique — deeper ploughing, closer planting, improved seeds and larger input of fertilisers in a concentrated way in

these areas. Wheat yields in Yugoslavia are as high as in the Netherlands and Denmark.

Apparently, in order to raise productivity in agriculture, it is not essential to inaugurate large irrigation projects or to change nature. The first stage to higher yield seems to be to make the most efficient use of given resources. Noting the case of Yugoslavia and the fact that conditions vary in many respects from country to country, the authors add that "the more widespread applications of methods used in Greece and Yugoslavia might lead to positive results in the other countries of the region." It is interesting to note that the present disparity in per capita output in agriculture between the less developed and developed countries of Europe is no more than twenty to thirty per cent.

STATE INITIATIVE ESSENTIAL

On the structural impediments to agricultural growth, the Survey commends more vigorous policies. This problem, of course, is intimately linked with industrial development. The basic assumption of the authors is that industrialisation is the *sine qua non* of economic growth. In this connection, two arguments are put forward. It is stated at the outset that neither rural nor urban under-employment could be solved without rapid growth; that the lower productivity and income of agriculture cannot be increased without accelerating the rate of industrial output. This would not only absorb labour, but also raise the demand for agricultural products.

The Survey makes a distinction between Ireland, Greece and Portugal on the one hand and Spain, Turkey and Yugoslavia on the other to analyse the role of the State in the industrial field. In the latter group of countries, where the entrepreneurship of the State played an active part, the results appear to be positive. In a subdued tone, the following comment is made, "without a more active policy on the part of the State in Ireland and Portugal, a higher rate of industrial expansion than in the past is problematic".

PRODUCER GOODS ALL-IMPORTANT

In the historical perspective, as different countries entered industrialisation, the Survey points out, the producer goods industries have expanded at nearly twice the rate of consumer goods industries. And this trend is noticeable irrespective of their natural resources, rate of

growth and the part played by foreign trade and capital imports. This is a fundamental conclusion. It was the result of either a predetermined plan of structural priorities or the unconscious workings of private enterprise.

The most important contribution of this study from the theoretical point of view is the approach of its authors towards the problem of investment. It has been found that there is no direct relationship between the level of investment and the rate of growth. Sheer volume of investment is not the decisive factor. It is equally important that investment be utilised efficiently. By exa-

mining the case of a number of countries a direct correlation was established between a low capital-output ratio and a high rate of growth.

Is there, if at all, a close association between the rate of growth and political structure? The question, not dealt with in this study, is crucial for the understanding of the historical causes of economic backwardness. The analysis of this chapter ends realistically, "The task of economic development transcends, of course, the purely economic sphere and cannot be isolated from political, social and other non-economic considerations".

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On the Case of the State Against Kawas Maneckshaw Nanavati

Ashok H Desai

THE case of Commander Nanavati has the three elements of a classical tragedy: the hubris, the predicament and the nemesis—the pride and the pageantry round an eminent naval officer; the sordid affair that blighted his career and the inexorable course of justice that of necessity has to be blind to the personal codes of vengeance. The judgment of the High Court on the reference has raised questions of considerable legal importance regarding the nature and the scope of a reference against the verdict of a misdirected jury on which the Supreme Court will have to lay down the law.

But in their anxiety to aid the unfortunate officer four eminences have introduced a political issue in the middle of the judicial process. A fiat suspending the sentence of the High Court and rendering its writ infructuous was issued by Governor Sri Prakasa on advice from Delhi which was tendered, it was explained, because eight good men and true, and an eminent surgeon had accepted the version of the accused (Shri Asoke Sen's explanation in London) and because of a naval convention which has not yet been properly ascertained (Shri Nehru's speech to press reporters) and because the accused was a very important officer (the still unretracted part of Shri Krishna Menon's interview with Max Lerner). It is only fair to add that the four distinguished persons concerned are barristers by training.

JURY'S VERDICT REVERSED

Kawas Maneckshaw Nanavati was charged with the murder of Prem Bhagwandas Ahuja on 27th April 1959 at Bombay. The case of the prosecution was that Nanavati had deliberately shot Ahuja who was his wife's paramour. The defence put forward the alternative version that the finger on the trigger of the revolver was undoubtedly that of Nanavati but that the revolver was used not of Nanavati's volition but had gone off in course of a struggle for the possession of the revolver. By a verdict of eight to one the jury found Nanavati not guilty of murder

or of culpable homicide. The Principal Judge presiding over the trial disagreed with the verdict of the jury and thought it necessary for the ends of justice to submit the case to the High Court under Section 307 of the Criminal Procedure Code.

The scope of a reference under Section 307 is normally restricted to an interference with the verdict of the jury only if the decision of the jury is found to be perverse in the sense of being unreasonable, manifestly wrong and against the weight of evidence. An accused in Bombay has a right to be tried by his peers (barring exceptionally complicated trials) and the Judges of the High Court do not interfere with the verdict of the jury because they might come to a different conclusion. The Government Pleader, Shri Chandrachud, appearing for the State advanced the ingenious argument that no sanctity attaches to the verdict of a misdirected jury and that such a verdict could not control the deliberations of the High Court. Once this proposition was accepted and once infirmities in the charge to the jury were established the Court assessed the entire evidence anew. That it found Nanavati guilty of the highest offence was no surprise since this was preeminently a case in which a layman and a trained legal mind would honestly come to different conclusions regarding the culpability of Nanavati.

SENTENCE SUSPENDED

The concurring judgments of the Division Bench of the High Court consisting of Mr Justice Shelat and Mr Justice Naik were delivered from March 8 to the forenoon of March 11. The normal sentence for murder is the capital punishment. But in this case the lesser alternative of life imprisonment was awarded. No application was made on behalf of Nanavati at the termination of the judgment for the suspension of the sentence pending an appeal to the Supreme Court. On March 11 the hearing of the application for leave to appeal to the Supreme Court under Article 134 of the Constitution on the ground that the case involved a substantial question of

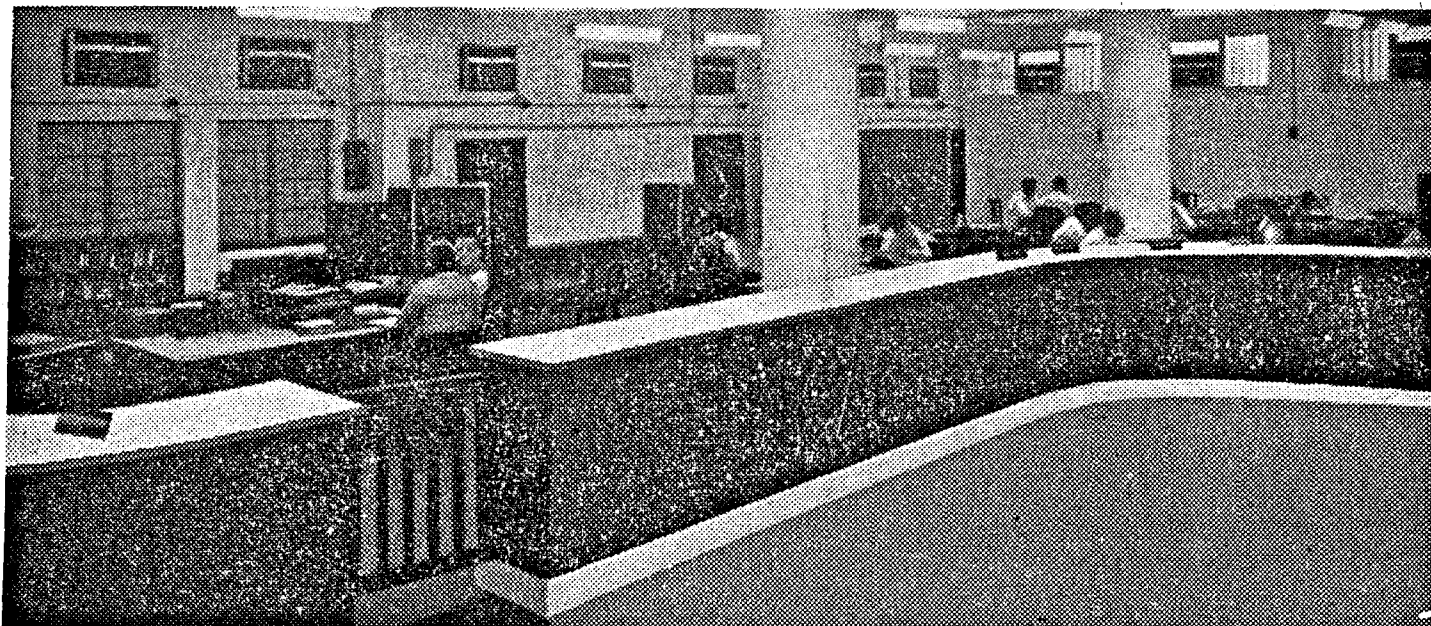
law was deferred by three days. And the High Court in its normal course issued a Writ to the Principal Judge, Sessions Court, Bombay, for the issue of a warrant.

The chronology is of some significance. On the evening of Thursday, March 10, when the judgment of the Court was yet to be fully delivered, the Prime Minister was approached to intercede on behalf of Nanavati or at any rate to advise suspension of the sentence which had not been finally pronounced. Presumably, this approach to the Prime Minister was after a futile request to the Chief Minister of Bombay who would be constitutionally responsible to the Governor. At this time, the Governor was touring the Sabarkantha District. It speaks volumes for the haste of the executive and little for its wisdom that within a matter of hours, without proper deliberations and consultations, the Governor passed his order under Article 161 of the Constitution of India of being "pleased to suspend the sentence" against Commander Nanavati "until the appeal intended to be filed by him in the Supreme Court against his sentence is disposed of and subject, meanwhile, to the condition that he shall be detained in naval custody in 'I N S Kunjali'."

FULL BENCH UPHOLDS GOVERNOR

A copy of the Governor's order (and may it be presumed that it was signed when served!) was flourished before the Police Inspector who went to serve the warrant issued in pursuance of the writ of the High Court. The Division Bench which on March 14 rejected Nanavati's application for special leave to appeal (and two views are certainly possible on this rejection) regarded the situation created by the executive intercession as "unusual and unprecedented" and referred the matter to a Full Bench of the High Court. The narrow issue before the Full Bench of five judges was whether the impediment in the way of the execution of writ of the Court was a legal one. The Full Bench held that Article 161 covering as it did the field of mercy should

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be liberally construed. Two of the learned judges felt that the condition of naval custody imposed by the Governor which was an integral part of the order and could not be served was beyond the competence of the Governor and therefore, the whole order was bad. However, in view of the opinion of their brother judges, this doubt was not pressed to the point of dissent and the whole order was held to be within the competence of the Governor.

But that surely was never the main cause for disquiet at the executive interference while the judicial process was not exhausted. The power of the executive to pardon, suspend or remit sentences is a necessary attribute of sovereignty. In England it is regarded as an act of grace, a Royal prerogative, though it is exercised only on the advice of the Home Secretary. Article II of the American Constitution gives the power to the President to grant pardon that can absolve from even criminal contempt of a court of law, the only limit to it being that it cannot be pleaded in bar of impeachment. In its very nature the power of the head of the executive to pardon must be of the widest amplitude. The judicial process is a result of a long and civilised tradition. But like all human institutions it shares the infirmity of fallibility. Even in Britain, cases of mistaken identity like of Beck or of deliberate frame-up like that of Oscar Slater are not unknown. A judge cannot take into account facts and circumstances outside the record of a case. In trying to establish common norms, law is sometimes harsh and judges themselves often commend cases as being suitable for executive grace.

WHAT IS CONSTITUTIONAL?

That an act of the executive of such interference is strictly within the compass of the law of the Constitution is hardly its redeeming feature. The fundamental law of the land—the Constitution—is couched in wide terms and has to be supplemented by healthy conventions. Strict and legalistic interpretation can sustain the most imprudent act of the executive which may outrage the "traditions of civility" that have to govern the political framework in a democracy. Enabling acts of wide latitude do not render dictator's fiat "legal" and totalitarian actions "constitutional" in this sense. Ultimately the principles of the Constitution are political principles.

"Unconstitutional" in a democracy means not just illegal but also contrary to the traditions and conventions of the Constitution.

The rule of law is a part of the accepted theory of democracy. It means the absolute supremacy or predominance of regular law as opposed to the influence of arbitrary power. It excludes the existence of arbitrariness, of unchecked prerogatives and even of very wide discretionary authority on the part of the government. The rule of law also connotes equality before law or the equal subjection of all classes of citizens to the ordinary law of the land administered by the ordinary law courts. The principle of the rule of law has been attempted to be formulated in our Constitution, as in Articles 14, 20, 21 and 22. But even in common parlance we distinguish between the letter and the spirit of the Constitution. In the ultimate analysis, the principle cannot be a matter of the words of a statute; it has to be a vigilant regard for the traditions of the Constitution.

INDISPENSABILITY NO GROUND

Equally distressing, with the disregard for the rule of law that is evident in the action of the Governor, is the precipitate manner of its execution. Different excuses have been put forward by the persons concerned; all of them feeble and unconvincing. Shri Asoke Sen talked of the decision of the jury and the evidence of Dr Baliga holding in little esteem the verdict of a Division Bench of High Court. Shri Nehru vaguely talked of a naval rule. There is no such naval rule. There cannot be a naval convention which can penalise a gallant officer who is found not guilty by the Supreme Court and who would be presumed always to have been innocent. If there is such a convention it is high time it was jettisoned. Shri Menon's apologia related to the importance of Nanavati. The Government has never interceded when equally eminent citizens are in the same danger. The Government has not interceded when ordinary naval ratings are in the same position. It is high time the Government recognised that indispensability to the armed forces, even if such be the case, is no basis for interference with the due process of law.

According to the Prime Minister, his suggestion was for suspension of the sentence for a few days. The

curious manner in which the suggestion was communicated and the haste to circumvent the order of High Court before it was pronounced presumably led to the confusion or error which widened the scope of the original suggestion. The Prime Minister referred to the suggestion as being only an advice. The Prime Minister evidently does not know his power and the influence in his advisory capacity.

CLUMSY INTERCESSION

The case of Nanavati is pre-eminently a case in which after an adverse decision of the Supreme Court, the President might be justified in showing mercy after some stage of the sentence. The tragedy of the matter is that those who wanted to help Nanavati (who is described by Mr Justice Shelat as "a man of courage and honour") have dragged the matter into the political arena. Politicians should leave the judicial field severely alone. Their clumsy intercession has forced Nanavati to fight the battle on fronts on which he was unprepared which is always a disaster in any strategy. It has made his peril more dangerous for no fault of his own. It has created a most unhealthy precedent and disclosed scant respect on the part of the executive of the judicial process. One wishes that barristers, when they venture into politics, do not shed their sense of the majesty and the supremacy of law with their wigs, bands and gowns.

Bhilai Steel's First Lakh Tons

ON April 11 the first one lakh tons of steel was produced by Bhilai Steel Works. Steel production at Bhilai commenced on October 12, 1959 when the first open hearth furnace for steel making started operation. Two more open hearth furnaces have since been commissioned, the second on December 17, 1959 and the third on March 22, 1960.

Each furnace is capable of producing 500 tons of steel daily. Bhilai will have six such furnaces for production of one million tons of steel annually. The remaining three furnaces are under construction and will be completed this year.

Upto now about 55,000 tons of steel billets and slabs have been despatched to re-rolling mills in the country.

Bombay's Big Five

Sukumar Chakrabarti

BOMBAY'S season for banks' General Meetings is now over.

The Chairmen of the banks have dwelt at length on the various problems connected with banking. As usual the working results of the banks came in for special mention and in cases where profits declined the rise in salaries and allowances was held out as the villain of the piece. The President of the Indian Banks' Association spearheaded the bankers' attack on the rise in this item of expenditure and questioned the justification for the rise in view of the fact that it has not been accompanied by a rise in productivity.

An attempt is made below to analyse the working results of the big five banks in Bombay State—The Central Bank of India Ltd, Bank of India Ltd, Bank of Baroda Ltd, Union Bank of India Ltd, and Devkaran Nanjee Banking Co Ltd.

STRUCTURE OF DEPOSITS

The total deposits of the five banks increased from Rs 334 crores in 1957 to Rs 372 crores in 1958 and Rs 427 crores in 1959. The increase of Rs 38 crores in deposits in 1958 was the result of a rise of Rs 54 crores in Time and Savings Deposits and a decline of Rs 16 crores in Demand Deposits. During 1959, however, while Time and Savings Deposits rose by Rs 42 crores, Demand Deposits of the five banks also increased by Rs 13 crores.

Whether or not this indicates a reversal in the trend of demand deposits which had been persisting for the past few years it is too early to say. Certain recent developments may have had some influence. There has been an increase in the investment activities in the private sector together with a remarkable rise in the industrial production. The capital market responded splendidly to the call of the new entrants in the field of industrial investment. It is estimated that the capital market financed new industrial units and expansion of the old established ones to the extent of Rs 40 crores during 1959. This shows a decisive improvement in the industrial climate of the country and possibly explains the slower rise in Time and Savings Deposits and the increase, however small, in demand deposits. The fact remains, however, that the bal-

ance still remains tilted in favour of Time Deposits.

The structural change in the banks' liabilities in recent years has had its effect on the interest paid on deposits. Under the agreement among the banks regarding the maximum rates of interest on deposits, the maximum rate was reduced for deposits for 3 months and over from 4 per cent to 3½ per cent during 1959. This has comparatively reduced the burden of interest on the banks. Interest paid on deposits amounted to Rs 7.13 crores in 1957. The amount increased to Rs 8.79 crores in 1958 and Rs 9.37 crores in 1959. During 1958 expenditure on account of interest on deposits increased by Rs 1.66 crores as compared to 1957 while the deposits increased by Rs 38 crores. In 1959 on the other hand the rise of Rs 55 crores in deposits increased the banks' expenditure by Rs 58 lakhs only over that of 1958. Interest paid on deposits as percentage of total expenditure increased from 47.66 per cent to 53.67 per cent between 1957 and 1958. During 1959, however, it declined to 51.56 per cent.

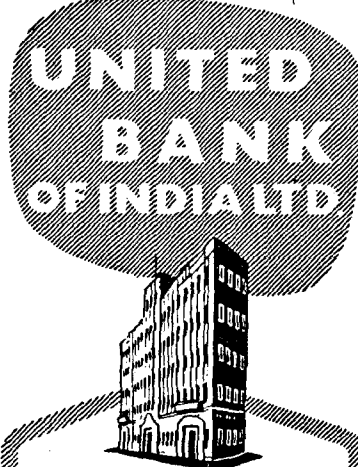
DECLINE IN GROSS EARNINGS

Though the rate of expenditure on account of Interest paid declined in 1959 as compared to 1958, the item is by far the largest one on the expenditure side. This, as shown before, was due to the structural change in the deposits. This structural change is expected to continue for some years in spite of the revival in the industrial and investment activities. The asset structure of the banks, however, does not appear to have been adjusted to the structural change in their liabilities. During 1957 Time and Savings Deposits exceeded Demand Deposits by Rs 36 crores. The excess increased to Rs 135 crores in 1959. But the asset structure of the banks seems to be impervious to the changes on the other side of the balance sheet.

As a result of this rigidity in the asset structure, the total gross earnings increased by 23 per cent between 1957 and 1959 in spite of the increase of 32 per cent in the earning assets of the banks. Gross earnings as percentage of earning assets thus declined from 5.2 per cent to 4.8 per cent during the period.

The decline in the rate of gross earnings was, according to the bankers, due largely to a sizeable portion of their resources remaining idle for the major part of 1959. It was only in the last quarter of the year that the banks' advances picked up momentum and the advances-deposits ratio climbed to profitable height.

Some banks have widely advertised their entry in the field of financing instalment-purchase but no one has given details about the experiment and its future potential. In many of the continental countries, particularly the Scandinavian,



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BRITISH COMPANIES WORKING FOR INDIA

A familiar sight in the Durgapur of today is this instance of Indo-British collaboration — of Indian and British technicians discussing problems and working together to help build the giant 1 million ton steel plant in the newest steel city of India.

The entire construction work of the Durgapur project has been entrusted to ISCON, a consortium of leading British engineering and electrical firms, and from the very start they are working in partnership, hand in hand, with Indian technicians, Indian workers, skilled and unskilled.

financing of house construction has become an important function of the banks. In India in spite of the phenomenal increase in Time and Savings Deposits the banks do not appear to have favoured such an outlet for the utilisation of their resources. Even though the banks' advances to industries have considerably increased it has not yet been properly estimated to what extent they are the suppliers of industrial finance in its proper sense. In short, the decline in the working results of the banks is as much due to their unimaginative utilisation of resources as the other factors which have increased the expenditure of the banks.

AUXILIARY BANKING SERVICES

The income side of the Income and Expenditure accounts of the five banks, like those of the other Indian banks, appears to be a one-item show. Interest and discount no doubt occupies the highest place in the banks' balance sheets all the world over but the predominance of this item in the Indian banks' balance sheets is evidence of lack of development in the services rendered by the banks on which they earn commission, exchange and brokerage. Increase in advances denote a rise in the industrial and commercial activities in the country and this generally calls for increased auxiliary services by banks. Improvement in the investment climate should also have increased the banks' earning in many ways like increase in underwriting commission, commission on sale and purchase of securities on behalf of the customers etc.

Commission, exchange, brokerage etc of the banks under discussion have increased by 11 per cent only between 1957 and 1959 whereas advances increased by 30 per cent. As percentage of total gross earnings the item declined from 17.8 per cent in 1957 to 15.35 per cent in 1959. The item stood at 12 per cent of interest and discount earned in 1959 as against 21 per cent in 1957. This sharp decline in the importance of the item in the Income and Expenditure Account should serve as a reminder to the bankers that a potential source of income is being rather neglected by them. In most of the balance sheets of the foreign banks, commission, exchange and brokerage comprise about 30 to 40 per cent of interest and discount earned. It is

not uncommon to come across instances where the former rises even to 50 per cent of the latter. To argue that the scope for this item of income is limited in India is to disclose a lack of adventure, initiative and enterprise among the Indian bankers.

ESTABLISHMENT EXPENDITURE
Coming to the most discussed item in the balance sheet, viz, salaries

and allowances, we observe a rise of 30 per cent under this head in 1959 as compared to 1957. The increase is, no doubt, remarkable. Equally remarkable is the rise of 33 per cent in the banks' earning assets. Deposits during the period also increased by about 29 per cent. The rise in the deposits as well as in the earning assets shows an increase in the work-load in the banks. Con-

sidering the increase in work-load, the rise in salaries and allowances does not appear to be as unwarranted as has been made out by the President of Indian Banks' Association. True, the increase in work-load cannot be estimated precisely from the figures in the balance sheets. The average turn-over of business would be a useful index but it is not given either in the balance sheets or in the Chairmen's speeches. The Chairmen's complaint that the increase has not been accompanied by an increase in productivity cannot, however, be supported on the basis of the information that is available at present.

Salaries and allowances which stood at 30.52 per cent of the total gross earnings in 1957 moved up to 32.10 per cent in 1959. It has been argued that as the rise in salaries and allowances has been more rapid than the increase in the earning capacity of the banks it is not justified. No wage/gross earning ratio or wage/earning assets ratio which may be called a standard ratio has yet been worked out. Table III shows the salaries, allowances, pension and other benefits to the staff of some foreign banks and their gross earnings. Most foreign banks give a larger slice of their income to their staff than their Indian counterpart. The table does not prove conclusively that the staff of the Indian Banks get a worse deal than those of the foreign banks as the banks included in the table are not representative. The table merely shows that there is, perhaps another side to the medal which the Indian bankers do not always look at.

Table I : Deposits, Advances and Investments of the Five
(Rs crores)

	Demand Deposits	Time and Savings Deposits	Advances	Investments
Bank of India				
1959	41	59	68	30
1958	37	51	59	25
1957	41	41	59	20
Central Bank				
1959	59	121	120	55
1958	57	105	100	53
1957	69	86	101	49
Bank of Baroda				
1959	19	61	51	31
1958	16	51	40	27
1957	13	40	35	12
Union Bank				
1959	17	15	21	7
1958	14	11	16	7
1957	14	6	10	5
Dena Bank				
1959	10	25	19	16
1958	9	21	14	14
1957	12	12	11	9

Table II : Earnings and Expenses of the Five
(Rs crores)

	Gross Earnings	Interest & Discount	Commission, Exchange & Brokerage	Total Expenditure	Salaries	Interest on Deposits
Bank of India						
1959	4.55	3.91	0.57	3.72	1.31	2.00
1958	4.46	3.86	0.52	3.60	1.21	1.95
1957	4.11	3.35	0.67	3.17	1.11	1.65
Central Bank						
1959	9.00	7.43	1.38	8.01	3.34	3.86
1958	8.51	7.06	1.30	7.50	3.06	3.68
1957	7.80	6.41	1.30	6.72	2.76	3.25
Bank of Baroda						
1959	3.86	3.12	0.69	3.57	1.09	2.04
1958	3.29	2.78	0.50	3.02	0.85	1.85
1957	2.85	2.33	0.51	2.41	0.71	1.40
Union Bank						
1959	1.68	1.29	0.31	1.43	0.48	0.68
1958	1.32	1.03	0.21	1.17	0.33	0.64
1957	0.98	0.75	0.19	0.83	0.24	0.44
Dena Bank						
1959	1.56	1.27	0.22	1.44	0.41	0.79
1958	1.33	1.08	0.18	1.18	0.34	0.67
1957	1.00	0.76	0.19	0.83	0.29	0.39

Table III : Expenditure on Staff as Percentage of Gross Earnings of Seven European Banks

Names of Banks	Salaries, Allowances, Pensions, etc (1)	Gross Earnings (2)	(1) as % of (2)
Goteborgs Bank (1958)	Sw Kr 23,337,422.	Sw Kr 54,322,174	43
Union Bank of Switzerland (1958)	Sw Fcs 46,889,000.	Sw Fcs 134,236,000	35
Banco di Napoli (1956)	It Lire 18,290,756,716	It Lire 25,833,831,216	71
Banque Populaire, Suisse (1956)	Sw Fcs 19,774,815.	Sw Fcs 67,714,071	29
Berlinger Bank (1956)	D M 19,979,333.	D M 33,760,881	53
Deutsche Bank (1956)	D M 63,012,005.	D M 145,116,243	43
Swiss Credit Bank (1956)	Sw Fcs 41,340,562.	Sw Fcs 111,065,090	37



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them increased from 20 per cent to 25 per cent. Net earnings have also gone up impressively from Rs 52 lakhs to Rs 67 lakhs. This gives a net earning on capital invested of 26.5 per cent against 18 per cent, and on net worth of 30 per cent against 24 per cent. Preference dividend is covered 27 times

against 20 times. Net earning per equity share has improved substantially from Rs 4.95 to Rs 6.45. This has enabled the company to raise net distribution from Rs 1.25 per share to Rs 1.40 (Rs 2.00 gross). Travancore Rayon Ordinary is currently quoted at 4.3 times its earning and 20 times its net dividend.



She's headed for the pool

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Managing Director's Speech

The Dunlop Rubber Co. (India) Ltd.

Mr. John Luckham's Speech

THE 34th Annual General Meeting of The Dunlop Rubber Co. (India) Ltd., was held in Calcutta on the 19th April, 1960. Mr. John Luckham, Managing Director, said:

Gentlemen, The Directors' Report and Accounts have been in your hands for some time, and with your permission I will take them as read.

I would like to draw attention to the Special Resolution which will come before you today to appoint Mr. P. B. Sen Gupta to the Board. Mr. Sen Gupta has had long and varied experience with the Company which makes him fully qualified to take up this new appointment, and I am confident that the Board's recommendation will have your full support.

THE YEAR'S TRADING

Our new factory at Ambattur, Madras, was officially opened on the 12th February, 1959. Production has developed satisfactorily and full production will be attained very shortly.

In spite of the additional output from Ambattur it was not possible to meet the demand for all our products. Road transport continued to expand, with a resultant higher demand from the Replacement market and, in addition, we had larger commitments to meet from the vehicle manufacturers, both car as well as commercial vehicles.

The new Gold Seal car tyre which was introduced during the year was very well received by motorists, and in the commercial vehicle range increased supplies of Highway tyres were made available. This pattern is proving very popular.

Bicycle manufacturers also stepped up their production, and a number of new Small Scale units were licensed by Government during the year. We have been able to meet their tyre requirements in full, though our rim production was insufficient to cater for all of their needs. Increased supplies of cycle tyres were also made available for the Replacement market, and I am happy to state that in addition we

were able to commence playing our part in Government's export drive, by shipping sizeable quantities of cycle tyres to markets in South East Asia.

Our production of Industrial Rubber products was fully sold and, during the year, we completed our Vee Belt expansion. The proposed expansion of Conveyor Belting, referred to in my speech last year, was approved by Government and the equipment now on order to take care of this should be installed before the end of 1960. We expect this increased capacity will be fully utilised.

Sales of Dunlopillo were slightly higher than in the previous year, and here also we were unable to meet the demand in full. Apart from its popularity as a household article, Dunlopillo is very largely used in the automobile industry, not only for its natural comfort but also because of its economic advantages. The rapid expansion of the vehicle industry is certain to increase the demand for Dunlopillo, and your Directors have this point in mind.

RAW MATERIALS

The raw material supply position was generally satisfactory except during a period of two months when there was a strike at our main suppliers of textiles in India and we had to organise, at short notice, alternative supplies from abroad. Fortunately, the imported textiles arrived in time and we were able to maintain full production.

Our consumption of rubber in 1959 increased to 17,291 tons as against 15,926 tons in 1958. The All-India consumption of rubber in 1959 touched a new record at 43,000 tons as against 38,000 tons in 1958. The production of raw rubber in India in 1959 showed no improvement being 23,398 tons as against 24,327 tons in 1958.

Prices of imported raw rubber and cotton textiles increased in the second half of 1959. Whilst this had a small effect on our 1959 costs, the impact on 1960 costs is already a major factor. This not only affects your Company but the

whole tyre industry which has had to absorb every rising cost which has taken place over the last four years. The matter is receiving our very close attention at the present time.

FORWARD OUTLOOK

I have already said that our existing capacities are fully utilised and it is evident that general industrial expansion will continue throughout the Third Five Year Plan. As in the past, your Company intends to play its part and preliminary steps have been taken to obtain Government's approval. You will appreciate that any substantial expansion will require considerable foreign exchange for plant and machinery, and negotiations for this are in progress.

You will have seen press reports to the effect that The Goodyear Tyre & Rubber Co. of India Private Ltd. will be setting up their own factory near Delhi. Ever since our Sahaganj factory was started your Company has manufactured for Goodyear under an agreement, and the requisite notice has been received terminating this long-standing arrangement with effect from the end of 1961. This association with Goodyear has always worked very smoothly for the mutual benefit of both parties, and we wish them success with their new venture. In our forward plans we have taken account of the fact that the capacity now utilised for Goodyear will become available for increased Dunlop production, and no difficulty is anticipated in marketing this extra Dunlop output.

PROFIT & LOSS ACCOUNT

The profit for the year before taxation but after providing for depreciation and interest was Rs. 1,92,80,084, compared with Rs. 1,70,56,227 for 1958. As a percentage of sales the profit amounts to 7.45%, as against 7.66% for the previous year.

The provision for taxation of Rs. 74,75,551 is substantially less than the provision for 1958, namely Rs. 88,13,414, reflecting the chan-

ged structure of Company taxation consequent upon the Budget proposals for 1960.

Depreciation has substantially increased, mainly because of the establishment of the new factory at Ambattur. There has also been a sharp rise in the quantum of excise duty arising from the enhancement of excise duty rates effected by the 1959 Finance Budget, together with the fact that our sales increased during the year.

A sum of Rs. 17,00,000 has been transferred to Development Rebate Reserve and a sum of Rs. 30,00,000 is appropriated to General Reserve. The total Reserves and Surplus have been increased by approximately Rs. 49,00,000.

The Directors are recommending an ordinary dividend for 1959 at the rate of 21.5%, subject to tax, which is approximately the same as the rate of 16½% free of tax declared for 1958.

BALANCE SHEET

The net increase in Fixed Assets during the year amounted to approximately Rs. 37,00,000, mainly in plant and machinery. Stock Inven-

tories remained practically the same as in the previous year despite higher output and sales, principally because the continuing demand for the Company's products resulted in a further decrease in finished goods stocks.

Sundry Debtors were noticeably lower than the previous year despite the greater volume of sales.

On the liabilities side, I have already mentioned the increase in Reserve and Surplus. One minor adjustment has been made here in that it was thought expedient to merge the Dividend Equalisation Reserve with the General Reserve.

You will have seen that your Directors are recommending that the authorised capital be increased by Rs. 2,50,00,000 and that this be done by creating 25,00,000 shares of Rs. 10 each, which shall for the time being remain unclassified. It is felt that an expansion in the authorised capital is necessary taking a forward view of the Company's future requirements and that the creation of unclassified shares will allow the maximum flexibility in the capital structure.

EMPLOYEE RELATIONS

Last year I told you that our labour relations at Sahaganj had been somewhat strained, and I regret that the improvement which we had hoped for did not in fact take place. The main problem stems from inter-union rivalry making it impossible for management to negotiate terms acceptable to labour as a whole. Production was hampered in varying degrees by go-slow tactics throughout 1959, and early in 1960 an illegal partial strike took place. I am glad to say that normal production has been restored and every endeavour is still being made by management to resolve these labour problems.

Throughout all these difficulties a very large section of the employees continued to give staunch service and to them I am sure you would like to join the Directors in extending their sincere thanks and appreciation.

NOTE:—This Does Not Purport to Be a Record of the Proceedings of the Annual General Meeting.

From the Chair

Killick Industries Limited

Speech of the Chairman, Mr. A. N. Haksar

WE are meeting on the eve of an historic event, namely, the bifurcation of the present bi-lingual State of Bombay, and the emergence of the new Maharashtra and Gujarat States. We offer our felicitations and dedicated service to the two new States coming into being from 1st May, 1960.

The results of the Company for the year under review, although not fully satisfactory, are considerably better than we had reason to hope, having regard to the operating conditions faced by the different units coming under the banner of the House of Killick. The Managed Companies and other enterprises with which your Company is closely associated have had, in turn, their own specific problems, and these problems have been highlighted, in brief, in the Report. You may, however, wish me to elaborate some of these problems Industry-wise.

KOHINOOR MILLS

The progress of the group of Mills comprising the Kohinoor Mills Co Ltd, has always been the primary concern of the Board of your Company and special attention was given during the year under review to grapple with the many problems faced by the Mills in an endeavour to bring them back to their old glory. I sincerely hope that the Mill Company has now turned the corner. The Mills' modernisation programme is well under way, and before the end of the current year, I trust the situation will have been stabilised so as to enable us to look forward with hope to operating results fully comparable with similar units in the Indian Cotton Textile Industry.

ELECTRICITY COMPANIES

The Electricity Companies of Ahmedabad, Surat and Bombay Suburban under your Company's Agency continue to grow. With power planning in the country having set a target of doubling up of capacity in five years, these Electric Supply undertakings are, in common with other units in the industry, faced with even higher ex-

pansion programme during the coming years. The basic problem facing the Electric Supply industry today is the need for more and more development capital, the raising of which has been made more difficult by falling share values. The difficulties faced by this Industry are under review by the Authorities and there are hopes that a measure of relief will be forthcoming before the end of the current year.

SHIVRAJPUR SYNDICATE

The Shivrajpur Syndicate Ltd under your Company's Agency is in good form in relation to its capacity to mine and deliver to the export market the targetted Manganese Ore. This Company's operating results in recent years have been circumscribed by the entry of the State Trading Corporation in the Manganese Ore trade. The problems inherent in the participation of the S T C in the export of Manganese Ore will continue to cause a certain amount of uncertainty with which the Manganese Export trade will, it seems, have to reconcile itself. The Manganese Export trade must also have to contend with the vagaries of export demands which underline the need for freedom of action on the part of exporters to enter into forward commitments. The year under review was a very bad one for Manganese. Prices ruled much lower than the previous year and offtake was much smaller because of the American Steel strike.

HINGIR-RAMPUR COAL

It can be hoped that the Hingir-Rampur Coal Co Ltd, which has had more than its share of troubles in the recent years, is on the onward march again. Production is steadily increasing and the Company is now showing regular profits.

STEEL FILES

The Steel Files Factory at Chandivli, while showing an improvement in its working as compared with the previous year, has not unfortunately shaken off the teething troubles referred to in the Chairman's speech on this occasion last year.

Vigorous steps are being taken to reach the maximum productive capacity and to this end we have recently secured from the U K the services of a Works Manager with many years' experience in the Steel Files Industry. Efforts are also being made to obtain trained personnel for the various processes which comprise the making of the steel files, while orders have been placed for additional plant to alleviate bottlenecks which have arisen in our production. I am hopeful that within a few months we shall have this factory geared to full production.

SUBSIDIARY COMPANIES

As indicated in the Report, the affairs of the two Subsidiary Companies, Killick Nixon & Co Private Ltd, and Stamco Industries Private Ltd, are not yet satisfactory and, echoing the remarks in the Report, I can only repeat that earnest endeavours are now being made to rehabilitate these branches of your business. I hope next year will show a marked improvement.

MANAGING AGENCY AGREEMENTS

Following the enactment of the Companies Act 1956, the Managing Agency Agreements with the three Electricity Companies, namely, Ahmedabad, Surat and Bombay Suburban, came up for renewal during the year and approval has been accorded for the renewal of these Agreements by the Government of India. The new Agreements, effective from 1st April 1960, have, in conformity with the proclaimed policy of Government, been renewed for a period of five years.

The Managing Agency Agreement with the Hingir-Rampur Coal Co Ltd, has also been renewed for a period of five years from 1st July 1960. The remuneration applicable in the case of this Agreement is in line with the graded scale of commission recently announced by the Government of India.

With the Managing Agency Agreements with the Kohinoor Mills Co Ltd, and the Shivrajpur Syndicate Ltd, having been renewed from 15th January 1957, and 1st December

CARRY ALL THE MONEY YOU WANT—
SAFELY... ANYWHERE IN THE WORLD
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TRAVELERS CHECKS
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TWENTY DOLLARS UNITED STATES CURRENCY

1957, respectively, i.e., after the enactment of the Companies Act, 1956, they operate for a period of 10 years from that date and consequently these Agreements will come up for renewal only in 1967.

The Managing Agency Agreement with the Central Provinces Railways Co. Ltd., has also been renewed for a period of 10 years from 15th January 1957.

EXPANSION PLANS

During the closing stages of the First Five Year Plan and the early stages of the Second Five Year Plan, your Company's operations were marked by vigorous expansion programmes, the activities being either on its own account or related to the development of the managed Companies. There has also been a measure of joint enterprise in the expansion of the Associated Cement Companies including the participation in the A. V. B. project, and the planning and execution of the Snowcem project.

In what direction is your Company poised for expansion? Plans now under investigation are mainly intended to add new lines of business mostly involving investment in the Company's industrial estate at Chandivali. A large measure of responsibility also vests in your Company in relation to expansion in the Managed Companies. For instance, the Electricity Companies, which are highly capital intensive, would continue to impose greater obligations on your Company.

OPPORTUNITIES IN GUJERAT

The new Gujerat with its abundance of entrepreneurial talents and capital resources will call for more and more electric power and this call offers a challenge to the Ahmedabad and Surat Electricity Companies under your Agency for greater efforts. The past record of the House of Killick, which has pioneered power development in Gujerat, is an assurance of your Company's readiness to be of greater service to the new State. The tempo of power demand in the Bombay Suburban area would call for greater investment by Bombay Suburban Electric Supply Ltd, which in turn would add to your Company's responsibility to raise further finance. Perhaps most of you are not aware of the fact that the Suburban Company now has 80,000 consumers connected and

several thousands more awaiting connection.

MANUFACTURE OF LIGHT ENGINEERING EQUIPMENTS

And finally, but by no means of lesser importance, is the development of the Trading side of your Subsidiary, Killick Nixon & Co., Private Ltd. We have obtained several new Agencies which are already doing well and others are being negotiated. We have received Industrial Licences for the manufacture of Vibrators and certain other light engineering equipments and are now in the process of putting up a workshop for the manufacture of these items. Killick Nixon & Co. Private Ltd, has also entered the field of export of Piece-goods, and the performance in the last six months has been very good, and I hope will continue to be so.

NEED FOR CAPITAL

In any expanding institution the need for capital to sustain development is an evergrowing one. For a large part of development finance in the recent years the Company has relied on Bank accommodation and this source is now being threatened to be limited by the recent credit control measures instituted by the Reserve Bank. While there can be no doubt that under an inflationary situation such as at present there should be guarded expansion of credit and stricter control over speculation, there can be no two opinions that Industrial Houses such as yours should have free access to credit so that genuine industrial development is not jeopardised. It is an accepted truism that a certain amount of inflation is inevitable in any economy poised for expansion, and in this context the fiscal planners should not lose their nerve over a reasonable rise in price levels in the crucial stage of the country's economic development. Your Company's difficulties have been forcefully placed before the authorities concerned, and we can only hope that the credit squeeze now in being will exempt appropriate cases.

The Accounts call for no specific comments but I shall only be too pleased to answer any queries which may be raised by shareholders.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting which will be sent separately to shareholders.

Punjab National Bank

THE Punjab National Bank has the largest amount of deposits in the country, next to the State Bank and the Central Bank. The number of its branches is the largest next to the State Bank. In 1959, it secured more deposits and did more business, but failed to improve its profits substantially. Deposits of Punjab National increased during 1959 from Rs 129 crores to Rs 141 crores. The ratio of cash to total deposits remained constant at 8 per cent; the investment ratio increased slightly from 43 per cent to 45 per cent, but the credit ratio remained constant around 51 per cent.

Interest and commission earned exceeded interest paid more than twice over, against just twice in the previous year, after making allowance for tax deduction from the former in both years. After bonus and tax, net earnings amounted to Rs 45 lakhs against Rs 42 lakhs. This gives a net earning on net worth of 16.5 per cent against 16.7 per cent, and on equity capital of Rs 3.60 per share against Rs 3.32 in the previous year. Dividend is Rs 2 gross against Rs 2 net.

Kohinoor Mills

THE passing of the textile crisis has improved the working of Kohinoor Mills, a Killick concern, but it is still far from regaining its past glory. During the year ended December 31, 1959, sales fetched Rs 665 lakhs against Rs 634 lakhs in the previous year. Gross profit margin was somewhat better at 3.2 per cent against 2.2 per cent. Net earning after tax was somewhat higher at Rs 5 lakhs against Rs 2 lakhs in the previous year. This gives a net earning on capital invested of 1.9 per cent against 0.7 per cent, and on net worth of 2.6 per cent against 1 per cent. Net earning per equity share has gone up from Rs 2 to Rs 5. Dividend has been reduced from Rs 10 net to Rs 9.50 gross. Withdrawal from reserves has consequently declined from Rs 9.50 per share to Rs 5.50 per share.

The company has been able to make some saving in commissions paid to buying and selling agents. For most of the year, however, the cloth market in coarse and medium varieties was dull. Markets have picked up only since October.

Around Bombay Markets

Rally Still in Progress

Thursday, Morning

DALAL STREET last week pushed its way up again. The previous week's small setback turned out to be a mere technical correction of the preceding rise. The rally which started from the panicky sell-off after the announcement of credit control measures is thus still in progress. Several counters are now back again to the levels prevailing at the time of the announcement of credit curbs, and a few are quoted higher. The rally which started mainly with short covering has been kept going through the emergence of selective bull support which has been encouraged not a little by the remarkable strength in cash shares, particularly the new ones.

Cellulose Products (Rs 50 paid) were bid up to Rs 450 last week. Colour Chem Rs 100 paid were up again at Rs 350. Indian Rayon Rs 37.50 paid which were quoted at a nominal discount about a fortnight ago could be sold at around Rs 53. Baroda Rayon Rs 75 paid were marked up to Rs 145, Premier Tyre Rs 50 paid were quoted at Rs 80 and Associated Batteries which had recently been issued at Rs 15 found buyers up to Rs 39. Adarsh Chemicals, Synthetic Chemicals and J. K. Rayons which have yet to come to the market are unofficially commanding fair premiums. When one looks at the craze for new issues where there is no chance of any dividend payment for quite a few years one begins to wonder whether there is much meaning in emphasising the rather poor yield available on the shares of well-established concerns. And yet the prospect of capital appreciation which is the chief consideration with the buyers of equities, cannot be easily dissociated from the ability of the companies to declare good dividends. The outlook for dividends is by no means very promising, certainly not so promising as the boom in equities would seem to suggest.

STEELS BACK IN FAVOUR

National Rayon shares have always occupied the pride of place among the market leaders for long. The company did well in 1959 and made a gross profit of Rs 2.71 crores, which is about Rs 62 lakhs

more than in 1958. But the dividend (net) is up by only Rs 1.40 per share from Rs 14 to Rs 15.40. At the current level the share yields little more than three per cent which would seem to suggest that the current prices discount most of the growth prospect of the company. Instances can be multiplied.

Apart from the marked strength in Rayons and a few other select counters, last week's trading was highlighted no less by the revival of bull support for the long-neglected Steel shares, particularly Tata Steel, which recorded impressive gains. Tata Steel rose from Rs 150.75 to Rs 158 and Indian Iron from Rs 22.88 to Rs 23.60. With the teething troubles under the expansion programme all over and production running at a high level, bears are inclined to have a second thought on the outlook for Steel shares even though the dividend prospects will take quite some time to improve. Sentiment recently has also been helped by talks of an early rise in retention prices.

PREFERENCE DIVIDENDS

The stock market looks quite firm and the rally promises to proceed further. But the adverse factors are not a few. Carry forward charges continue to be on the high side. That the market should come to regard the badla rate of 10 to 11 per cent as normal is quite another matter. The outcome of the negotiations between the Prime Ministers of India and China is anybody's guess. Prospects of a satisfactory solution of the border question are far from encouraging. There is also the risk of margin rules being tightened further if the market continues to push its way up. It has already risen to a level which is high enough to cause uneasiness to the Reserve Bank, unless, of course, the authorities have revived their ideas about the market. The International Economic Mission has emphasised among other measures the need for prompt and effective fiscal and monetary action to curb inflationary trends wherever they manifest themselves in the process of planning.

The Finance Minister's latest statement in respect of preference dividends is welcome. The Government will watch the situation for some months and if it is found that the companies did not make suitable provisions, the Government will bring in necessary legislation with a view to securing to the preference shareholders a suitable increase in dividends, the intention being that these increases should apply to dividends received on preference shares issued before April 1 this year. Shri Desai stated that when the Government had reduced the effective rate of tax on companies they had expected that the benefit thus derived would be passed on to all the shareholders, preference as well as ordinary. While no special action was required for passing on the benefit to the ordinary shareholders, special action would have to be taken to give suitable increases in the dividends received by preference shareholders.

Appeals to companies to pass on the benefit to the shareholders will not do. There are already instances of companies taking a line which is against the interests of the preference shareholders. Of course, quite a few companies have proposed suitable changes in their Articles to ensure that the return to the preference shareholders is not affected. But it appears that legislation will be necessary to ensure that no company takes advantage of the present ambiguity in respect of the tax liability. Sooner this action is taken the better.

Earlier replies by the Finance Ministry to representations made on the question of determining the quantum of dividend on preference shares in the light of the changes contemplated under the new Finance Bill had caused considerable disappointment. The authorities had maintained the stand that the amount of dividend which a company has to pay to its preference shareholders, whether taxable or non-taxable, is governed by the terms of the contract and has therefore to be decided by the company and the shareholders. Shri Desai's latest statement should help to restore confi-

dence in preference shares which have been considerably depressed for a long while.

Oilseeds

MIXED PERFORMANCE

OILSEEDS made a mixed showing last week. Groundnut and castor struck new highs for the season, reflecting mainly scarcity of ready goods. Castor and linseed also hardened further but only to react sharply near the week-end. Castor May which had been bid up to Rs 175.75 on April 19 were sold down to Rs 172 the next day. Linseed May fell from Rs 33.94 to Rs 33.19. The weakness in castor and linseed also affected groundnut with the May contract easing from Rs 220.75 to Rs 217.50. Uncertainty persists about the start of trading in the new contracts because the Oilseeds Board has not yet been able to accept all the terms and conditions imposed by the Forward Markets Commission. In the absence of any facility to transfer positions from the maturing contracts to distant deliveries bears are covering their sales in groundnut and cottonseed because of the scarcity of ready goods and bulls have been reducing their commitments in castor and linseed where the spot material is quoted at a discount.

It was a rather disappointing week for exporters. It was not merely that no important fresh business could be put through because of the holidays abroad but shipments against previous sales had to be cancelled because of the transport strike here. Ships left the port without the cargo. The quantity involved is mentioned around 2,500 tons of castor oil of which nearly 1,700 tons were to go to the U. S. Perhaps sales will not be cancelled; only shipments will be delayed. But inquiries with shippers indicate that it is not easy to secure freight up to May end to the U. K. and Continental ports and freight rates to the U S have firmed up from around \$18 to around \$22.

DISPOSAL OF U S STOCKPILE?

Anxiety about the U S move to dispose of castor oil held in stockpile persists though the total quantity is believed to be less than 15,000 tons. Reports from Washington indicate that the acreage under castor seed in Brazil this season is substantially higher and that the weather

too has been favourable up to now. And if weather conditions continued to be favourable the new crop there might turn out to be around 2.5 lakh short tons. With the May contract here approaching maturity and Kanpur hold ready quoted at a discount of about Rs 10 per candy it is only natural that bears should exploit any adverse news from abroad. But the outlook for Indian castor oil is by no means unpromising. The performance up to now is very encouraging with shipments from Bombay totalling a little over 13,500 tons. Influential sources have been heard discussing the possibility of a big barter deal in castor oil.

Groundnut and groundnut oil last week rose to new high levels. Corrective profit-taking, however, pared some of the gains near the week-end. The transport strike affected local supplies, while consumer inquiry was well-maintained. Prices rose very close to their official ceilings, Rs 225 per candy for groundnut futures and Rs 24 per quarter for oil futures. Sentiment was helped by reports of fairly good business in H. P. S. with the Communist countries. Export houses did not mention any important business in oilcakes but they viewed the outlook with optimism. Communist countries were said to be in the market for a fairly large quantity of extractions. The latest U K quotations were mentioned around £33-10 for expellers 54 per cent and £31-10 for extractions 50 per cent, April/May shipments.

SOYABEAN OIL

Export of groundnut oil is almost out of the question because of the huge disparity between domestic and overseas prices. The margin on the expeller quota is too small to bridge the gap. In view of the tight supply position there is little chance of any material setback in internal prices. There have, however, been reports that the Government is considering the sale of 10,000/15,000 tons of groundnut oil under barter through the State Trading Corporation. The shortfall here is likely to be made good by the import of soyabean oil under P L 480. New Delhi is known to have asked the vanaspati industry to try soyabean oil in place of groundnut oil and reports are that an import quota for about 4,000 tons has already been sanctioned. If the industry suc-

ceeds in using soyabean oil it should make possible the export of a like quantity of groundnut oil which is quoted about £50 per ton higher than soyabean oil. Besides, larger imports of soyabean oil might also help keep groundnut oil prices here under check.

Cottonseed futures shot up in sympathy with cotton futures, both reflecting acute physical shortages. Linseed seemed merely to follow the trend in other seeds. The remarkable strength in groundnut underlined the relative cheapness of linseed and induced bears to cover their sales and prompted some bulls to lend support. But enthusiasm to follow the rise was lacking. The weakness in castor produced renewed selling pressure on the rise which more than erased all the earlier gains. Exporters had hardly any business to report in oil or cake.

Following are the figures of shipments from Bombay from the beginning of the year to April 14: castor oil 13,628 tons, linseed oil 1,899, groundnut oil 1,893, groundnut H.P.S. 8,867, sesame seed 415, kar-diseed 25, groundnut oilcakes 59,270, linseed cake 21,377, niger cake 2,485 and mowra cake 79 tons.

Cotton

FUTURES SPURT

THE cotton market displayed further marked strength last week. Turnover, however, continued to be on the rather low side. In ready, business was limited by the availability of quotas and in futures the small fry has been eliminated by the heavy margin. Jarilla August rose from Rs 771.75 to Rs 786.50 per candy and later it receded a little to hover around Rs 783. Futures business will come to an automatic standstill above Rs 790 because that is the effective ceiling before the maturity period of the contract.

Cotton has been a problem commodity almost right from the start of this season. And the problem of acute shortage is likely to continue into the next season unless Nature turns extremely benevolent. For notwithstanding all the efforts made in stepping up cotton production under the Second Plan the fact remains that production continues to be entirely at the mercy of weather. This season's crop is now placed at no more than 37.5 lakh bales. Allowing two lakh bales for export and 65,000 bales

for consumption by ambar charkha and factories other than mills there remain only 34.85 lakh bales. Total consumption by mills is estimated around 45 lakh bales which means that the carry over at the end of the season will be about 10 lakh bales less than on August 31, 1959. Imports have been liberalised but actual arrivals are unlikely to exceed 7.5 lakh bales. In any case the imbalance between the demand and supply of indigenous cotton cannot be set right because of the technical difficulties in switching over from one type to the other. Fears of continued shortage in supplies are said to have encouraged official circles to think in terms of continuing controls over distribution and quality in the next season. But considering how ineffective these controls have been this season, trade and mill interests are inclined to the view that control had better be kept in abeyance for a year or two.

SUDAN'S ANXIETY

The decline in the imports of cotton from the Sudan so far during the current season has caused considerable apprehension in the exporting country. The total quantity licenced this season up to April 2 is 701,720 bales of which Sudanese cotton accounts for only 67,114 bales. Even assuming that some more quantity would be allowed from that country in the coming months, the total share of Sudanese cotton is unlikely to exceed one lakh bales. This compares with 136,439 bales in 1958-59 when the total quantity licensed by the Government totalled only 536,688 bales.

The Sudanese Ambassador told a press conference in Bombay on April 20 that the decline in Indian imports was a matter of serious concern to his country in view of the importance of cotton to Sudanese economy. Besides, Sudan had been running an adverse trade balance with India—aggregating 6.6 lakh Sudanese pounds in the past three years—and this gap might widen considerably if India were to reduce her intake of Sudanese cotton. This in turn might affect the off-take of Indian cloth by Sudan which had been the second largest buyer of Indian grey, white and coloured cloth in 1959. Sudan, he said, had been giving preferential treatment to imports of Indian textiles. But it must be appreciated that the decline in the imports of Sudan cotton

is mainly attributable to the fact that the country had to be fed with foreign cotton due to the serious short-fall in indigenous cotton and that licences had to be given when Sudanese cotton was not ready for the market. India has never discriminated against the Sudan.

Bullion

EXCITEMENT PREVAILS

BULLION prices recorded impressive gains, with silver scaling a new all-time peak of Rs 220-7, spot quotation. Gold Vaisakh delivery improved from Rs 129-1 to Rs 130-13 and silver Jeth from Rs 214 to Rs 218-14. Closing rates on April 20 were the highest for the week. The rise was due both to bull manipulation and nervous short covering. Reports of off-take, both in gold and silver, were generally very encouraging and floating stocks all over the country were estimated around 800 bars of silver and 50,000 tolas of gold.

Backwardation charges, which had been rising for quite some time, increased further last week. The spread between Vaisakh and Jeth delivery rates widened from Rs 1-10 to Rs 2-8 in gold and from Rs 2-2 to Rs 4-7 in the case of silver. This is a record spread for these contract for some years. In fact, rarely have the backwardation charges in silver exceeded this amount. Now look at the spot premiums. Spot gold is quoted at a premium of Rs 5 over the Jeth contract and the premium in the case of silver is still higher at Rs 6.

Exorbitant backwardation charges and huge premiums enjoyed by the spot material reflect the tight bull hold on the market made possible through control over the bulk of floating supplies which have been progressively shrinking due to steady off-take and poor arrivals. Heavy margins of Rs 25,000 per silver bar of 2,800 tolas each and Rs 25 per tola of gold, which are the maximum rates under the existing by-laws, have failed to weaken bulls' hold over the market. To state that the bullion market is functioning all the time under very abnormal conditions is to state the obvious. The demand and supply position is bad enough even for the smooth working of a ready market. One wonders why the Government allows speculators to exploit the situation through the facility of forward trading

Self-Sufficiency in Giant Tyres in Three Years

GOVERNMENT has received some complaints about the high prices charged for giant tyres in different parts of the country. There is no statutory control on the price and distribution of tyres, though the tyre companies have accepted the prices 'indicated' by Government on the recommendations of the Tariff Commission. Giving this information in the Lok Sabha last week, Shri Manubhai Shah, Minister of Industry, explained that though production of giant tyres has risen to 8.1 lakhs in 1959 from 6.4 lakhs in 1956, it is still short of requirement by 75,000 to 100,000 tyres annually.

Shri Shah added that the present shortage is of a temporary nature, and that it is being met by imports through the State Trading Corporation. Government is also thinking of allowing some additional imports through established importers and large transport undertakings.

Licences have been granted for increasing production in the existing units and for four new schemes, Shri Shah informed the House. These would raise manufacturing capacity to 25 lakh tyres annually in the next two or three years, at the end of which the country would become self-sufficient, and, Shri Shah hoped, even have some balance for export.

Washery, Fertiliser and Tar Plants Ready at Durgapur

THE coal washery, the sulphate of ammonia plant and the tar distillation plant at Durgapur have all been completed. The washery commenced operation early this month, the fertiliser plant went into production the following week, and, last week, the tar distillation plant was ready for operation.

The washery will supply the Durgapur steelworks its entire requirement of washed coals, estimated at 0.8 million tons annually. The sulphate of ammonia plant has a daily rated capacity for the production of 57 tons of ammonium sulphate from 2 million cubic feet of gas.

The tar plant will distill 230 tons of crude tar per day from the coke-ovens by-products plant and produce pitch, creosote, road tar, preservative creosote, naphthalene and benzol. Pitch creosote will be blended and used as fuel in the steel-making plant.

Industrial Capacity and Production—IV

Rubber, Plastics, Pharmaceuticals and Food

	No of Units					Capacity					Production				
	1951	1956	1957	1958	1959	1951	1956	1957	1958	1959	1951	1956	1957	1958	1959
Rubber Manufactures :															
Belt :															
Fan	3	6	6	6	7	—	—	10.09	10.09	12.54	—	—	6.53	6.66	10.10
Vee (Industrial)	—	—	—	9	10	—	—	—	5.9	6.2	—	—	4.51	5.46	7.38
Carnel Back	15	14	14	14	13	20.2	45.6	42.8	42.8	40.3	10.9	25.9	19.8	24.2	27.2
Dipped Rubber Goods	—	14	14	14	14	—	11.5	13.8	13.8	18.3	—	2.0	2.4	2.3	2.4
Ebonite	8	9	9	9	9	3.9	5.9	5.7	5.7	5.8	2.2	2.4	1.7	1.7	2.0
Hoses :	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Radiator	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other Types	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vacuum Brake	3	4	4	4	4	5.9	10.8	10.8	10.8	10.8	4.7	5.5	7.8	6.0	5.6
Latex Foam Sponge	2	7	7	7	7	753.0	1,473.9	1,674.0	1,674.0	1,674.0	472.0	1,776.1	1,955.8	2,226.0	2,402.0
Rubber Components of Railway	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fittings (Springs)	—	—	—	4	4	—	—	—	1.5	1.5	—	—	—	1.3	1.4
Rubber Footwear	—	—	—	19	19	—	—	—	45.1	45.8	—	—	—	36.7	37.9
Tyres :															
Automobile :															
Giant	2	2	2	2	3	—	—	6.7	6.7	8.5	—	—	7.0	7.3	9.1
Motor	2	2	2	2	2	—	—	3.7	3.6	3.4	—	—	2.5	2.3	2.7
Motorcycle	2	2	2	2	2	—	—	3.7	3.7	—	—	—	0.40	0.38	0.51
A D V	1	1	1	1	2	—	—	31.9	31.9	63.7	—	—	46.6	42.1	43.3
Aero	—	2	2	2	2	—	5.4	6.2	6.1	5.9	—	3.4	4.5	2.3	2.1
Bicycle	5	6	6	6	9	5.9	7.0	7.2	7.3	12.1	3.9	6.3	7.1	8.3	9.6
Cab	—	—	—	3	3	—	—	—	1,234.0	1,234.0	—	—	—	274.1	221.5
Off-the-Road	—	—	—	2	2	—	—	—	6.4	6.4	—	—	—	3.3	3.4
Tractor	—	—	—	2	2	—	—	—	32.1	30.6	—	—	—	28.9	33.8
Tubes :															
Automobiles :															
Giant	2	2	2	2	2	—	—	—	6.6	6.7	—	—	—	6.0	7.2
Motor	2	2	2	2	2	—	—	—	3.8	3.9	—	—	—	2.9	3.2
Motorcycle	2	2	2	2	2	—	—	—	—	—	—	—	—	59.8	72.6
A D V	1	1	1	1	2	—	—	46.0	46.1	99.4	—	—	64.3	55.8	53.0
Aero	—	2	2	2	2	—	3.6	4.4	4.4	4.5	—	2.4	2.1	1.1	1.2
Bicycle	5	5	5	5	7	7.1	7.6	8.3	8.2	12.6	4.9	6.4	7.0	7.9	10.0
Off-the-Road	—	—	—	—	2	—	—	—	6.4	6.4	—	—	—	3.3	2.4
Tractor	—	—	—	2	2	—	24.0	33.9	33.9	34.9	—	30.7	45.3	31.1	33.8
Water-Proof Fabrics	—	—	—	—	13	—	—	—	6.3	6.3	—	—	—	3.2	3.7
Other Industries :	20	17	17	15	15	18,000	24,250	24,250	31,878	31,878	21,400	26,300	28,072	29,840	31,444
Cigarettes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Food Industries :															
Beer and Ale	—	3	3	3	3	—	1.70	1.70	1.70	1.70	—	0.7	1.20	1.57	2.07
Biscuits	129	129	129	39	40	39.9	35.7	35.7	30.3	30.5	15.9	12.5	17.3	17.7	17.7
Breakfast Food :															
Corn & Wheat Flakes	—	2	2	4	4	—	1,500	1,500	1,950	1,950	—	115	135	162	176
Processed & Pearl	—	8	8	4	4	—	4.8	4.8	4.9	4.9	—	0.7	1.3	1.2	1.1
Barley	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Process & Rolled Oats & Oat	—	1	1	4	4	—	1,350	1,350	1,401	1,401	—	105	121	134	238
Flakes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

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Mr Chou's Visit — and After

THE Nehru-Chou talks on the border question must be counted a great success—for the Chinese. India has gained nothing from them and has made, in fact, at least two serious losses. The more serious of these is our agreement to pursue the so-called study of the dispute at the level of officials by means of further meetings in Delhi and Peking. The agreement amounts to conceding that the Chinese have in no way been guilty of aggression against this country; and we could have made no bigger concession than this. Our strongest point against Peking is (or shall we say "was"?) that it had violated our border by force and occupied our territory by an act of aggression. Yet this point seems to have received the least weight at the Delhi talks. Indeed so drastically was it played down that Mr Chou En-lai was actually able to assume a pose of injured innocence when a journalist reminded him of this fact of aggression, during the press conference on Monday evening. No Indian leader, he said, had said anything about any aggression by China. Pandit Nehru was, of course, at hand to strip the euphemisms of their politeness and to remind Mr Chou that when it is said that someone has taken wrongful occupation of someone else's property or territory, the word aggression is understood.

The reminder was welcome. But it does not take away from the fact that the press conference episode on this point is evidence of the excessive politeness with which we on our side conducted the talks. Evidently, we were polite to the point of such weakness that we missed to impress the Chinese with what was, from our standpoint, the most vital aspect of the question. Instead, we went on to accept the suggestion that, the Prime Ministers having failed to reach a settlement, junior officials should be allowed to try their hand at it. The procedure might have made sense, if followed in reverse; but in this particular disorder of precedence, it is simply absurd. Fact-finding consultations between officials are an admirable arrangement when two neighbouring countries are conducting some sort of a friendly adjustment of a peaceful border, not when there has been active aggression from one side on the other.

The second disadvantage from India's point of view, of this procedure, is that it implies that the Chinese might really have a case in this dispute which deserves to be seriously investigated with the help of proper documentation. This is a dangerous admission on our part; and the consequences it can lead to are incalculable. It is, in fact, strange in the extreme that these meetings at the level of officials should have been agreed to after prolonged discussions between the two Prime Ministers had failed to reveal any area of agreement at all—even on points of fact.

There is next the question of border clashes in the future. No one can reasonably blame Pandit Nehru for taking Mr Chou En-lai along with him in making the formal declaration that these will be avoided. It is important that whatever can be done to prevent the situation from getting worse, should be done. But as it happens, it is the Chinese alone who benefit from this agreement on the clashes. They are already estab-

lished in Ladakh and elsewhere, and would not welcome any kind of inconvenient attention from our border patrols. The agreement to restrain the patrols means in effect that the Chinese can remain in occupation quite undisturbed by any fear of reprisals. It is not too much to say that we have guaranteed the new and illegal border of China.

Does this mean, then, that it was a mistake on our part to invite the Chinese Prime Minister over to Delhi for talks on the border? Several observers have suggested that it was. But in fact nothing was to be gained from refusing to see Mr Chou En-lai. Certainly he was not asked to Delhi under any false pretexts: the Indian position had been firmly and clearly made known to him before he boarded the plane from Peking. If he still chose to come, it was a fair inference to draw that he had some helpful suggestions to make personally to Pandit Nehru. The talks were justified, if for nothing else, at least for disilluisioning the Indian public in regard to

Chinese intentions. We know now that China has no intention whatever of softening its attitude, and that—in Pandit Nehru's telling phrase—we must henceforth "learn to live with our border problems."

It is only fair to point out that in many respects the Indian Government found itself in a very awkward position *vis a vis* this problem. It was both dangerous and, on the whole, unwise to try and push the Chinese physically out of their occupied territory. In the absence of a desire to go to war with Peking, we had only one course of action left; and that was to see if Mr Chou En-lai could be talked round to our point of view. Up to this point the Government has been justified in taking this course. But from now on, an entirely new stand will be necessary.

First of all, it is necessary to shed all hopes of any success accruing from the talks between the officials. It will be no loss, and might be a considerable advantage, to drop these talks altogether. Secondly, we

must chalk out a realistic and safe course for living with the border trouble. This means that the country must be placed on an emergency footing for tackling its developmental programme. This is in the last resort our best guarantee against any external threat. But it will also be necessary to keep the country in a state of military preparedness—just in case. Meanwhile all our foreign relations must be geared to the creation of a solid world opinion behind us; and whatever diplomatic pressure can be brought to bear upon China to vacate its aggression on the border, should be exerted. The one thing to have clearly in our mind is that the aggression must at any cost be vacated. It is enough to say that we should adopt whatever policy that may be necessary to achieve this aim.

If as a result of Mr Chou's visit (and its failure to reveal any common ground between us) this country decides to set its direction towards such a policy, the experience will not have been a total loss.

Production, Capacity and Statistics

ONE heartening aspect of the economic situation in the year 1959 was a marked rise in industrial output. The performance of the industrial sector was particularly welcome in view of the tardy rise in production in the preceding two years. It was only in the first year of the Second Plan that industrial production had registered, what may be called, a sizeable rise over the previous year. In the following two years, the rise was relatively a meagre 3.5 per cent and 1.7 per cent compared to 8.3 per cent in 1956. The rise in 1959 was of the order of 7.4 per cent over the level achieved in 1958.

In the statistical section of the last four issues of this paper (April 2, 9, 16 and 23), has been reproduced the full set of figures of the capacity and production of the various industries from the latest annual report of the Ministry of Commerce and Industry. From these pages, it will be seen that the actual increase in industrial production has been larger than what the index suggests. The base year being 1951, several new items, whose production started after 1951, do not enter the index at all. Penicillin is one such item.

Its production started in 1956 and has since then risen by 100 per cent. Between 1958 and 1959, its production rose by 11.5 per cent. In fact, the story is very nearly the same for 126 out of 145 items listed under Chemical Industries in the statistics of Industrial Capacity and Production. In the case of engineering industries, this is true of 90 out of 130 items covering items like industrial machinery, industrial boilers and locomotives. Some of these items which do not figure in the index registered sharp rise in output in 1959.

Besides the under-estimation due to non-inclusion of so many new industries, whether there is a further under-estimation arising from the use of 1951 weights for measuring production in 1959, it is not possible to answer so easily. The present index allows for changes in the quantities produced. How it is affected by changes in the relative level of prices of different commodities in the base year will be a complicated study in itself. The weightage in favour of old industries like cotton and jute textiles and sugar is very heavy indeed in the index as it is composed at present. Even conceding that the total value

of the product of the industries started since 1951, or rather the value added by manufacture which is what enters into the making of the index number, may not be considerable as compared to the contribution of the old industries, the need for a revision of this index cannot be gainsaid. In fact, it has been long over-due. The index has to be made more sensitive to changes in the composition of industrial output.

While industrial production has risen, industrial capacity also has been increasing. Could one say, therefore, that the explanation for the rise in industrial production lies in the expansion of industrial capacity? It is a question which is somewhat hard to answer in a straight-forward yes or no, primarily because of the fact that the available statistics on industrial capacity do not easily lend themselves to that analysis whereby correlation between the rise in industrial production and the expansion in industrial capacity could properly be studied. It is true that the Ministry of Commerce and Industry has for the past few years been publishing statistics of industrial capacity and production in major industries. It

is equally true that every year the coverage of these statistics has been wider than in the previous year and also that there is evidence every year of the Ministry's attempt to improve on the quality of statistics. Still, if one were to try to correlate the two sets of available statistics, one published by the Central Statistical Organization giving the pro-

duction data of selected industries and the other of capacity published by the Ministry of Commerce and Industry in its annual report, the task would be well nigh impossible.

Statistics, particularly those of industrial capacity, being what they are at present, it is not difficult to find fault with anyone who attempts to read some meaning into them.

Maharashtra and Gujarat

BOTH the new States of Maharashtra and Gujarat will come into being from the 1st of May. Five days' celebrations beginning from the 27th, the supposed date of Shivaji's birth, heralds the birth of Maharashtra. On the mid-night of 30th, Pandit Nehru will swear in the new cabinet for Maharashtra, while Ravishankar Maharaj, the venerable leader of Gujarat, will formally inaugurate the State of Gujarat. The illuminations in Bombay at least on the first two nights did not attract the crowds expected. Smaller-than-expected crowds to watch the illuminations is itself perhaps significant. There is a greater sense of participation in the Maharashtra quarters of the city, where at every street-crossing, forts have been erected, complete with turrets, gates and a watch tower, with paper, bamboo and strings. The very crude workmanship of the structures indicates the degree of participation of the people of the neighbourhood in the celebrations.

To have shared a common historic past, to have fought and struggled together, to be fired by the same inspiration and ideal—this is an important, perhaps the essential ingredient in the making of a people. The basic idea behind the inauguration of the two States is to bring together the people who speak the same language. The unity of language, however, is not by itself a sufficiently cohesive force. The emotional integration of a people needs much more and it would be foolish to under-rate what remains to be done in Maharashtra to bring about that integration.

Bombay City, which had hitherto been the bone of contention, is isolated from the rest of the country. It has a cosmopolitan character which has to be preserved. Vidarbha is distant and had remained administratively separate so long that despite the appeal of a common

language, the assimilation of the people of Vidarbha into those of Maharashtra will call for broad-mindedness on the part of everyone as well as delicate, carefully thought out and imaginative administrative measures. Though the Nagpur Pact by which Vidarbha's special interests and its place in the new set up had been sought to be safeguarded has not been incorporated in the Act by which the new State is to be established, it has been accepted without any mental reservation by the Chief Minister of Maharashtra. This augurs well for the new State but Vidarbha is not the only problem of integration that the new State has to face. There is similarly Marathwada and above all, the caste-composition of the people of Maharashtra and caste conflicts which gave rise to and sustain a vigorous non-Brahmin movement even today.

Gujarat also will have its own problems of integration, though these appear in a different setting. Until very recently, large parts of the new State were under the princely order, which has left behind a legacy of administrative deficiencies in such things as roads and public services which have not been completely remedied in the last few years. There is, again, the distinctiveness of Saurashtra with several features which cannot be dismissed as merely parochial or even regional. If Maharashtra's major problem of integration is social and caste-based, that of Gujarat springs from the superiority of Ahmedabad in its economic life and the economic dislocation inevitable from the administrative separation of the State from Bombay City. The leaders of Gujarat have forestalled some of the anticipated difficulties by deciding in advance to have a new capital, so that the Government may not be identified too closely, with Ahmedabad, the ascendancy of

This is a state of affairs which cannot be allowed to continue. It is very necessary in an economy suffering from acute shortage of capital that this scarce resource is put only to the best or what may be socially the most remunerative use. How could this be ensured unless one has got all the facts about the existing capacity and its pattern of use?

which in the economic life of the State creates a problem.

Both the States start under most favourable auspices. Both have ambitious programmes of economic development. It is not that Gujarat is so much better endowed with natural resources that it can count upon rapid economic development with any great confidence. But the leadership in commerce and industry which the people of Gujarat have always enjoyed is the best asset that the new State can draw upon. There is already evidence that the industrial and business talents available are putting their heads together to plan development and to execute it with determination and competence.

Leaving out Bombay city, the rest of Maharashtra is largely agricultural. It has its ambitions also for building industries, and the establishment even of heavy industries, has been mentioned among the 'Guiding Principles of Maharashtra State.' It would be in the sphere of agriculture, however, and agriculturally based industries, that Maharashtra should be able to set up a model for the rest of India. The socialistic aspirations of the people, untrammelled by vested interests or even much experience of running industries, should stand it in good stead in achieving this aim.

The enthusiasm released by the inauguration of the two States will undoubtedly enrich and strengthen the Indian people. The aspiration for statehood under the present Indian Constitution has never been and can never be a disintegrating factor in the life of the nation. The manner in which the two States have been coming up and the reaction it has produced in the minds of the people concerned are a convincing proof of the shortsightedness of the view that the formation of linguistic States can ever weaken the fundamental unity of India.

Weekly Notes

Rhee's Fall

AFTER his initial obduracy, Dr Syngman Rhee has been quick to retreat. The fall of his Government this week came with unexpected, though welcome, suddenness. What precisely happened to precipitate matters so abruptly can only, for the moment, be guessed. In all probability the President saw his hold on the army slipping. It is certainly significant that the security chief in Seoul appealed to the people for calm on the ground that "our goal" had been achieved. With the army against him, a President who had little popular support could hardly last in power for many days.

The National Assembly's resolution, following the fall of Dr Rhee, to replace the presidential system with parliamentary democracy is perhaps a happy sign for the future—provided the change is not solely the result of the country's understandable revulsion from the presidency as typified by Rhee himself. The parliamentary system has its own drawbacks and dangers; and it is certainly not a thing that can be based on a foundation of escape. What the South Koreans make of the parliamentary system will depend entirely on the amount of sincerity and integrity they can bring to bear upon their public life. Dr Rhee's exit from the political scene (in circumstances, unfortunately, of considerable tragedy) and the prospect of parliamentary democracy give Seoul its chance to begin a new and happier chapter in its history. What goes into that chapter will depend upon how this chance is used.

D L F Loan for I F C

THE Industrial Finance Corporation, it has been announced, is getting a loan of \$ 10 million from the recently constituted Development Loan Fund. This loan will enable the I F C to provide foreign exchange assistance to private enterprise as the I C I C I has been doing with the help of World Bank lines of credit. As the I C I C I has been lending only in foreign exchange during the last two years—its rupee loans have been practically nil—would it not be in an awkward position, when it ceases to

be the only lender in foreign exchange to the private sector?

The D L F loans have certain advantages over World Bank loans. In the first place, they carry 5 per cent rate of interest and so I F C will be able to lend at, say, 6½ per cent, the same effective rate which it charges on its rupee loans, compared with 7½ per cent charged by I C I C I on its loans in foreign currency, due to the higher cost of World Bank loans. Secondly, D L F loans will be of a longer term than the World Bank loans. Thirdly, the repayment schedule of D L F loan will be flexible and can be adjusted to meet the needs of individual borrowers, while the repayment schedule of World Bank loan to I C I C I being rigid and inflexible, must create problems for both I C I C I and its borrowers.

These advantages, however, will be offset—to what exact extent, one does not know—as D L F loans would be 'tied loans'. Beyond a certain limit—for any single loan, it is an amount up to \$ 100,000—the loan will have the 'Buy American' tag. This may produce some curious results. For small enterprises requiring not more than \$ 100,000 (Rs 4.75 lakhs) in foreign exchange, D L F-I F C loans would be a help, since the dollars would be spendable anywhere outside the non-Communist countries. But how much of a help? Government normally grants import licences freely for capital goods worth up to Rs 5 lakhs. It is only when an enterprise does not have the rupee resources to avail of import licences that it will turn to D L F-I F C loan. But it is not often that foreign exchange is required in such small amounts. The average size of I C I C I's foreign exchange loans is Rs 32 lakhs and if the normal size of prospective loans from D L F-I F C line is even half as large, the borrowers will have to go in for the more expensive American plant and machinery.

Incidentally, if the press reports are correct that I C I C I is also getting a D L F loan of \$ 5 million, it will be interesting to watch how I C I C I handles the two types of foreign exchange loans, with dif-

ferent rates of interest and different terms and conditions.

Subsidiary Banks for Expansion

THE Chairman of the United Bank of India, Dr N N Law, echoed the sentiments of all bank chairmen when he complained against the increase in establishment costs which, he said, was eating into banks' profits and was, therefore, bound to inhibit the development of banking, sooner or later. He invited an enquiry into the manner in which and the extent to which rising operating expenses have so far been absorbed. He felt that it would be very useful to enquire whether the process has not adversely affected the banking system as also the growth of the national economy.

As in previous years, Dr Law has drawn attention to the need for creating a climate in the country which will be favourable to the growth and development of modest, regional banks to finance small and medium business and industry. Bank finance for small industries has been receiving considerable attention of late. The State Bank has taken a lead in the matter, and the Reserve Bank has come forward with its scheme of guarantee for bank advances to small industries, the results of which will be watched with great interest. While these developments are to be welcomed, Dr Law is convinced nevertheless that it is the modest sized banks in the small towns, and not branches or small industry departments of big banks, which can serve small industries really effectively. They will have the advantage of being more personal or intimate, as also more flexible, in their operation.

The solution that Dr Law has in mind for fostering this very desirable growth is for the bigger banks to have subsidiaries which could more conveniently reach the medium and small scale industries. Except the State Bank, no scheduled bank has any subsidiaries at present, though a few of them have an 'interest' in some small banks. For the purpose that Dr Law has in view the subsidiaries will need lower operating costs as a prior condition for their growth. The mofussil branches of big banks do not have this cost advantage, and consequently, such growth potential.

Policy for State Trading

THE entry of the State Trading Corporation into foreign trade and distribution of cement was not exactly welcome to the private sector at first, but of late there has been a better appreciation of its role. The smaller cement producers, in fact, prefer that the STC should continue to have a monopoly of cement distribution since it would relieve them of the necessity of setting up their own distribution organization. In most of the items taken up by the STC, there is no competition with private trade and hence not much of complaint, but there is always the lurking fear that the STC may expand its activities.

It was largely STC's entry into manganese exports which gave rise to these fears. This is a field, in which the STC has not been particularly successful, whatever may be the reasons for it. Perhaps the intervening recession and the fall in manganese prices make any inference from the limited experience unwarranted. With large numbers of small producers, collective bargaining should have some advantages and enable the STC to get better export contracts. Whether the export trade organization in manganese readily lends itself to reaping such advantages is a question that remains unanswered.

The Estimates Committee which reviewed the activities of the State Trading Corporation in a recent report has been sufficiently impressed by the apprehensions in trade circles to suggest that Government should issue a policy statement laying down the precise scope of the activities of the STC. It is doubtful, however, whether such a policy statement would serve the purpose which the Estimates Committee has in mind. The STC is barely four years old. The contingencies that it may have to face in future, cannot be fully anticipated at this stage. If the idea is that it should not enter into certain lines of trade, that could be more simply effected by suitable directives from the Government from time to time. A policy statement in this case of a private limited company, which is the form in which it is incorporated, moreover, will mean insertion of restrictive provisions in its Memorandum of Association. It is not desirable that it should be subjected to such rigidity just yet. The resour-

ces and experience which the STC has accumulated in the short period of its existence should enable it in future to expand its sphere of operation very profitably without treading too heavily on others' toes.

The Committee frankly does not like the extension of state trading and would very definitely want to have it restricted to trading with Communist countries and some limited fields of trade promotion where private trade is not attracted. In short, it wants the STC to supplement private trade and restrict its range of activities. It does not, for example, approve of the STC distributing cement. It is not impressed by the argument that many new producers were encouraged to start cement production and that, these being high cost units would suffer, if the trade in cement were left free. According to the Committee, this is not a special feature of the cement industry only. If this argument were accepted, STC would have to extend its business to a number of other industries also. The Committee is not even convinced that the STC was within its rights in undertaking the internal distribution of cement.

But whether trading in cement was within the terms of the Memorandum of Association of the Corporation or not—the object of the Corporation was defined as primarily that of organising foreign trade—the question raised by the Estimates Committee about the legitimacy of the profits the STC made on cement goes to the fundamentals of the Parliamentary system. In fact, the Committee charges the Government with imposing a tax without authorisation from Parliament in allowing STC to sell cement at a much higher price than is justified by the operation of the supposed—and now fictitious—equalisation fund or pooling system. This applies equally to the pricing of steel. The Committee is of the opinion that if the additional duty has to be raised, it should be done through a specific taxation measure with the approval of the Parliament and not by executive action, by charging high prices for an essential commodity like cement. It concludes that the entire system of price fixation for cement should be immediately reviewed and prices fixed on 'the basis of actuals'. It also recommends that the cement control order, by virtue of which STC enjoys monopoly of distribu-

tion, should not be extended beyond June 30, 1961 when it expires, and that if the cement industry is unwilling or unable to institute pooling arrangements which may be necessary to protect the new units, only then should the STC be allowed to come in.

As in the case of other Government companies, the Estimates Committee strongly advocates that STC should also be converted into a statutory corporation.

More Trade Contacts

THE State Trading Corporation continues to make a useful contribution to our foreign exchange earnings, and is simultaneously earning large amounts for Government. Since its inception in July 1956, it has contributed more than Rs 3 crores by way of income-tax, and has earned an almost equal amount as profit after tax. These figures are exclusive of a gross surplus of Rs 12 crores collected by it as agents of the Government for the marketing of cement. This record is indeed impressive, especially when considered along with the sales turnover of Rs 36 crores during the year ended June 30, 1959 against Rs 29 crores in the previous year. Of the sales during the year, exports contributed Rs 22 crores and imports Rs 14 crores. Given its special status and functions, however, the evaluation of its performance cannot be made by purely financial standards. The question that has to be answered is, Has the S T C been opening up and maintaining new channels of trade and diversifying the pattern of trade in a manner that could not have been done by private trade?

The annual reports seem to give an affirmative answer. A vigorous effort has been made to diversify trade and to cultivate new markets in countries which believe in bilateral, state to state trading. The breakdown of trade figures in the report does not give a clear idea of how much of the trade was with countries with which we have special payments agreements, etc. It does indicate, however, that the value of licences issued or contracts concluded with such countries aggregated Rs 28 crores while total sales amounted to Rs 36 crores. Nearly all our bilateral agreements with Communist countries were amended recently to provide for inconvertible

rupee payments for imports and thus to expand our exports to these countries. Total value of contracts registered with these countries and with Egypt, however, rose during the year by Rs 2 crores only.

There is no doubt that, since 1956 at any rate, the S T C has been able to develop trade with these countries and bring it up to a level which is not unsatisfactory, though it could have been much better—if the S T C's efforts had been backed up by greater and more stable supplies of commodities like oils and oilseeds, sugar, salt, shoes and handicraft products. The export of manufactures and non-traditional items presents problems of production and marketing. Its unique position and financial resources have enabled the S T C to set aside Rs 51 lakhs so far to develop trade in such items. Finance, however, is not all that is needed; organisation is even more important. The Corporation is aware of this need. Its efforts in this direction could be more fruitful if the multiplicity of export promotion organisations was redeemed and their functions and organisations were transferred to the Corporation.

Export of mineral ores constitutes the bulk of the S T C's export business. Bulk export of iron ore alone fetched Rs 12 crores during the year; this includes some quantity of low grade ore which had not been exported on any significant scale in the past. The Estimates Committee has suggested that instead of buying ore from a large number of mines, the interests of economy and efficiency would be served better by organising producers' associations to supply ores in bulk to the S T C. In case the S T C is unable to arrange for larger export of low grade ores, the Committee would have no objection to permitting private trade to enter this field. Markets other than Japan may also be developed profitably for the export of ore, or preferably pig iron. The Committee has regretted the absence

of co-ordination between the S T C and the Shipping Directorate for making the maximum possible use of Indian ships.

Administering the Frontiers

PERHAPS one of the most pertinent and shrewd observations on our present frontier troubles with China has come from the (Manchester) *Guardian* which has given an altogether new dimension to the Nehru-Chou talks. This paper remarked that the solution of the frontier problem has to be on the frontiers themselves in terms of actually administering them. The NEFA area has had a better deal in this respect than Ladakh which is a complete administrative vacuum. This is at least one possible reason why Ladakh proved to be a harder nut to crack in the present negotiations than NEFA where our administrative apparatus is in some working order.

From one point of view there is no better guarantee of frontiers than their effective administration. This really means building up a new and distinctive cadre of administrators and attracting the best talents. It will have to have some of the *esprit de corps* of and traditions of the old Indian Political Service. The recruitment of consultants like anthropologists and technicians to the service should also be instituted on a regular basis. All this is not merely a question of official initiative. A beginning has to be made in NEFA. But are we really attracting the right types and enough of them? It may be that, as Mr John Strachey once remarked, Indians are physically somewhat unenterprising.

Service on the frontiers requires a rare combination of qualities, something akin to the calibre of the old Indian Political Service in point of moral and physical fibre or of the famous Sudan Civil Service which counted both Double Firsts and Rowing Blues in its ranks. If the will to administer the frontiers is there, it has also to be effectively backed by the requisite knowledge of frontier lore and the concomitant expertise of linguistic history, geography, law and anthropology. It does seem odd that we still have to rely on the precedents and interpretations of the McMahon Line handed down by the Caroes and Reids of a former generation. In the final reckoning, effective administration of our frontiers will be a sounder

guarantee of our borders than mere assertions of cartographic sovereignty eked out by isolated border police outposts.

Non-Sambadaddham!

THE stocks of coal with the Railways usually go down during this part of the year when the demand for wagons for the movement of other traffic is high. The position has been under constant review and adjustments in the overall movement programme are made from time to time and despatches to individual loco sheds regulated as necessary. There is no cause for apprehension that there will be any curtailment or cancellation of essential goods and passenger service." — Minister for Fuel, Sardar Swaran Singh, in Parliament.

THE Minister for Railways, Shri Jagjiwan Ram, also speaking during the week said:

"Coal stocks on the railways have unfortunately been causing anxiety since December 1959. The overall stocks declined from 16.2 days on October 1, 1959 to 6.4 days on March 1, 1960 as against the safe minimum stock of 10 days' consumption. Stocks on some railways, namely North Eastern, Northern and Central, have been as low as 2 to 4 days' consumption during March 1960 and certain areas on these railways have at times carried less than a day's stock. To prevent curtailment of essential train services, the railways were compelled to divert some coal wagons booked to other consignees."

PANDIT NEHRU today took the Congress Parliamentary Party to task for its complete lack of cohesion and other weaknesses, including absence of discipline and unity of purpose.

"He said that there was evidently a lot of confusion in the Party and some of its members did not even subscribe to its basic policies and programme.

"Pandit Nehru . . . was 'pained' to note the existence of a group in the Party which consistently ran down the public sector. There were certain members who publicly expressed themselves more bitterly against the Government's foreign and economic policies than even the opposition".

—The Times of India, April 28.

Our Delhi Letter

Labour and Productivity

SUGGESTIONS for expanding activities in their respective fields were made, by persons qualified to make them, to two important organisations at palaver in the Capital.

Shri Sanjiva Reddy, Congress President, called upon the Indian Trade Union Congress to bring within its fold all workers, whether employed in industry, offices, agriculture or elsewhere. Pandit Pant, Union Home Minister, wanted the National Productivity Council to extend its scope of work to all productive undertakings including those not connected with economic activity, like research workers and scientists.

The suggestions were obviously made in a constructive spirit and, considering that they came from top people, should normally receive the attention of both the organisations. Nevertheless, both may find it hard to carry out the recommendations for the simple reason that their present strength in their respective fields is still not beyond question.

The INTUC does claim a sizeable following, 14 lakhs members. Its membership is spread out fairly among major industries and States although the strong-hold industries are textiles and plantations. Its weakness arises fundamentally from the fact that it is Congress inspired and that, therefore, its activities are not strictly in accordance with trade union objectives. If the AITUC suffers from being too close to one political party the INTUC also does, by being too close to another. The Congress Party is being criticized for getting power drunk (Shri Gulzarilal Nanda mentioned this openly in Jaipur recently) and this tendency to ride high horse is reflected in the INTUC also. The charge is that the INTUC no less than the AITUC is losing ground among the workers — may not be in regard to quantity but in qualitative allegiance. If this is so, this is hardly the time for INTUC to take up the cause of all workers. On the other hand this is perhaps the most appropriate time for stock taking and to consolidate the work so far done and put it on the basis of genuine trade unionism. That would be a better service to the nation than striving for a mass but nominal allegiance of all workers.

The Productivity Council is in a still more doubtful status. Although the Home Minister asked the Council not to confine itself to being a platform for discussion but aim at something higher, Shri Manubhai Shah, Minister for Industries and President of the Council, was, in his speech, groping for an acceptable definition of the concept of productivity. The difference in the understanding of this term was clearer in the second day's meeting of the Council. The employers' representatives spoke of productivity as something entirely to come out of labour and representatives of the workers thought that the sense of productivity should be instilled among the employers first. The Government spokesmen wanted to keep a neutral attitude but came to receive uncomplimentary remarks both from the employers and the workers.

The catch-phrases such as measuring productivity by the ratio between input and output, productivity being an entirely human problem, correlating wages to productivity etc, were bandied about. Expertise was paraded with much gusto. But all these resulted only in indefinite cross talks and did not lead anywhere near to Pandit Pant's call to a higher sense of purpose.

Shri Ramanujam, President, at INTUC meeting considered the work of the Productivity Council as a purely managerial show (or a Government show) and he blandly asserted that production could not be raised by such efforts, descending from the top. At the Council meeting, the employers' spokesmen wanted everyone to know that productivity lay closely linked with rationalisation.

In this welter of confusion Shri Reddy's and Pant's recommendation for expanded activity sounded unrealistic. Neither of them would invite the two organisations to spread confusion.

Two pieces of economic data, relevant to the purpose of the palaver, were released during the week. One was the Annual Paper on National Income which showed a rise in the income figure. At current prices, the national income stood at Rs 12,470 crores in 1958-59 and Rs

11,400 crores in 1957-58 as against Rs 9,980 crores in 1955-56. The per capita income at current prices was Rs 313.2, Rs 290.1 and Rs 260.6 respectively for the three years. At 1948-49 prices, the national income and the per capita income are as given in the table below.

National Income at Constant Prices

Year	National Income (or net national output) at 1948- 49 prices (Rs crores)	Per capita income (or net output) at 1948-49 prices (Rs)
1948-49	8,650	246.9
1949-50	8,820	248.6
1950-51	8,850	246.3
1951-52	9,100	250.1
1952-53	9,460	256.6
1953-54	10,030	268.7
1954-55	10,280	271.9
1955-56	10,480	273.6
1956-57	11,000	283.5
1957-58	10,890	277.1
1958-59	11,690	293.6

(preliminary)

This upward trend should please everyone but Shri Ramanujam wanted a breakdown of the per capita income by sections of the people. Underlying, his feeling was that there had been in recent years quite a disproportionate rise in the per capita income of the top classes.

The other document which came to public notice was the Annual Report on the Working of the Companies Act. In the debate in the Lok Sabha, following the presentation of the Report, more than one member criticized the working of the Act and pointed out the many loop-holes in the Act by which unsound company practices still went unchecked; the tendency for concentration of finances and the trend towards monopoly, which continued, came in for sharp criticism.

All that Shri Nityananda Kanungo, Minister for Commerce, could do in reply was to admit that many more things should be done for the efficient management of companies.

The Economic Weekly

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British Independence and the Military Deterrent

AS a mass display of public opinion, the "Aldermaston March" has no parallel in British politics since the end of the war. Over the four days of the Easter holiday many thousands marched the 50 miles from Aldermaston—the atomic centre—reaching London in swollen numbers. Some 100,000 people crowded into Trafalgar Square to demand that Britain should disarm, at least from nuclear weapons, unilaterally. There are some who believe that the authorities actually welcomed this demonstration of public opinion and that it has assisted Britain's own pre-Summit diplomacy. This may not in practice be strictly true but the almost simultaneous British decision to abandon the development and production of the Blue Streak intermediate range rocket and in the process to stand for once without an independent "British deterrent", makes the Aldermaston March assume a not inconsiderable significance. It may now be possible for Britain to give added impetus to general disarmament negotiations and to a suspension of nuclear tests.

The decision to abandon the Blue Streak weapon is apparently based on technological grounds. This at least is the most logical of arguments that has come from the British Government. The *Spectator* puts it well: "the Government has at last learned its lesson; all our defence projects are by some immutable law, invariably obsolete before they go beyond the project stage". The fact that a number of major British military projects become obsolete when they are just about to reach the production stage must be profoundly disturbing and frustrating for a country bent on achieving a position of independence through possession of its nuclear "deterrent". The Defence correspondent of the *Sunday Times* has pointed out that the Navy's missile going under the disarming name of "Seaslug" which cost nearly as much to develop as the Blue Streak, "cannot become fully operational until its services are no longer required". Another missile, the "Thunderbird", for use by the British Army is useless in the event of an enemy choosing to take "counter-measures". And following this order of uselessness, there is the

"Blood-hound" and a host of other missiles and rockets. And as the *Sunday Times* goes on to say, "at no less than £500 million we have after twelve years failed to find a solution to a single initial problem".

It will be easy, one guesses, for the Labour Opposition to condemn and criticise the British Government for the immense waste involved in persisting with the Blue Streak. But the problem is fundamentally not technological nor a lack of military aptitude and competence. The issue arising from Blue Streak and all the other weapons that have been worked on is basically political. Why should Britain persist in an independent deterrent and so compete in a race which only economies of the size of the U S S R and the U S A appear to have the resources to sustain? Ever since the end of the last war the future influence of Britain, its position in Europe and the world, side by side with the two colossi, has presented every British Government with the most difficult of choices: to abdicate from the great power struggle or to compete with all the resulting cost and risk. Mr Attlee secretly appropriated funds for developing a British atomic bomb despite the weakness in the economic situation. Mr Churchill pursued this and secured a British H-bomb. There followed the British attempt at rocketry and missile development. The choice was made in 1948 and Britain has failed, as is now patent, to hold her own in this race. In making that choice, however, she gave the NATO alliance something of an equivocal character and provided the *rationale* for France to compete and disturb the very equilibrium her own policy was designed to preserve. More than that, the cost of the British military deterrent inhibited the recovery of the British economy and gave West Germany the time for reconstruction and the opportunity of re-emergence as the centre-piece of the West European economy. The path chosen in 1958 has led to British isolation and this uncomfortable truth is for once being understood in Britain, if not in Whitehall, then certainly in other thinking quarters.

The Aldermaston marchers may not have worked out the vast gamut

of the arms race and Britain's present dilemma; they have, by virtue of their tens of thousands, however given an almost instinctive portrayal of the anxiety that comes from his dilemma. But prejudice remains. It is not easy for the makers of British policy to face the consequences of their actions and chart out ways which can extricate Britain from what is clearly a most profound crisis of foreign policy. Abandoning Blue Streak may have been inevitable; in its place, however, other weapons are being sought, in spite of the difficulties present. To purchase missiles from the U S, as the Government admits, is to be tied to the dictates of American policy and so to become a true vassal of the United States. This inevitably would mean that Britain would not have its own deterrent. Reverting to the trusty old V-bomber would also be no solution.

The *Economist* argues that the time has come when Britain should recognise its prejudices and throw them over-board. This journal calls for greater confidence in NATO and wants to tie the U S more firmly to West Europe. It suggests that Britain should enter West Europe for the development of a "collective deterrent" and stop "going it alone". In these ways confidence will be rebuilt and all the political and economic difficulties which separate Britain from West Europe will be removed.

It is doubtful whether this can in fact solve Britain's dilemma. To enter West Europe on these terms is to become submerged in the morass of West European politics and to become committed to a German policy which, as everyone knows, carries the gravest risks of war. Would it not be better for Britain to contract out of the arms competition, to work for disarmament and a zone of enforced withdrawal in West Europe? A policy of this order of magnitude takes an immense amount of courage to adopt. And yet there appears little left for Britain to turn to; the alternatives point to the same cul-de-sac to which the policy of the independent deterrent has directed Britain in the past twelve years.

Prices, Productivity and Prosperity

Samar Sen

April 15

SHORTER working hours are becoming a reality for more and more people in the Soviet Union every day. A little over 13 million workers and employees are already working seven to six hours. The change-over will be completed this year. And in 1964 will begin the transition to a six and a five-hour working day.

Production has not suffered. In the Magnitogorsk metallurgical base people have been working an hour less for the last three years. But labour productivity and income have risen. In the first year of the Seven Year Plan labour productivity in the enterprises was 15.6 per cent. higher than before the introduction of the shorter working day. Each blast-furnace worker now smelts ten tons more iron every month than three years ago. The Seven Year Plan envisages a rise of 45 to 50 per cent in industrial labour productivity. The Magnitogorsk workers have set themselves a harder task: they have decided to raise it to 60 per cent. In the first year of the Plan their labour productivity grew 9.4 per cent. The second quarter of this year is likely to see an even higher figure. All workers throughout the Soviet Union are determined to produce more this month to celebrate the birthday of Lenin, who once said: "Socialism shortens the working day and leads the masses to a new life".

With the introduction of higher technique and the rise in the educational standards of workers and peasants the real income of the people has grown. Compared to 1913, the real income of workers has increased 5.7 times and that of peasants 7 times. National income, in per capita terms, has increased more than sixteen-fold. During the Seven Year Plan national income is estimated to rise by 62 to 65 per cent over 1958.

A small book issued by the Central Statistical Commission surveys the progress made in Soviet times and compares it with conditions in America.

Gross industrial output in Soviet Russia in 1959 was 40 times that of

1913. Production of the means of production grew 93 times. In the machine-building and metal working industries the rise was more than 270 times.

Between 1954 and 1959 the average rate of growth in certain industries in the USSR and the USA was as follows (in percentage):

Cast iron 7.8 (USSR) and 3.6 (USA);

Steel 7.8 and 2.9;

Coal 8 and 2.2;

Oil 16.1 and 1.5;

Gas 29.2 and 5;

Electric power 11.9 and 7.5;

Cement 15.9 and 3.9;

Cotton fabrics 3.3 and 1.3;

Wool 7.8 and 1.7;

Leather shoes 8.5 and 3.1.

The figures show that in certain vital industries the Soviet Union has surpassed the USA both in the tempo of growth and in the *absolute* volume of production.

Towards the end of the Seven Year Plan the Soviet Union will smelt 90 million tons of steel a year, that is, about the same quantity that is now smelted by all the capitalist countries of Europe taken together.

Compared to 1913, extraction of coal increased from 29.1 million tons to 506.5 million tons in 1959 and that of oil from 9.2 million tons to 129.5 million tons. Extraction and production of gas in 1959 alone increased more than 7 milliard cubic metres.

The output of the chemical industry, which began to develop after the establishment of Soviet power, increased 140 times in 1959 compared to 1913.

With the progress of heavy industry the production of consumer goods is sharply rising. Some figures for 1959 are: Sugar 60,09,000 tons; butter 845,000 tons; meat 8.6 million tons; leather footwear 389 million pairs.

The production of cotton goods in 1965 will be 3.1 times more than in 1913, woollen goods 4.9 times, leather footwear 8.6 times and sugar from 6.9 to 7.4 times.

Great stress has been laid on housing. Between 1957 and 1959 203.6 million square metres of living floor space was built, that is 15.6 million square metres more than what was laid down in the Plan. Besides, collective farmers and what the Russians call village intelligentsia built about 850,000 houses last year. During the Seven Year Plan 650 to 660 million square metres of living floor space will be constructed. This will mean nearly 15 million flats. In villages 7 million houses will be built.

In 1940 the State and various enterprises spent 42 milliard roubles on social security, pensions, grants to students, medical service etc. The figure for last year was 230 milliard roubles. In 1965 it will be 360 milliard—about 3,800 roubles a year for each worker. If the expenditure of the State on building houses, schools and medical institutions is considered, then the figure will be 800 roubles more per worker.

Education is going ahead. In 1914-15 the number of general schools was 124,000. In 1959-60 it is 225,000. The number of students, respectively, is 9.7 million and 33.3 million. In 1965 the number of students at primary and secondary schools will rise to 38 to 40 million.

About 19,07,000 students studied in 3,329 technical schools in 1959-60.

In the training of engineers the Soviet Union has surpassed the USA. In 1959, 108,000 engineers graduated in the Soviet Union, whereas in America the number fell from 53,000 in 1950 to 38,000 in 1959.

Prices are coming down. Price reductions, in fact, are so frequent that sometimes people hesitate to buy—prices may fall further and the buyer then will regret his impatience. A friend who paid something like 2,000 roubles for a camera about a year ago now finds the same thing selling at 1,600. Sewing machines, watches, scooters, radiograms and certain varieties of silk goods are much cheaper now, the price reduction ranging from 30 to 15 per cent.

A Depressing Appraisal

Report on Small-Scale Industries—Part 1. Estimates Committee 1959-60 Second Lok Sabha.

THE small-scale industry programmes of the Government of India have now been in operation for over five years. Much was expected of the small-scale industries which have been defined as those with a capital not exceeding Rs 5 lakhs, irrespective of the number of persons employed. They were expected to create new jobs; produce more consumer goods; arrest further technological unemployment 'such as occurs especially in the traditional village industries'; promote decentralisation and development of industries in the rural areas; and also to contribute to 'progressive economic development at a rapid rate'. The Estimates Committee in its 77th Report has attempted an assessment of their progress and achievement during the Second Plan period. The first part of the report is devoted to the organisation of the Development Commissioner, Small-Scale Industries, and can be taken as a sample of its major findings.

Despite a number of reports, surveys and statistics published from time to time, the Committee found that there was no proper data to assess the increase in employment and official claims in regard to additional employment in this sector were purely conjectural. During the Second Plan, the small-scale sector was expected to create 1.6 lakh new jobs. On the basis of prevailing investment/employment ratios in small-scale industries, the official estimate of employment is put at anywhere between 1.17 and 2.4 lakhs by the end of 1959. The Committee was unable to accept this or any other figure.

The Secretary of the Ministry modified the claim of the Development Commissioner who had stated that 'if the amount of investment in the small industries was taken and the employment it could be expected to provide was worked out, it could be said that the employment provided has exceeded the target' (italics in the original). This he did by admitting that employment had not been increasing hand in hand with the increased production because 'quite a large number of the small industrial entrepreneurs

were self-employed people'. This view is also borne out by the evaluation report of the working group of small scale industries. What it really means is that increased investment has, perhaps, helped to reduce under-employment rather than make any substantial addition to new employment.

The available data also show the existence of substantial idle capacity in the small-scale sector, attributed variously to operational difficulties arising from non-availability of raw materials, finance, power and so on. It is understandable, therefore, that a sizable part of the additional investment should go fuller utilisation of capacity, including labour.

As regards technological unemployment, the Committee was told that there was not any, 'except in cases where there was lack of mobility'. This, the Committee felt, appeared to be over-simplification of the problem, in the absence of proper assessment. The Karve Committee had stressed the need for re-orientation of village or cottage industries at the lower technological levels to higher ones through programmes of 'skill-formation' and the provision of requisite technological and financial help. How far technological improvement has taken place and 'skill-formation' has been helped is another question which cannot be answered in the absence of data and the Estimates Committee discreetly reserves judgment on this issue.

It is, however, on the score of its failure to promote dispersal of industries that the programme is most severely criticised by the Estimates Committee. The Committee is categorical in its condemnation that 'beyond enunciating the principle of decentralised pattern of economy little else has been done to translate it into practice'. On this point, the Committee confirms the observation of the Selected Buildings Projects Team's Report on Slum Clearance which had said that

"Dispersal of industries is being talked about in our country for a long time; but no concrete steps appear to have been taken to implement it. On the contrary, there is a tendency to permit the estab-

lishment of new industries in the already over-crowded and congested parts of cities even without any regard as to whether adequate provision exists there for water supply, electricity, drainage and other facilities"

The tragedy of it is that even small-scale industries tend to be concentrated where social over-heads are already there and external economies are available. Like King Canute, echoing the words of the Selected Buildings Projects Team, the Estimates Committee wants that 'the programme for the development of small-scale industries should be made largely rural-oriented so as to concentrate efforts towards developing industries in the rural areas as distinct from urban localities where the efforts have been primarily directed so far.' Unfortunately, it does not go deep into the costs of social over-heads. Nor does the Committee seem to be aware of what is it that prevents the development of small-scale industries in villages and why is it that the exodus of village population to towns is not arrested. The Committee, however, tempers the sharpness of its criticism by acknowledging generously that the 'tempo of the activity in the small-scale industries sector has been rising', but cannot help adding that it is unable to assess 'whether it is in accordance with the objectives of the Plan'.

The common production programme, development of ancillary units and the industrial estates are the three main pillars of the programme for dispersal of industries and rural industrialisation. The common production programme seeks to draw up production targets for small-scale and large-scale sectors. The promotion of ancillaries, on the other hand, aims to build up "industrial constellations", sustained more or less on the principle of "vertical disintegration". The industrial estates provide basic facilities to organised small-scale units—built-up space, industrial power and water, common service centres such as testing and finishing equipment for groups of industries and so on.

The Estimates Committee found that of the three industries for which

'reservation of spheres' was fixed in the Second Plan, no programme was initiated at all in the case of storage batteries and the short-fall in the annual production in the small-scale sector for the other two, viz, sewing machines and bicycles, was roughly 67 per cent and 60 per cent respectively. Besides, in the case of such industries as tanning, leather and radio receivers, capacity in the large-scale sector was allowed to expand, although no such expansion had been contemplated. The main reason for this was a belated concession to economic principles, a reconsideration of the impact of reserving exclusive spheres in certain industries on general industrial growth. The Committee recognises that the benefits of the programme must not 'only be viewed in terms of employment afforded or decentralisation achieved, but also from the point of view of the best and most profitable utilisation of available resources'. The Japanese Delegation (1959) also opposed the reservation of spheres on the ground that it would mean perpetuation of inefficiency and spoon-feeding. The Estimates Committee therefore wants the constitution of a Technical Experts Committee to go into the question.

As regards promotion of ancillaries, only 8 units—four in the bicycle industry, one in automobile industry and the remaining three as ancillaries to the H M T—could be negotiated successfully till the end of 1958. Lack of progress here is due partly to the divided responsibility on this matter between the Small Industries Service Institutes and the National Small Industries Corporation. Partly, however, it is also due to the mutual distrust between the "parent" and the "ancillary" units about their respective motives. For example, the "parent" large-scale units may be sceptical about the ability of the "ancillary" small units to maintain a regular supply of standard components according to specifications. Any deviation from specifications or delay in supply would dislocate the production schedule of large-units and hence result in loss. On the other hand, the small units may be apprehensive of probable rejections of articles supplied by them on one pretext or any other, and hence may insist on an undertaking that the articles manufactured by them would be accepted as a pre-condition for starting production. This vicious circle can be

broken only when the benefits of sub-contracting are brought home to the large-scale units and the small-scale units are helped to equip themselves adequately with the requisite machinery, controlled raw materials, timely and adequate credit and so on, so that they can keep to schedule and specification. This is however largely a technical task and calls for initiative, perseverance and responsibility of the highest order on the part of the intermediary agencies.

The programme of industrial estates, for several reasons, has tended to be more a programme of delocalisation of industries and slum clearance than one for dispersal of industries and rural industrialisation. Availability of raw materials, entrepreneurial talent, power, skilled labour, transport and communication

Book Review

Age Old Image

The Dynamic Brahmin by B N Nair. Popular Book Depot, Bombay. Pp 251. Price Rs 15.

THE *Dynamic Brahmin* is a remarkable performance. Its outstanding merit is the author's deliberate break with the traditional, routine approach of Indian scholarship to social analysis and his employment of latest sociological concepts developed in the West amidst a social environment quite different from India. Its weakness lies in its relative failure to take account of the uniqueness of Indian history and in particular the special features of the theocratic stage and evolution from which the country has not yet emerged.

Not that the author is not aware of the complexity of the social phenomenon which he is analysing. His explicit notice of local, regional and Indian elements which build up the mental and "spiritual" image of the average Indian is a clear indication of his awareness of facts. That priesthood and priestcraft have played a diabolical role in the exploitation of the masses and their subjugation for good or evil is not particularly true of Indian society alone. What is astounding is that priesthood and priestcraft have lasted for so many countless centuries till those who sought to degrade others, themselves became degraded. The author has not raised these points probably due to the peculiar analytical apparatus he employs.

The whole exposition is so framed as if the Brahmin Caste had act-

facilities, banking and allied services and marketing centres—these are the "pulls" which determine the location of industries in a particular area or centre. Industrial estates provide some of the internal and external economies. This is one of the reasons why these estates have come to be located in or near cities and big towns. No doubt in these centres they have succeeded in stimulating the growth of small-scale industries. The broader objectives of rural industrialisation and decentralisation, however, by and large, still remain an elusive quest. The Estimates Committee has commended to the Government the consideration of Visvesvaraya's scheme which has been adopted in Mysore. Will one more scheme bring the realisation of the objective any nearer?

ed throughout history on a consciously formulated and deliberately implemented plan and design. This of course was impossible in those primitive stages although the author's fears about the present day dangers of political and social oligarchies and coteries are more well-founded and pertinent. Social and economic forces have not operated in this manner—not at least till almost yesterday when knowledge placed the power of deliberate control in human hands. The dark and hidden psychological forces which these historical forces generated are to this country even today a terrible legacy of the past and the *Dynamic Brahmin* renders a great service to India at a critical time in ruthlessly holding up to view the Brahmin mind as it has grown throughout ages and thus tearing the masks behind which too many of our social and political leaders take shelter.

If the author had worshipped as much at the shrines of History, Dharma-shastras and of Karl Marx as he has obviously done at the shrine of sociology, we might have had quite a different and certainly more balanced study. The presentation of the theme is marked by great vigour though almost always it is too scholastic and pedantic and even verbose. But then who expects simplicity of expression and economy of words from South India?

S K M

The Mirage of an Automobile Policy

P B M

THE automobile industry threatens to supercede the cotton textile industry as the most crisis-ridden and the most inquired-into industry in India. It has already, in a period of eight years, undergone three inquiries; each from a different angle but each groping towards the same objective: the development of a healthy, self-sustaining automobile industry. The latest of these inquiries*, exhaustive and painstaking as it is, leaves the problem much as the Tariff Commission found it when it made its first (1953) Report.

The 1953 Report contained everything that has since been discovered by the later reports. It recognised three pre-conditions to the successful development of an automobile industry in this country:

(A) Interdependence of the automobile production industry and of ancillary industries (pp 28-29, 87:1953);

(B) Integration of defence and private demand for the products of the automobile industry (p 57: 1953); and

(C) Development of total demand for automobiles by keeping their prices low (pp 63-64: 1953).

If, despite this, we do not have a viable automobile industry, the fault lies not in the analysis of the 1953 Report but in its failure to draw the right conclusions from that analysis and, in the case of the Government, to comprehend all the policy implications of the decision to develop an indigenous automobile industry.

Role of Ancillary Industries

The 1953 Report defined an ancillary industry as one which is ready to deliver its products to all consumers (who may be rival producers of automobiles) at a non-discrimi-

nating price: the component manufacturers "generally deliver their products to all the automobile manufacturers on the same terms and this is possible only if they are not directly connected with any particular automobile manufacturer" (p 3: 1953). The manufacture of ancillary products by an automobile producer (for example, radiators by Premier Automobiles, referred to on p 29:1953) precludes such products being obtained from it by rival automobile producers.

Having thus defined an ancillary industry and recognised the interdependence between automobile producers and ancillaries (pp 28-29: 1953), the next logical step would have been to provide for a diversified large capacity in the ancillary industries to which automobile producers, whose primary function should be the assembling of automobiles, would have had equal access. Instead, the Tariff Commission got shunted off to the wrong line of the argument, namely, its famous, though meaningless, choice between the "one-step" and the "step-by-step" method of developing the automobile industry (pp 45-47: 1953), the Commission itself favouring the one-step method, a necessary consequence of which was the concentration of component manufacture with the automobile producers. In fact, there was never a choice: given the objective of developing an automobile industry in the country and given the fact that an automobile industry could not spring up overnight, the only alternative left for the Tariff Commission was to lay down the course which would lead to the achievement of the objective in the shortest time and with the least cost to the consumer.

DISTRUST OF ANCILLARY INDUSTRIES

The only means to bring about this result would have been to encourage the setting up of a large number of ancillary industries with concentration of assembly operations within a few units. However, all the inquiries appear to show a distrust of ancillary manufacturers. The 1953 Report first argued that the proportion of components manufactured by ancillaries in India should not be the same as, and is

likely to be less than, in advanced countries (pp 8,29:1953); this view is endorsed by the Jha Committee (p 33:1960). The Jha Committee elaborates this distrust of ancillary producers (who, by their nature, must be small people) in greater detail over ten pages (pp 26-35: 1960) of its Report. The Committee says that

(a) ancillary producers should not have an assured market for their products (p 31:1960),

(b) their cost of production for a component should not exceed its c i f price by 40 per cent (p 32: 1960);

(c) there should be checks on the quality of their production (p 32: 1960); and

(d) in sanctioning schemes, care should be taken to see that "the production is economic and upto the necessary standard" (p 33:1960);

(e) the Committee also argues against earmarking of lines of production for ancillary manufacturers (p 33:1960).

One example of the unfairness of these conditions may be noted. All the inquiries refer to the fact that the deletion allowance from a c.k.d. (complete knocked down condition) pack is less than what the cost of production in the home country of the item deleted would be. Is it proper then to expect an ancillary in India to produce the item at only 40 per cent above the "cost" of the item?

Combined with this is an almost generous, spoon-feeding attitude to the automobile producers. There appears to have arisen an implied assumption that the existing automobile producers have a birth-right to survival, irrespective of efficiency or fulfilment of solemn undertakings given by them to the Government (which is how the manufacturing programmes submitted by them should be interpreted). The 1956 Report set up (on pp 56-60) almost a charter for the automobile producers: they should be assured a guaranteed market for their products; they should be insulated not only from foreign but also internal competition—either from among themselves or from new producers; and they should be allocated full foreign exchange for capital goods

and s.k.d. (semi-knocked down packs). The solicitude of the Jha Committee for the automobile producers is hardly less (pp 44, 52-53:1960, and, in relation to ancillary industries, on pp 31-34: 1960). The Committee would further strengthen the existing automobile producers by recommending that a consortium (or cartel) of them should be allowed to produce ancillary products (p 35:1960) and an approved small car (p 60:1960).

The Jha Committee thus specifically sets up a double standard, a generous one for the automobile producers, and a strict one, for the ancillary industry. The ancillary industry is to be subject to all restrictions which have been dispensed with in the case of the automobile producers. Would the Committee, in the interest of the automobile-users, put up the same limitations on the automobile producers as it proposes for the ancillary manufacturers in the interest of the automobile producers, and allow the same freedom to automobile-users to import the products needed by them as it now suggests for the automobile producers?

SELF-MANUFACTURE AND INDIGENOUS CONTENT

It is this step-motherly attitude towards ancillary industries which is responsible for the slow development of the automobile industry as a whole. The existing structure of the industry is marked by an intensive centralisation of manufacture in a handful of producing units, which is hardly justified by the age, stage, or size of the industry in India. The Tariff Commission, in the 1953 Report, noted the manufacture of radiators by Premier Automobiles, which could have been left to the ancillary manufacturers. Premier themselves have come to realise the futility of such concentration as is evident from a reference in its Chairman's speech this year to their decision to hive off the manufacture of some of these components into ancillaries. At the same time, however, Hindustan and Premier are now taking up manufacture of body panels, which, because of economies at only very high scales of output, the Tariff Commission had felt, could not be produced in India (p 96:1956; p 4:1960)—a development also regretted by the Jha Committee (p 15:1960).

The extent of concentration of manufacturing operations with the automobile producers is shown on pp 19-20 of the Jha Committee Report. The percentages of internal manufacture vary from 5 for Bedford trucks to 32 for Ambassador. The low percentages in internal manufacture are correlated with low percentages of total indigenous content (p 11:1960), showing that an automobile producer would prefer to import, or, if forbidden to import, manufacture himself, rather than buy from an ancillary manufacturer.

GOVERNMENT'S FAILURE

The measure of indigenous content itself has led to a lot of ingenuity in calculation. Whether indigenous content is measured by a deduction of c i f value of components imported or by a relation of indigenous manufacture to total value of the vehicle is a minor problem, which is irrelevant to the measurement of the progress of manufacture within the country. But to attribute value added by assembly operations to indigenous manufacture (as suggested by the Jha Committee, p 10: 1960) and to relate indigenous content (including assembly) to ex-factory price of vehicle, unduly inflates the percentage of indigenous manufacture (unless, of course, there is cent per cent indigenous manufacture, however defined). Assembly operations existed in India before the present policy of phased manufacture was adopted (p 6:1953; p 11:1953 shows an assembly capacity of 37,000 units which was forced out by the present policy), and it would be wrong to give credit to the existing producers for assembly operations for measuring progress in automobile manufacture. The only proper measure would be to relate the value of indigenous components to the total cost of manufacturing within India all the components in a c.k.d. pack; this would reveal a state which is much less flattering to the industry than that noted on p 11 of the Jha Committee Report (which itself is less than that claimed by the manufacturers, *vide*, for example, the percentage for Fiat-1100 given in the Premier Chairman's speech this year. What the figures do prove is the uneven, and in most cases, slow progress of manufacture as a whole in the country after eight years of complete freedom to the industry to develop at its

own discretion (p 12:1960).

The Government itself proved no wiser and, in fact, as will be shown later, acted in a way which impeded the development of the industry. In accepting the programmes of progressive manufacture from the producers, the Government accepted post-dated cheques from the industry after it (the Government) had deprived itself of all means of getting compensation in case the cheques were not honoured. The consequence is that under the policy enunciated by the Tariff Commission and accepted by the Government, we have today neither a satisfactory ancillary industry nor a complete automobile industry. We are having the worst of both worlds: dependence on imports for the automobile industry and an expensive "indigenous" product.

A POLICY FOR AUTOMOBILE INDUSTRY

The 1953 Report did not lay down a definite course for the development of the automobile industry, leaving it to arise haphazardly according to the discretion left to the automobile manufacturers and the Government. The Tariff Commission's fault lay in the failure to enunciate a self-fulfilling policy for the development of the automobile industry—a policy which would lead to the required result without requiring governmental interference or inquiries of the present kind.

The policy was assessed in an earlier article*. What is essential is to determine a list of components, amounting to not less than, say 80 per cent of the c.k.d. value of a pack, which are suitable for manufacture by ancillaries. It should then be possible to reserve the production of such parts by ancillaries and to prohibit their manufacture by an automobile producer, say, for the next ten years. A new producer would have free access to the ancillary capacity, and, in addition, should be required to produce or obtain at least 20 per cent of the other components in the first year and 100 per cent after four years. His import licences for capital goods should be firmly fixed for the whole four-year period (of the manufacturing programme) and those for the balance

*'Automobile Industry in India' (a review article of the 1956 Report), *The Economic Weekly*, Volume IX, No. 9, March 2, 1957.

* Report of the Ad Hoc Committee on Automobile Industry, New Delhi, January 1960, pp ii+223 (referred to henceforward as the Jha Committee or 1960 Report). The earlier reports are *Report on the Automobile Industry*, 1953 (henceforward referred to as the 1953 Report), and *Report on the Automobile Industry*, 1956 (henceforward referred to as the 1956 Report), both by the Tariff Commission, Government of India.

ing content value per c.k.d. pack only prevented the growth of an pre-determined (though the number of s.k.d. packs allowed in would be subject to foreign exchange availability). This would imply that a new model would have indigenous content of 85 per cent in the first year (*Shaktiman* trucks were reported to have $29 + 9 = 38$ per cent indigenous manufacture in the first year) and 100 per cent after four years. A system of bonus s.k.d. packs may be introduced for producers who over-fulfil their deletion programme and of penalty for those who underfulfil it.

FIXED PERCENTAGE OF C K D PACKS

If the automobile producers are to be compelled to purchase components from ancillaries, it would be necessary to ensure that ancillary industries supply at an equitable price to all automobile producers and that the products meet the standards and delivery dates in a fair way. Free play of competing ancillary manufacturers would also ensure such a result.

The essential feature of such a policy is the laying down of fixed percentages of c.k.d. packs year by year, which would be allowed to an approved new producer. This would enable the Government to lay down rules for approval (for example, those relating to foreign exchange or participation arrangements, and so on). It would also leave to the Government the discretion to approve a producer and to fix the level of foreign exchange allowed according to general economic exigencies; at the same time, a producer, once approved, would be able to go ahead with a production programme on the basis of an announced Government policy.

By facilitating entry, such a policy would place existing producers under notice that they would have to face competition in the future. In fact, it would be advisable to declare that after two years, say, the second year of the Third Plan, new producers would be allowed in on terms announced now. In so far as ancillary capacity is created, the entry of new competitors would not cause a drain on foreign exchange for importing s.k.d. packs (though foreign exchange should be allowed for capital goods imports), and one main argument for preventing entry of new models and newcomers would lose force. The present policy has not

automobile industry: it has helped the existing producers to create a monopoly situation favouring themselves—as reward for default on their own programmes!

IMPACT OF THE NEW POLICY

The policy enunciated above would involve organisational changes in the structure of the existing automobile units, compelling them to hive off into independent companies those activities reserved for ancillaries. Such a decision would create a large, dispersed, competing capacity for ancillaries freely available to new automobile producers. This breaking up of existing integrated units into independent ancillaries is essential to the healthy development of an automobile industry.

The structure envisaged here would therefore comprise (a) an assembling industry consisting of existing automobile producers and of approved new comers, carrying on minimal production under their shed and (b) an independent ancillary industry consisting of the existing and new ancillary manufacturers and the hived-off sections of the existing automobile producers. Such a structure would not only enable the healthy growth of the automobile industry but would avoid the crises at present inevitable in every application for the introduction of a new model or the entry of a new producer; it would provide for their easy incorporation without dislocating the industry at any point of time.

The inauguration of such a reorganization may require a change in the Tariff Commission's powers which have so far been confined to deciding on the issue and quantum of protection. The Tariff Commission had (in earlier reports on industries like jute baling hoops) recommended changes in location. The Tariff Commission has to have the right to order, if necessary, organisational changes in industry, like the powers the Supreme Court in the USA has, and, which it has exercised in the past under the Sherman and the Clayton anti-trust Acts.

The Jha Committee cannot plead that it lacked powers to recommend the kind of reorganization suggested above, for one of its terms of reference was that it should "suggest the most appropriate pattern of organisation of the future expansion of the industry to ensure low cost produc-

tion" (p 1:1960). What it lacked was the capacity to get the industry out of the rut into which it has fallen and the will to take drastic steps to put it on its feet.

Integration of Civilian and Defence Demand

The 1953 Report had argued for the need to integrate the defence and the civilian demand for vehicles. The first dent in this unified development was made with the start of the production of *Shaktiman* trucks by the Defence Ministry. The Jha Committee refers to the question of the entry of a third sector, the public sector (as distinguished from the private sector and the defence sector) into automobile production; this position seems to have been accepted by the Government of India as reflected in Shri Manubhai Shah's reply to the debate on his ministry in the Lok Sabha March 30, 1960. This is the most open admission of the failure of the Tariff Commission's recommendations and the Government policy on the automobile industry, and makes nonsense of an integrated policy of developing the industry.

The Government's decision merely sidetracks the issue. The basic issue is not the agency which is to undertake production of automobiles: in fact, the need for flexibility in organisation and for setting up an efficient service mechanism would justify the Government not entering into the automobile production field. What is necessary is to adopt a proper policy for the development of the industry, to diversify the manufacture of ancillaries, and to ensure the emergence of an element of competition into the industry as soon as the state of demand justifies it—none of which the decision for Government production of automobiles ensures.

Pricing Policy

One of the three inquiries (the 1956 inquiry) was devoted specifically to the problem of price-fixation. The relation of price to demand is important in the automobile industry, particularly as the two are not independent but interdependent—a low price would stimulate demand which, in a condition of economies of scale, would lower costs, setting up a cumulative force for expansion (p 446, 'Automobiles for Asia', *Far Eastern Economic Review*, March 3, 1960). In this context, the publicity campaign launched some time ago to "prove" that the Indian

counterparts cost about the same in India as the original cars in home countries was a bit too ingenious. The result was brought about by adding to the ex-factory cost of the car either the high purchase tax in the home country or the notional import duty (at present amounting to higher than 75 per cent or Rs 6,000, p 213: 1960) when cars are not allowed to be imported at all. Any unfavourable comparison for the Indian model could always be met by asking the Government to raise this notional duty. And if there is no unfair fleecing of the Indian consumer, would the Indian producers represent to the Government to free import of cars at the existing rate of duty to those who want them?

The existing policy has been to try to foster the industry by leaving it almost free to charge its price according to cost. Such a policy, particularly in the absence of cost-accounting in the industry noted in all the inquiries, sets up no internal pressures to reduce cost; the policy enables price to be fixed on a cost-plus basis without examining whether all costs are justified. As cost examination, besides amounting to undue interference in the internal working of an enterprise, would hardly be a feasible proposition for operation from outside, the only proper course would be to fix a price-schedule determined on outside criteria, and to compel manufacturers to adjust cost within the limits so set.

The basis for such price-fixation would be, say, the c.k.d. value of a pack of the foreign collaborator (this is generally a determinate, well-known quantity, as these collaborators send packs to their assemblers in many other countries). A price allowing for a cent per cent increase on the c.k.d. value initially would provide a sufficient margin for the assembling value and the higher cost of indigenous production; there could be provision for reduction in price as volume-production was achieved.

Such a system would result in an immediate reduction of about 10 per cent in the prices of Hindustan Ambassador, Fiat and other cars. The c.k.d. prices of packs for the years 1955-56, given in the 1956 Report (pp 24-46, also 86-92: 1956), were about Rs 4,600 for Hindustan Ambassador, Rs 3,800 for Fiat-1100, Rs 5,600 for Standard Vanguard

and Rs 3,800 for Standard-10. Allowing for a 15 per cent allowance for assembly, the doubled prices in India would be Rs 10,600 for Hindustan Ambassador, Rs 8,800 for Fiat-1100, Rs 12,900 for Standard Vanguard and Rs 8,800 for Standard-10, which should be considered fair list prices to cover adequately the import and excise duties, the added cost of indigenous manufacture of components including the higher cost of the low volume of output, and dealers' commission; if necessary, the Government should be willing to forego revenues from excise duties to enable manufacturers to reach the target prices (which should be considered a maximum, to be brought down as output and competition increase).

So long as the pressure to reduce costs and keep the prices low arising from competition is absent, a policy like the one enunciated above, arbitrary as it may seem, is the only means of protecting the consumer. Such a policy would, besides developing demand and thus breaking the vicious circle of price and demand referred to earlier, also set before the industry a target to be achieved by controlling costs and increasing efficiency.

The new excise duties on vehicles must be treated as a regrettable short-term measure on the part of the Government to siphon off "sellers' surplus" arising from scarcity. It would, and should, lose justification once an expansive policy is laid down effectively countering the existing monopoly situation for automobile producers.

The Cheap Car

The demand for a "cheap" car falls into proper perspective in this set-up. It is essential to note that a cheap car should not mean one sold at a low price — it should rather, mean one produced and sold at an economic price. Most of the models being made in India — Hindustan Ambassador, Fiat 1100 and Standard 10 — have their ex-factory cost in the home countries around the price-range (Rs 5,000 to Rs 7,000) set for the cheap car in India. If, therefore, the existing models could be produced at their price in home country (and if Finance Ministers can be persuaded not to treat roads and road-vehicles as modern versions of the *kamadhenus*), the demand for a cheap car would be satisfactorily met.

The demand for a baby car is an urban fad — a fad which vanished in the West in less than five years, as can be seen from the fate of BMW Isetta and other babies in Germany. It is doubtful if such a car would ever stand the road conditions in India outside the cities — or even inside. What has generally been favoured is a slightly larger car than the continental babies. Any such light car, however, would be subject to the same objections. If a new car has to be introduced, it must be suitable for Indian conditions — that is, rugged, not subject to frequent model changes, and cheap. Perhaps the only car that could satisfy these requirements would be Volkswagen (after it undergoes the projected change in its design, the first in 12 years). The Government policy, under the present situation of import restrictions, should not be to consider offers, if made; it should be to seek out actively producers who can produce a car suitable to Indian conditions.

The Jha Committee evaded the issue by leaving the ultimate decision to the Government on the ground that it could not assess the foreign exchange situation and final sanction would require detailed negotiations between the prospective producers and the Government. This is all the more regrettable as the Committee gave an interim report on the cheap car issue (p 49: 1960) and refers in the present Report to its having become known as the Cheap Car Committee (p 54: 1960). What was expected of the Committee was not a final choice — an advisory committee cannot claim finality for its decisions. What it could have done was to obtain the minimum terms from prospective producers (and obtained the same for other models which it considered suitable but whose producers were not before it), to set out the relative merits of the schemes, to make its own recommendation (based on suitability, foreign exchange cost, relative standing of the producer), and suggest a machinery for ensuring that, whatever the selection, there would be no default in commitments made by the producer. Instead, it has made a perfunctory examination of the issue and absolved itself of all responsibility of making a definite recommendation. The alternatives considered feasible by it — a consortium of existing producers or a public sector con-

cern (p 59:1960) — are both fraught with danger for the future of the industry. And a Government, eager to hide the mess in which its policy has placed the industry and to obtain credit by dubious accounting methods which, in the case of *Shaktiman* trucks, for example, have never been revealed, has now seized on the opportunity provided and promised to produce a *Janata* Car!

Notes of Dissent

If the Jha Committee's report is disappointing, the notes of dissent from Professor B N Das Gupta (pp 98-106 : 1960) are downright confusing. Firstly, he pleads for Baby Hindustan to be adopted as the small car on the ground that it is "not a new scheme" (p 100) — though the output was 21 units in 1954, 355 in 1955, 263 in 1956, 746 in 1958 and 39 in 1959 (p 202: 1960) and the list price in 1959 was Rs 8,400 (p 206 : 1960). And what is Hindustan Motors' record in fulfilling the manufacturing programme submitted by them in 1952? The note later argues for continuation of Standard 10 "which I consider to be a small car" (p 104 : 1960). This hardly makes any sense, for, at present, Standard 10 costs only 3 per cent less than Fiat

1100, and in no foreseeable future is it likely to be much cheaper. Granted a policy of concentrating demand and avoiding competition, is it justifiable to have two cars in the same price range? Finally, the Professor distrusts the new schemes which being tailored to the Committee's terms of reference for a cheap car—promises would not be fulfilled ultimately (pp 99-100 : 1960). "On the other hand", he argues, "costing of the existing models has been done with meticulous care" (p 99 : 1960). Professor B N Das Gupta was a member of the 1953 Tariff Commission which accepted, without critical examination, the post-dated cheques from the other producers. It hardly lies in Professor Das Gupta's mouth to claim a superior mandate for the existing producers than for the prospective producers — unless he has become wiser after the experience of 1953!

Conclusion

One feels more and more that inquiries of the Tariff Commission type and of the present kind are a forum for special lobbying by interested parties, instead of being a critical examination of the problem in hand. One means to overcome this would be to have a counsel to

represent public interest (as there is in enquiries under the Companies Act), who would critically examine the witnesses, including representatives of industries seeking protection. In the absence of such an arrangement, it should be for the Tariff Commission or the inquiry bodies, backed by their independent research staff, to act as upholders of public interest. Unfortunately these bodies are too restricted by their own past commitments and too identified with the industry to take up an independent attitude. The automobile reports generally contain an air of a scarcely hidden apologia for failure of past policies and an unsuited white-washing of the failure of the industry to deliver the goods.

The Jha Committee Report definitely places the clock back (particularly in its recommendations about ancillaries) by failing to enunciate a self-sustaining policy for the development of the industry, which, stripped of all the side-shows about the cheap car, was its main function. A policy is not a set of improvisations; it is the set of steps which would lead to the given objective. The Jha Committee presents only the mirage of such a policy.

From the Chair

United Bank of India Limited

Speech of the Chairman, Dr. N. N. Law

THE following are extracts from the speech delivered by the Chairman, Dr. N. N. Law, at the Tenth Annual General Meeting of the United Bank of India Limited, held on the 25th of April, 1960:

"The economy of the country is entering an important and crucial phase. In this the last year of the Second Plan, preparations are afoot for launching the Third Plan which, it is hoped, will mark the achievement of the self-generating stage in India's economic development. In this context, I take your leave to make a few observations bearing upon the banking system generally, before I proceed to present your Bank's balance sheet for your consideration.

THE TREND IN BANKING

"Despite the strains and stresses that banking in India has had to contend with during the 1950s, its contribution to the developmental effort of the Nation has not been insignificant. There has been a marked growth in deposits as well as in advances; more areas have been provided with banking facilities; banking habit has been further stimulated; finance for foreign trade, in addition to the growing demand for inland trade and industry, has been provided; and Government borrowings have been supported.

OPERATING EXPENSES

"The growth of the banking system has, however, been inhibited by the rising operating expenses, a factor which has cut into the already thin margin of bank profits. Between 1950 and 1958, the ratio of operating expenses to deposits has, in the case of Indian scheduled banks, gone up from 2.97 per cent to 4.24 per cent. This means a rise of about 43 per cent as against a rise of 29 per cent in the ratio of operating earnings from 3.84 per cent to 4.96 per cent.

"Operating expenses comprise mainly (a) cost of deposits and (b) establishment charges, over neither of which has the banking system been left with any appreciable measure of effective control. Firstly, in regard to the cost of deposits, while it is true that the upward trend in

the rate of interest on deposits was checked by an inter-bank agreement in 1958, it cannot be said that the average cost of deposits has since been appreciably brought down in-as-much-as in recent years the pattern of deposits, with a preponderance of time deposits has remained unchanged; in 1959 time deposits constituted 60 per cent of the total deposits of Scheduled Banks as against 33 per cent in 1950.

ESTABLISHMENT CHARGES

"Secondly, in regard to Establishment charges, these are mounting from year to year and have for some time been quite outside the control of the banks. While there has been, in recent years, appreciable increase in the overall remuneration of bank workers, it can by no means be said that there has been a corresponding improvement in their productivity. I appreciate the difficulties experienced by all workers and fixed-income groups, during a period of rising prices. But in a fast developing economy, it is the lot of all citizens to bear such hardships. Unless there is a determined effort to increase productivity and unless an increase in remuneration is linked to a corresponding increase in output, the circle of wage rise and cost inflation would continue unbroken. I would, therefore, appeal to all workers and particularly to the bank employees, to appreciate the situation and extend their wholehearted co-operation in an endeavour to improve the standard and norm of production.

"While on the subject of operating expenses, I want to sound a note of warning against the dangers of a situation, in which, to meet the growing expenses, banks are reluctantly forced to seek increased earnings by a quick rise in their Advances. Expansion of bank credit, when occasioned by development efforts, may be a necessary feature in the process of economic growth, but it becomes a different matter when a rise in advances is sought for the purpose of meeting the disproportionate increase in the banks' operating costs. An enquiry into the manner in which, and the extent to which,

the rising operating expenses have so far been absorbed, and whether the process has not adversely affected the banking system and the sound growth of the national economy, would prove to be a very useful study.

OPERATING EARNINGS

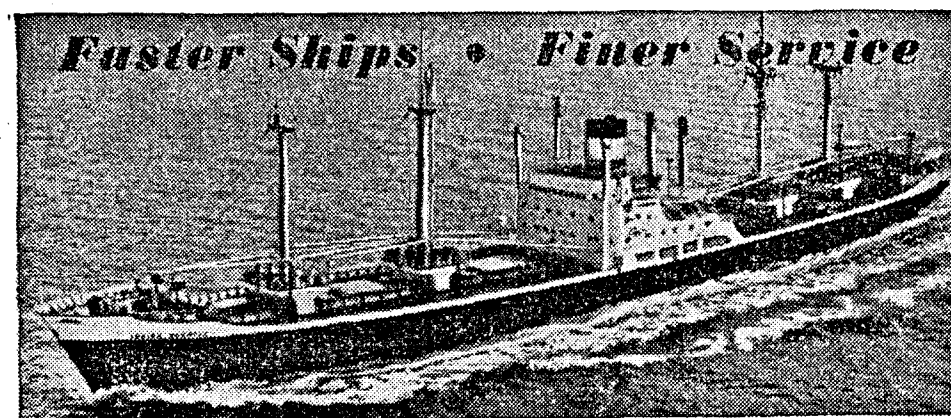
"The imbalance between rising operating costs and comparatively less elastic operating earnings, has acquired the dimensions of an international problem. It is instructive to note that despite significantly high service charges of the American banks, the Vice President of the American Bankers' Association has, in a recent address, thought it fit to emphasise the necessity of educating the banks' customers with a view to further passing on the incidence to them. The banks in India are now faced with a similar problem of improving their earnings without much altering their pattern of assets.

"Besides meeting the rising costs, the banking system must have a better pattern of earnings to be able to provide better and newer services. Owing to the inter-play of various forces, domestic and international, it has become necessary for the banks to organise and increasingly develop departments which earn no profit for them, such as Economic research, methods and systems research, cost analysis, study of specific industries etc. Faster expansion of branches would also require ability to bear losses on the new branches. Again, adoption of new techniques of advances, to meet the requirements of the economic development efforts, needs to be backed by a better built-in cushion.

MONETARY POLICY

"Having discussed some of the aspects of the trend in Indian banking, I now turn to an important monetary measure recently introduced in this country.

"Any step, which is expected to restrain inflation, the most crippling force in an economy, would be welcome even when it is taken in anticipation. While introducing such a measure, however, it is necessary to ensure a proper spread of its inci-



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dence over the different segments of the economically active people. Complexity arises when, for reasons of inability or expedience, the attack cannot be directed at the source or the sense of equity cannot be allowed to prevail.

"It is in this context that the directive, issued in early March this year, by the Central Banking authority, has to be judged. Banks are now required to maintain with the Reserve Bank, as cash deposit, 25 per cent of any increase in deposits accruing after 11 March, 1960, in addition to the requirement of the usual statutory deposits at 2 per cent of the Time and 5 per cent, of the Demand liabilities. Although such measures were adopted before in other countries of the world, when occasion arose, the present directive is the first of its kind in imposing quantitative restriction on the use of bank resources in this country.

ADVANCES-DEPOSITS RATIO

"The purpose for which this step has been taken, is, according to the statement in the press, to meet the situation arising out of substantial liquidity in the banking system, expansion of money supply and bank credit and their impact on the price level. With regard to liquidity of banks, early in March this year, the Advances-Deposits ratio of all scheduled banks including the State Bank of India was 56.66 per cent. If the figure for the State Bank (31.01 per cent.) is isolated, the ratio of other scheduled banks would stand at over 69 per cent about the date when the directive came into effect. If the amount of about Rs. 300 crores of the P.L.480 counter-part funds lying with the State Bank in deposit, (and which is stated to have been entirely invested in Government Securities) is isolated from its total deposits of about Rs. 614 crores, the advances ratio of that bank to the net figure, will be of the order of 60 per cent. If this figure is taken with the figure of other scheduled banks, the overall ratio of all scheduled banks would be around 67.4 per cent.

"As for bank credit, expansion may be allowed as far as the productive requirements of the economy would warrant. In a fast developing economy there is need and scope for flexibility of approach in this regard. The impact of bank credit on the price level, at the present

time, is at best insignificant. A major contributor to a cost inflationary trend is the impact of a disproportionate rise in wages. It is our view that wage rise, as it is taking place today, is completely dissociated from the realities obtaining in the life of the masses as a whole. In such a situation, I wonder how far the effect of such non-monetary causes can be neutralised by monetary measures, particularly when the latter cover only a small portion of the total economic activity of the country,—the bulk remaining outside the channels comprising the organised money market. On the other hand, a substantial expansion of the banking system can be an important corrective, and this, we think, needs real encouragement.

"Future will answer whether or not the step taken has been much ahead of its time and whether the context in this country was or was not the same as those in which such steps were taken in some other countries. It must, however, be admitted that, if any monetary measure is at all indicated, it is more welcome in its present form than in the form of other conventional restraints. If this measure will succeed in keeping the prices under control, and holding the value of the Rupee, and not aggravate the situation by hampering production, the step will have been justified and the banking system will have no complaints.

BANK'S PROGRESS

"I now draw your kind attention to the Bank's Accounts for the past year, which have been in your hands for some time. The results depict yet another year of progress. Deposits have gone up from Rs. 43.54 crores in 1958 to Rs. 47.68 crores. There has been a slight decrease in advances by Rs. 12.2 lakhs to Rs. 27.51 crores. More foreign exchange business was transacted during the year as compared to the previous year. Against the background of general economic growth, the eastern part of the country suffered considerably, during the year under review, from flood and excessive rain. Having a large number of offices in this affected area, your bank could not but feel the repercussion. Judged in this context, therefore, the progress achieved has been both satisfactory and encouraging.

"I feel happy to be able to report better operating results than in the

previous year. The profit for the year under review has been arrived at after payment of bonus to the staff, an item which figured in the previous year as an allocation from the profit. Although your Directors are now able to recommend dividend at a gross rate of 4.30 per cent, on account of the Finance Act, 1959, the net rate at 3.01 per cent remains almost the same as before. At the recommended rate, payment of dividend will absorb Rs. 11.39 lakhs as against Rs. 7.83 lakhs in the previous year. It may be relevant to mention here that, the new pattern of Incometax has further dug into the effective profits after taxes in the hands of the banks and the shareholders. As a result, there has been a noticeable decline in the value of bank shares with a few exceptions.

NEW BRANCHES

"During the year under review, we opened four new branches at Barrackpore, Naihati, Kharagpur and Dum Dum. The new branches, along with the others, are making satisfactory progress. More branches will be opened during the current year and preparations for this purpose are in hand."

FINANCE TO SMALLSCALE INDUSTRY

Welcoming the move taken by the Reserve Bank to introduce a scheme of guarantee to cover a portion of the losses that may be suffered by commercial banks in financing the small-scale industrial units, Dr. N. N. Law observed:

"However, in-as-much-as inadequacy of risk capital continues to be a major problem in financing the small business, the idea of establishing an Issue House to assist new floatations, and offer facilities for sale and purchase of non-marketable equities, may also be considered at the same time."

He declared that the Bank, which has already been financing small and medium industrial and business units in large numbers, has now decided to organise a separate section at its Head office to handle the small business loans with special attention. "This", he observed, "will enable us to better understand the problems of small scale industries and to see how far the Bank may further augment its financial assistance to them."

Pakistan

Referring to the activities of the Bank's branches in Eastern Pakis-

tan, he said, "In recent years the efforts at economic development in Pakistan have been receiving further momentum. The Government have rightly emphasised the priority of development of agriculture, and of small and medium industries based on agricultural produce. It is to be hoped that, efforts in this direction will draw wholehearted support from the people and enthuse them to inspired activity. Your Bank, through its branches in that country, will not fail to make its utmost contribution, in its humble way, toward such developmental efforts."

With regard to developments in the field of banking, in Pakistan, Dr.

Company Notes

THE activities of Mahindra & Mahindra are steadily changing over from trade to manufacture and investment in affiliated companies. Its sales turn-over during the year ended October 31, 1959 declined to Rs 932 lakhs from Rs 1776 lakhs owing to lower steel imports and their direct financing by government. Gross profit, however, improved from 5.6 per cent to 8 per cent. Net earnings after tax have gone up from Rs 23 lakhs to Rs 29 lakhs. Earning on capital invested has consequently risen from 3.2 per cent to 4.6 per cent. As a result of the substantial increase in share capital, however, earning on net worth has fallen from 19 per cent to 13 per cent. Preference dividend is now covered only 6½ times against 14 times in the previous year. Net earning per equity share is Rs 1.86 against Rs 3.44. Dividend is Rs 1.25 gross against Rs 2.20 net. The substantial increase in share capital during the previous year and its employment in full through the latest year is largely responsible for the cut in dividend. Moreover, the company is no longer subject to Section 23A of the Income Tax Act and does not therefore have to distribute the greater portion of its profits. At the current price of Rs 22.24 x d, Mahindra & Mahindra Ordinary is quoted at about 12 times its earning and approximately 25 times its net dividend.

The company is actively investigating the possibilities of exporting steel to various countries after the new steel plants get into stride. It has been appointed controlled stock-

Law referred to the report of the Credit Enquiry Commission, appointed by the Government of Pakistan in February, 1959, with Mr. Abdul Qadir, Governor, State Bank of Pakistan, as Chairman, and observed: "It will be out of place to discuss the Report here, but it is worth noting that, the Commission has made a detailed study of the problems and has advanced suggestions which merit careful consideration. One of its recommendations is that the subsidy arrangements with the National Bank of Pakistan, for opening new branches, be extended by the State Bank of Pakistan to other Pakistani commercial banks. This is a very useful suggestion and

Mahindra & Mahindra

ist of steel at Calcutta and Bombay and hopes to cover a still wider area in the near future. Clearance and distribution of steel imports on Government account is being done increasingly with the assistance provided under the U S Development tons.

Distribution of Jeeps and allied vehicles registered a record level of 4,694 units against 2,792 units in the previous year. Still greater attention is being devoted to improvement of the distribution and service network. The company has incidentally been complimented by the Jha Committee for the commendable work it has done in this field. It is, therefore, disappointed that no definite recommendation has been made by the Committee, to which it had proposed a small car model—the only one which met all the specifications laid down for such a model and which, moreover, had the least foreign exchange cost.

The company proposes to centralise its jeep manufacturing operations in one area. A suitable site is being acquired in Baroda for this purpose. Two affiliated companies, both of which enjoy foreign collaboration in share capital, will shortly manufacture tractors and self-lubricating bearings.

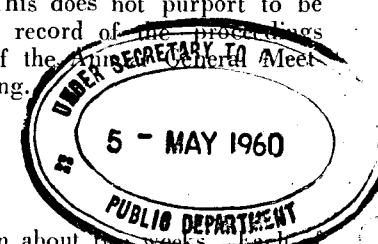
Steel Production Begins At Durgapur

STEEL started flowing out from Durgapur Steelworks with the first open hearth furnace going into operation on April 25th. The second Furnace is also ready for operation and the third one will

we think that such a measure, if adopted here, would be welcome also in this country."

In this connection, reiterating the need for appointment of a Banking Expansion Commission in this country, Dr. Law said that such a Commission could serve the useful purpose of making a close examination of the entire banking system and suggesting ways and means for further improvement and expansion on proper lines.

Note: This does not purport to be a record of the proceedings of the Press Secretary to the Meeting.



follow in about two weeks. Each of the furnaces have a capacity of 200 tons.

Molten iron from the blast furnaces is stored in the Mixer Bay in two Inactive Hot Metal Mixers of 800 tons capacity each. It is taken from the Mixers, in ladles and de-siliconised by the application of pure oxygen to the molten metal by means of a lance.

The molten iron is brought in ladles from the de-siliconising plant and charged into the furnace. A typical 'charge' consists of 70 to 80 per cent molten iron and 20 to 30 per cent steel scrap together with small amounts of iron ore and fluxes. The furnace is fired with a mixture of Coke Oven Gas and Cresote Pitch (residue of Tar Distillation) both of which are produced in the By-Products Plant of the Coke Ovens.

The Durgapur Steel Plant will eventually have eight Open Hearth Furnaces, seven of 200 tons capacity and one of 100 tons capacity for the production of special steel, giving a total output of 2800 tons of steel per day. The Plant has been designed to accommodate four more furnaces at a later date.

Refrigerated Rail Vans

SIX refrigerated vans for the transport of fish are being introduced as an experimental measure during the current hot weather. The first of these vans, which are being constructed at Central Railway's Carriage and Wagon Workshop at Matunga, Bombay, is expected to be delivered by this month-end. The

bogies for the vans are being supplied by the Integral Coach Factory at Perambur, while the underframes are being supplied by a private firm. The refrigeration equipment is being imported.

The Ministry of Food and Agriculture, on whose behalf the vans are being built, had exhibited a model of the van at the recent World Agriculture Fair in New Delhi.

Around Bombay Markets

Equities Still Firm

DALAL STREET continues to present a firm appearance. Nothing seems to bother stock exchange bulls at the moment. They can seek happiness even in adversity. How else explain the market's continued firmness in face of the failure of the Sino-Indian border talks at the highest level? The implications of border tension can be certainly serious if only because defence expenditure will need to be kept high thereby causing heavy strain on the country's resources.

Though distinctly firm, equities last week fluctuated rather erratically. Net gains over the week were generally small. But the list of counters which rose substantially above their previous week's highs was not very small and the range was wide. Standard Mill led by recording a rise of over Rs 120 to around Rs 1,040, a new all-time high. Automobile shares were in the limelight with Hindustan Motor back again at its previous peak touched in March. Steels held firm despite considerable corrective profit-taking. Shippings which had been neglected for long also attracted good attention and staged an impressive rise.

Cash shares maintained a steady tone due to scarcity of offerings. Most of the new issues which had recorded spectacular rise over the past few weeks came under some selling, presumably to realise funds to be invested in the new issues that are now offer at par, namely, J. K. Rayons, East Anglia Plastics and Phillips Carbon Black. Synthetic Chemicals are also expected to be on the market by about the second week of May. All the issues which are now on offer are fetching sizable premiums unofficially. Hence

Estate Duty Collection in 1959

THE total amount collected by Government from estate duty in 1959 was Rs 2.61 crores. The number of estates assessed was 8,522 as compared with 25,854 assessed from October 15, 1953 to December 31, 1958.

Giving this information in reply to a question in the Lok Sabha Shri Morarji Desai, Finance Minister,

said that information regarding the number of persons from whom dues had been collected and those from whom dues had not yet been collected was being obtained from the Controllers of Estate Duty and would be placed on the table of the House when ready.

Shri Desai added that it was not a fact that in many cases dues had not been collected because of slackness of the Department.

Thursday, Morning

the rush for applications. The craze for new issues is easily understandable because of the huge fortunes that investors in them have made over a very short period of time.

BACK TO WHERE IT STOOD

The market is back again where it stood when the Reserve Bank announced credit control measures in March aimed mainly at the stock exchange. This has encouraged many to think that the authorities will now come out with more restrictive measures. A higher Bank Rate is being widely talked about. When there is little reason to believe that bank credit has been used for speculative purposes to excess or that the liquidity of the banking system has increased, it is doubtful whether credit restrictions can really do much good to the economy. Of course a higher Bank Rate—if the increase is one per cent or more—can easily reverse the trend in equities. But the rise in equity prices need not be viewed with much concern so long as the market continues to remain solvent. This, it should be possible to ensure, through stiffer margins and special deposits, if speculation tends to assume unhealthy proportions. The trend in equities does not have any important bearing on the overall inflationary trends in the economy which alone need to be kept under check.

Oilseeds

UNCERTAINTY PERSISTS

THE oilseeds trade which thrives mainly on the business of fluctuations is greatly agitated over the continued uncertainty about the fate of the new contracts because fresh business in the current May contracts will come to an automatic stand-

still with the end of April. The Board of the Bombay Oilseeds and Oils Exchange has accepted nearly all the conditions imposed by the Forward Markets Commission. Only the decision on wider representation to crushers and panel-wise election has been deferred to a later date. The secretary of the exchange has resigned—rather made to resign—in the general interests of the trade and his resignation accepted. A five-man committee has been formed to appoint a new secretary. All important appointments henceforth will carry the Commission's prior approval. This should more than satisfy the Commission but if trading in the new contracts has not yet been permitted it is perhaps because the Commission would like the exchange also to settle the question of panel-wise election right now. The move to provide for wider representation to crushers' interests and to introduce the system of panel-wise election is welcome but whether these issues should be thrashed out right now is another matter. Since the Commission can always force its will on the exchange this matter could be easily taken up at the time of granting permission to trade in the new season's contracts.

OILCAKE EXPORTS

Trading in oilseeds futures last week was quite an unexciting affair and the price pattern was moulded essentially by conjectures about the start of trading in the new contracts. With the May contracts approaching maturity and the spot material quoted at a substantial discount, castor and linseed futures came under considerable bull liquidation because of the prospect of larger tenders and prices suffered modest losses.

It was the other way round in groundnut and cottonseed. The premium on the ready stuff forced bears to cover their sales and prices showed a firm tendency. Cottonseed May touched a new high of Rs 161.50 per candy. Net changes over the week, however, were small. Castor and linseed which had been marked down from Rs 173.37 and Rs 33.37 to Rs 170.50 and Rs 32.91 recovered to finish at Rs 172 and Rs 33.06 against Rs 172.37 and Rs 33.25 respectively a week earlier. Groundnut May moved irregularly between Rs 219.75 and Rs 218 and cottonseed May between Rs 161.50 and Rs 159.

The performance on the export front was not unencouraging though activity was almost confined to oilcakes. Communist countries were in the market for oilcakes in a big way. East Germany figured as the chief buyer and was reported to have purchased about 15,000 tons of groundnut extractions, 6000 tons of linseed cake and 800 to 1000 tons of copra cake. Another 10,000 tons of groundnut extractions were believed to have been sold to the U.K. Prices realised were good and prospects of further sizable business in groundnut extractions were considered encouraging. Keen shipper buying produced marked strength in the local market. The latest quotations are mentioned around £ 31.15 per ton for groundnut extractions, May shipment, and £ 31.17½ for linseed cake.

Overseas interest in Indian oils was limited. The UK was reported to have taken a few hundred tons each of linseed oil and castor oil. Groundnut oil has been completely priced out of world markets. Linseed oil is also moving very slowly. Castor oil is in a better position though a good deal will depend upon the size of the new castorseed crop in Brazil. The prospect of freight rate for bulk oil shipped to the US being revised upward after the middle of May has induced caution among export houses. The freight which had been placed on a free market basis some months ago is likely to be put on a fixed basis again. And latest reports indicate that the rate might be raised to 35 dollars or higher. Until a few weeks ago freight could be secured at around 18 dollar per ton. Higher freight is bound to add to our difficulties of competing with rival exporters abroad.

Cotton

STALE, FLAT AND UNPROFITABLE

CONDITIONS prevailing in the cotton futures market last week could be appropriately described as stale, flat and unprofitable. The daily range of fluctuations seldom exceeded three points which made it difficult even for the professional jobbers to take any lively interest. Jarilla August made the week's low at Rs 779.75 and the highest rate was Rs 784 per candy. Often activity appeared to be at a standstill. With the demand and supply position of indigenous cotton being what it is there is hardly any chance for the futures market to turn lively during the rest of the season. The supply position is much too tight to make it possible for bears to risk any big amount. And there is little for the bulls to exploit. Futures are already very close to the effective ceiling of Rs 790 and then there is a heavy margin to be paid at the current levels.

Weather conditions will need to be really ideal throughout the next season if the crop is to be large enough to make good the serious drain on the carry over caused by the excess of consumption over the year's supply. One can only hope and pray for the best. Notwithstanding increased facilities in respect of irrigation and better manure, weather continues to be the dominating factor in cotton production. An important section of the trade, however, thinks that decontrol or at least a substantial increase in the ceiling rates well in time would go a long way in stimulating cotton production. The East India Cotton Association is reported to have urged the Government for the timely announcement of higher ceiling prices. The ceiling of Rs 1,000 per candy is believed to have been suggested for Jarilla 197/3 stapling 13/16 inch.

LIMITED BUSINESS IN SPOT

Since mills have virtually exhausted their previous quotas of indigenous cotton and new quotas have yet to be released, business in spot cotton was extremely limited. Prices naturally continued to hold firm and few varieties are quoted much below the highest levels recorded during the season. Foreign cottons, however, attracted good attention and their prices recorded fair gains. Mills evinced keen interest in lower

varieties of U S cotton and also of Pakistani cotton.

The requirements of the textile industry for the current year are estimated at 52.5 lakh bales. Taking into account the foreign cotton released so far, the 4.5 lakh bales of foreign 'B' cotton under P L 480 likely to be obtained in the near future together with 36 lakh bales of Indian cotton available for the industry there will remain a shortfall of two lakh bales which should be imported. But considering the need for a satisfactory carry over around 50 per cent of year's consumption the Standing Committee of the Cotton Advisory Board has recommended the import of a further 5 lakh bales of cotton to build buffer stock which should be controlled by the Government. The Committee also decided to request Dr Panse to suggest a workable and reliable basis for estimating the size of the crop. Most estimates in the past are known to have been quite wide of the final mark.

Bullion

UP AND UP

THE upward trend in bullion prices continues. Both gold and silver hit new all-time highs last week. Gold ready was bid up to Rs 136.5 and silver ready to Rs 222.7. Reasons for the growing strength in bullion prices are well-known. Inflationary psychology, rising money incomes and the traditional social usage explain the steadily rising demand curve. Meanwhile the supply is limited because of the import ban. There is no knowing where the upward trend in prices will halt. Bulls continue to have a firm hold on the market which is clearly indicated by the exorbitant backwardation charges and the huge premiums enjoyed by the spot metals.

Margins have been made stiffer from time to time but without any result. Since that is about all that the market authorities can do to discourage bull manipulation, the Board of the Bombay Bullion Association decided last week to raise the margin amount still higher in respect of the both the metals. The proposal is to levy a margin at the rate of Rs 60 per tola of gold if backwardation charges rise to more than Rs 3. In the case of silver the rate of margin will be Rs 3,000 per bar if the spread between the two settlement rates exceeds Rs 4-8. These will

come into force after the Government's sanction has been obtained. The Board has also sought Government permission to extend the period for effecting deliveries in the Vaisakh settlement by five days. Further extension of 10 days might be sought if deemed necessary.

Stiffer margins have merely eliminated the small, leaving big operators to exploit the situation fully. But with the supply position of precious metals being what it is—floating stocks are estimated around 400 bars of silver and 20,000 tolas of gold—it is idle to expect higher margin to check the price rise. And if prices come down it will not be because of the margin.

Assam Oil Pipe Line

THE Burman Oil Co. (Pipe Lines) will supply 51,000 tons of high test line pipe of 14" outer diameter valued at Rs 6 crores, for the construction of the second phase of the Assam Oil Pipe Line Project. The distance to be covered by the pipes is about 470 miles from a point near Gauhati, in Assam, to Barauni, in Bihar, where a second oil refinery is to be erected.

The 14" pipe line will be manufactured at the modern, electric resistance weld pipe plant, which is being erected at Rourkela at a cost of about Rs 4 crores. This plant is being supplied by Mannesmann of Germany, leading manufacturers of pipe making plants as well as pipes. The pipe plant will be in operation from September this year, and, when in full production, it will have a capacity of about 150,000 tons per year of pipes ranging from 8" to 20" outer diameter. It is expected to meet not only the requirements of the country for this type of oil line pipe but would also leave a substantial margin for export to neighbouring countries.

The pipes will be manufactured at Rourkela's new 66" continuous strip mill which is to be commissioned shortly. This automatic modern mill is the first of its type to be erected in India.

To supply the urgent requirements of line pipe till the time the Rourkela plant comes into operation, Hindustan Steel is arranging for their procurement from Mannesmann of Germany and Stewarts and Lloyds of the U K on an exchange basis. The pipes are being procu-

red against the supply of pig iron, steel ingots and steel slabs produced by Hindustan Steel Limited.

Hindustan Cables

ABOUT 80 per cent of the raw materials for the Hindustan Cables Factory at Rupnarainpur, a public sector undertaking, are being drawn from indigenous sources. The Factory has at present an annual installed capacity for producing 470 miles of dry core telephone cables and 300 miles of coaxial cables. This information was given out in reply to a question in the Lok Sabha last week by Shri Manubhai Shah, Minister of Industry.

Shri Shah said that a series of expansion proposals were under consideration. These proposals were for

(1) Production of 2,000 to 2,500 miles of dry core cables by working multiple shifts and by installing additional plant and machinery;

(2) installation of a copper wire drawing plant; and

(3) installation of a unit for the

manufacture of plastic insulated tele-communication cables. He added that a final decision would be taken soon on these proposals.

Largest Steam Tube Dryer

THE largest steam tube dryer to be installed in India was commissioned last week at Tata Chemicals, Mithapur. Designed to handle 300 tons of soda ash per day, the steam tube dryer replaces the older method of calcination. It will cut down costs, and lead to cleaner and less trying operating conditions.

Tata Chemicals also commissioned its new ammonia still last week. Two more are to be commissioned shortly. Together the installed capacity will be 600 tons daily.

The ammonia plant was designed in Mithapur and fabricated by Indian engineering companies. The steam tube dryer was imported, and was erected by the company's engineers. The entire expansion of doubling existing capacity of Tata Chemicals has been designed and is being executed by the company's engineers.



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CURRENT STATISTICS

BANKING RETURNS (Rs Crores)

Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago.
1. Note Circulation	1890.01	1902.24	1844.90	1751.46
2. Rupee Coin	127.35	126.50	124.14	132.80
3. Deposits				
(a) Central Govt	51.82	75.08	63.15	53.63
(b) Other Govts	14.61	6.01	42.97	32.97
(c) Banks	97.71	92.35	92.90	91.60
(d) Others	99.72	98.66	100.10	117.94
4. Foreign Securities	163.01	163.01	163.01	178.01
5. Balances Abroad	21.31	20.83	34.11	30.68
6. Rupee Securities	1506.65	1506.75	1461.93	1351.04
7. Investments	202.81	203.39	232.58	275.51
8. Loans and Advances to Govts	50.47	44.32	22.34	43.95
9. Other Loans and Advances	101.59	114.99	156.54	73.44
Scheduled Banks				
1. Liabilities:				
2. Demand (net)	783.55	791.18	753.32	753.56
3. Time (net)	1142.33	1139.78	1132.46	930.00
4. Total	1925.88	1930.96	1885.78	1683.56
5. Cash in hand	50.12	51.86	61.95	44.58
6. Balances with Reserve Bank	96.57	86.34	79.78	73.23
7. (5) + (6) as % of (4)	7.62	7.16	7.52	7.00
8. Borrowings from Reserve Bank of which	45.24	41.31	76.88	33.10
9. Advances of which				
Usance Bills	13.61	12.24	12.58	9.64
10. State Bank's	201.28	198.03	185.70	194.82
11. Bills Discounted: (a) Inland	132.41	134.22	121.26	114.24
(b) Foreign	45.12	45.02	46.44	37.89
(c) Total	177.53	179.24	167.70	152.13
of which				
State Bank's	16.57	15.96	16.27	13.19
12. Bank Credit (9 + 10c) as % of (4)	58.55	58.54	58.71	60.30
13. Invest in Govt Sec of which	732.19	717.53	729.37	614.36
State Bank's	369.99	354.98	357.40	280.04
14. (12) as % of (4)	38.02	37.16	38.68	36.49
Cheque Clearance	211.50	160.68	175.30	181.59

† For Reserve Bank and Cheque Clearance Week ended 22-4-1960. For Scheduled Banks week ended 15-4-1960.

Bombay Money Rates (% per annum)

	15-4-1960	Week Ago	Month Ago	Year Ago
Call Money				
From Banks	3½-3¾	3½-3¾	3½-4	3½-3¾
Deposits				
Seven Days	3-3½	3-3½	3-3½	2½-3½
Three Months	3½	3½	3½	4
Six Months	2½-3½	2½-3½	2½-3½	3-4

Bombay Bullion (Rs and nP)

	22-4-1960	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	135.50	135.00	130.34	123.75
Forward	129.75	128.44	127.75	123.30
Silver (per 100 tolas)				
Spot	224.50	221.19	219.56	202.00
Forward	215.88	215.44	214.06	201.30

INDEX NUMBER OF WHOLESALE PRICES

	(Base: 1952-53 = 100)			
	Monthly Average		Financial Year	
Group and sub-groups	Mar 60	Mar 59	1959-60	1958-59
Food Articles	117.0	113.8	119.0	115.2
Cereals	103.2	101.7	104.1	106.8
Pulses	90.1	113.4	93.6	103.9
Fruits and Vegetables	126.1	118.4	127.8	117.0
Milk and Ghee	110.7	106.9	113.3	107.3
Edible oils	136.6	123.3	130.4	124.3
Fish, Eggs & Meat	114.5	104.9	112.0	108.4
Sugar and Gur	140.7	128.2	147.0	127.2
Others	158.8	150.0	167.9	151.3
Liquor and Tobacco	96.4	100.3	99.5	95.4
Tobacco	94.1	99.0	97.9	93.8
Fuel, Power, Light & Lubricants	117.3	116.0	116.5	115.4
Industrial Raw Materials	131.9	116.2	123.7	115.6
Fibres	124.9	107.9	113.5	108.0
Oilseeds	140.5	127.6	134.6	127.0
Minerals	96.5	102.9	97.8	106.0
Others	131.8	111.2	121.6	109.2
Manufactures	116.6	108.6	111.6	108.4
Intermediate Products	121.3	109.4	113.8	110.3
Finished Products	115.9	108.5	111.3	108.1
Textiles	115.1	102.9	107.8	103.3
Cotton	124.7	112.3	116.9	117.8
Jute	97.5	82.3	90.6	86.5
Woolen	104.2	105.4	104.2	105.6
Silk and Rayon	102.8	95.0	96.4	93.2
Metal Products	147.7	143.3	144.4	143.1
Chemicals	105.0	110.7	106.9	106.8
Oil cakes	140.7	140.1	143.8	136.0
Machinery & Transport equipment	108.5	106.1	106.2	103.9
Others	114.0	113.2	113.4	113.7
All Commodities	118.8	112.4	117.1	112.9

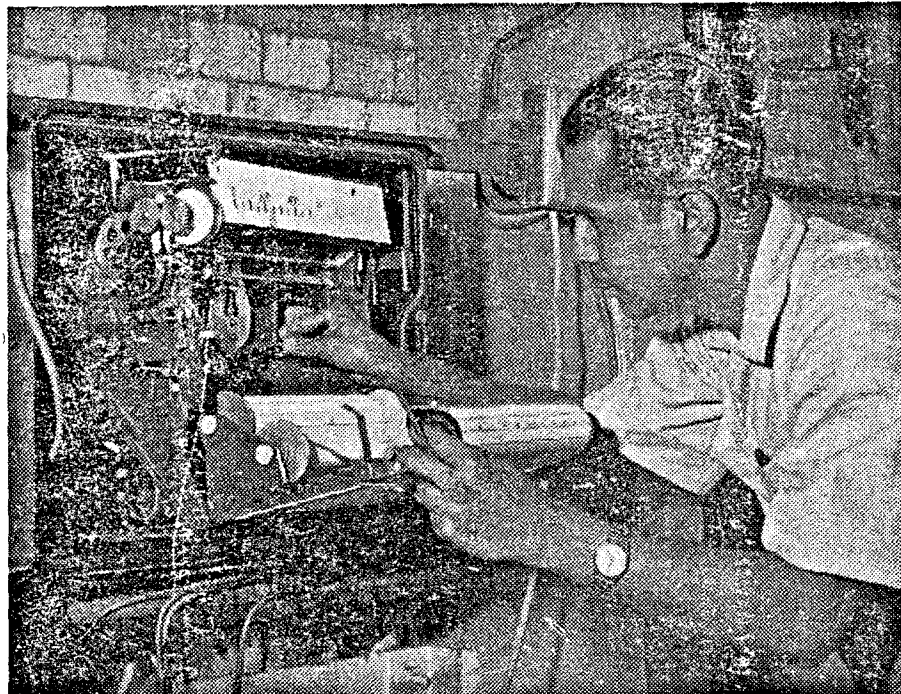
FOREIGN TRADE

(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	872.81	585.05	-287.76	
1959	895.43	625.77	-269.66	
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	65.60	47.03	-18.57	
April	80.40	45.14	-35.26	
May	66.12	45.49	-20.63	
June	77.18	43.54	-33.64	
July	63.11	51.46	-11.65	
Aug	58.37	58.52	+ 15	
Sept	69.42	60.22	- 9.20	
Oct	65.03	59.74	- 5.29	
Nov	69.99	61.76	- 8.23	
Dec	70.43	69.69	- 74	
1960 Jan	62.53	52.04	-10.49	
Feb	69.12	49.81	-19.31	

*Including re-exports

Source: D C I S, Calcutta

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No Rules for the Club?

NO social organiser would dream of founding a club on the conditions that it should have no constitution, that its president should draw effective allegiance from some members and only symbolic allegiance from others, that its members need not necessarily be friendly among themselves and, finally, that whenever the executives of the club meet there shall be no agenda to discuss. Yet one of the most fascinating clubs of our time—the Commonwealth—is founded just on those principles. It has no constitution; and does not even respect conventions with any rigidity. Lord Malvern, when he was the Prime Minister of Southern Rhodesia under the name of Sir Godfrey Huggins, attended the Commonwealth meets in London, even though his country was not a sovereign state. This, it was said, was due to the gentleman's personal standing in the English-speaking world as "an elder statesman". Sir Roy Welensky has stepped into Lord Malvern's shoes as the Federal Prime Minister in Central Africa; but though he is not considered an elder statesman by anyone but himself, and though Central Africa is still not sovereign, he participates in the Commonwealth talks.

This brings us to the second point—the Commonwealth's membership. The club was once an association of sovereign states; now apparently colonial rulers can also attend. Membership was once restricted to countries which had based their governments on the British model of parliamentary democracy. That rule, too, applies no longer. Malaya, which attends the Commonwealth conference for the first time, is described by constitutionalists as "an elective monarchy" and has been compared by observers to the Holy Roman Empire in that respect. Pakistan is a military dictatorship, with no point of resemblance at all with anything parliamentary. Ghana has just adopted a constitution which, to put it mildly, makes drastic modifications on the British model.

Mutual relations between the members are not always remarkable for their cordiality, or even goodwill. This country and Pakistan have an unfinished war on their hands in Kashmir. India and South Africa do not have even formal diplomatic ties. South Africa, in its turn, hates the guts of Ghana, India and (through the agency of the local British-stock whites in South Africa) the British. More than half the Commonwealth would probably want South Africa expelled from its membership, which South Africa would apparently resent—though, one of the highest priorities on its political programme is to proclaim itself a Republic with the express purpose of cutting off its links with London.

All this is highly illogical and erratic. Often it has been argued that this diversity was, in fact, the strength of the Commonwealth; and that its "looseness" was its greatest guarantee against tensions. The points had their validity once. But the time has come to take a new look at the Commonwealth as it is today, and as it is developing from this point onwards. And though, in the minds of most people, it is South Africa which dominates the problems of the present session in London, in point of fact the overriding problem of the current conference is to

take an X-ray of the situation and at least lay down the foundations of some coherent, sensible course for the future.

Associations, clubs and organisations can sometimes be made to exist without constitutions; but whenever that is done, there are other foundations which support the institution and hold it together. There is a sense of fellow-feeling; there is mutual regard; above all, there is a common purpose. You can live without formal rules, provided the principles you hold sacred are common to you all. Allegiance to a fully shared ideal makes a formal constitution dispensable; but when the ideals themselves are not commonly and fully shared, an association is not only impossible for any length of time, but pointless and worthless. In the interests of its own continued survival in the world of today, the current session of the Commonwealth representatives (they are not even all Prime Ministers this time) must lay down some definite pattern for itself. Then its membership must be trimmed accordingly. If it is to be an associa-

tion of parliamentary democracies, Pakistan, Ghana and the others who have chosen different modes of government for themselves should be allowed to make themselves other associations. Similarly, if the decision is that the club should be a meeting ground for the countries which retain the democratic intent, whatever the form of their governments, then it should be plainly told to South Africa that a police state has no place in the Commonwealth. Again, if the Commonwealth is to be an association of free States, colonial rulers like Sir Roy Welensky should henceforth be excluded. If the status of a member-country is considered to be of secondary importance, there should be no discrimination (as there has been on the present occasion) against the almost-free countries like Nigeria or Sierra Leone or the West Indies Federation.

These are the basic questions before the current session; and an answer to them is a far more important need than the disposal of the merely limited question of South Africa's continued membership. South Africa's place in the

Commonwealth should be decided on the principle of racial equality, not merely as a reprisal to the shooting at Sharpeville—and if that principle is so applied, then it must equally and simultaneously be applied to the White Australia policy.

If the operation of civil liberties is made the basis of expelling Mr Eric Louw from the conference room in Number Ten Downing Street, then the Commonwealth should in fairness to South Africa show the door also to the other members who have suspended every civil liberty in their own countries.

There is no use pretending that when the Commonwealth leaders return from their present talks in London, all these issues will have been settled. But even if they are not settled, it will be an advantage if they are at least impressed as being of basic importance on everyone's mind. Some common base has to hold the Commonwealth together, if the association is to have any meaning at all, and if it is to have any effectiveness as a moral force in the troubled world of today.

Reserve Ratio Raised Again

NATURALLY before making use of the powerful weapon of varying the reserve ratio, the first thing that the monetary authorities have to make sure is whether the economy is as a matter of fact under inflationary pressures and whether these pressures may be reasonably expected to react to this weapon. This is a matter on which this paper has never been able to see eye to eye with the monetary authorities. But assuming that such pressures exist and that they can be curbed by varying the reserve ratio, a frontal attack would be necessary, raising the ratio of reserves to the total deposits.

This is not, however, what the Reserve Bank wanted to do. It had in mind not the current position of the banks but the increase in the banks' lending capacity which would result from increase in deposits in future. It was against the increment of deposits from March 11 onwards that restraint in this form was first enforced, and the Reserve Bank directive on the subject sought to impound, not the whole of such increase, but only 25 per cent of it. Hardly two months have passed

when the restraint has been stiffened and the proportion of increment of deposits to be impounded has been raised from 25 per cent to 50 per cent.

Even those who believe in the need for restricting credit as also in the efficacy of this instrument for effecting it, would be puzzled by this show of haste. Surely the monetary authorities should have waited a little, watched the situation and analysed the experience gained, before taking the next step? Since the squeeze has come at a time when the money market is on the point of passing on to the slack season, it is only its delayed impact on the next busy season that monetary authorities could have in mind in enforcing a higher reserve ratio. As a gesture and as giving a convincing proof of its intentions, the Reserve Bank could have stopped with the first directive and watched the situation as it developed. There is no past experience on which to base judgment on the effectiveness of the first measure. Caution in the circumstances could not possibly have been interpreted as a sign of weakness on the part of the monetary authorities. A gesture

or hint does not readily lend itself to numerical measure and doubling the proportion of the reserves to be impounded could hardly be interpreted as a determination twice as strong to curb bank-financed expansion or inflation.

It is not surprising in the circumstances that the market has scarcely taken any notice of the Reserve Bank's action; the market has not been impressed. True enough, the restraint will operate with a time lag and that in the slack season about to commence, the banks will have to adjust their position in such a manner that they are able to cope with the increased demand for advances when it comes in the next busy season without depending too much on addition to their deposits which they can normally expect. They would, to begin with, try to work with a smaller reserve if that were at all possible. Though banks do normally maintain reserves in excess of the statutory minimum, this is probably found necessary because of the conditions under which they have to work. The operational ratio of the banking system has always been higher than the statutory mini-

mum and though excess reserves have declined somewhat over the years, this appears to be a long-term process depending on the type of the business that the banks do, the remittance facilities they have, the extent of branch banking and such other features of organisation which they have to accept and over which they do not have much control.

Therefore, in order to readjust their asset structure to cope with the next busy season without relying too much on the deposits they hope to receive, they would be compelled to lighten their security holdings a little or at least they would be reluctant to add to their holdings to the extent they would have done otherwise. The implications of this forced readjustment of bank assets for security prices and the impact of this readjustment on the capacity of the banks to absorb new loans to be floated can, therefore, be easily imagined. If the purpose of the credit restraint is to gain the advantages of raising the bank rate and avoid the inevitable weakening of the gilt-edged market which a higher bank rate spells, the high level expertise available to the Reserve Bank must be deluding themselves. It is hardly necessary to labour the point.

It is possible that having gone so far, the Reserve Bank may want to operate directly on the liquidity ratio of all banks instead of stopping at the reserve ratio of the Scheduled Banks. This way it may hope to kill two birds with one stone, and restrain credit without forcing the banks to liquidate their holding of Government securities. This the Reserve Bank is not in a position to do yet, for the liquidity ratio is governed by the Banking Companies Act. Its range of informal control, however, is not exhausted yet. It can issue directives to the banks, asking them to bring down their advances during the slack season by a specified amount. And now that the banks themselves have successfully acted in consort to keep down the interest they pay to depositors, they may not be unwilling to be persuaded into raising their advance rates also, provided the State Bank is prepared to join them. But where will it all lead? How different will a rise in the effective lending rate of the banks be in its impact on the gilt-edged market from that of raising the bank rate?

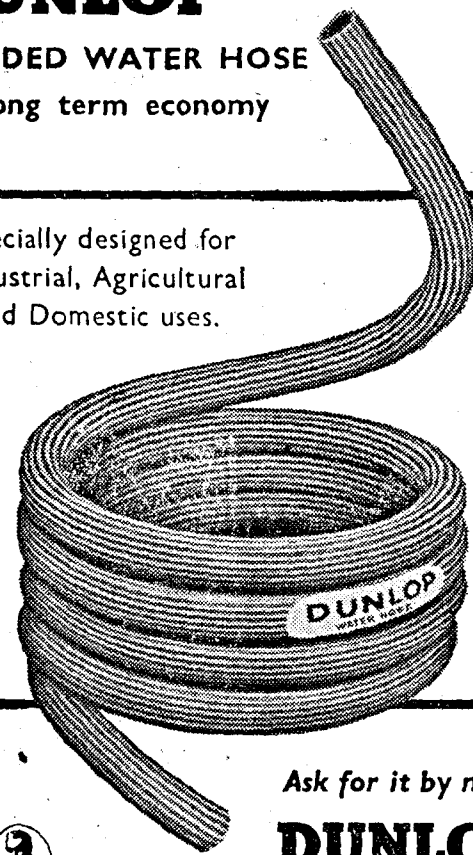
As the effectiveness of varying the reserve ratio depends on the extent to which the circulation consists of bank money, when two-thirds of the money supply consists of currency in the hands of the public, the effectiveness of this instrument is limited. There is another point to be considered. The merit of confining the changes in the reserve ratios to increment of deposits is that it leaves much greater freedom to the banks, whose individual position vary a greater deal, to adjust their affairs and to enable them to conform to the changed requirements without too great a strain. A directive affecting the average ratio would have a most uneven impact from bank to bank. Even restrictions on marginal ratios, however, are bound to have uneven impact on those banks which rely for the success of their development efforts, e.g., on opening new branches,

on their ability to attract fresh deposits for the branches which in the beginning must be non-paying and could break even only on new deposits. In a country in which banks are in the transitional stage, passing from the position of saving institutions to that of chequerise or money creating agencies, not only is the effectiveness of variable ratios limited, the adverse impact of the latter on the growth and development of banking is a very important consideration which has hardly received the attention that it deserves. The effectiveness of the instrument is also conditioned by the extent of the area of its operation and it need hardly be mentioned that a wide sector of the money market lies outside the sphere of scheduled banking. Even non-scheduled banks or co-operative banks have been left out from the operation of the new credit curbs.

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Weekly Notes

Washington Smiles

IT was nearly a decade ago that India negotiated her first food loan from the United States of America. The country was desperately short of food then, the need was pressing. Near famine condition was prevailing in large parts of Bihar and the situation in other parts of the country was not much better. The negotiations, however, were protracted and difficult. The proposal was buffeted about between the State Department, President Truman and the two Houses of Congress; and many individual Americans were taking a shot at it from time to time in a manner which made us realise how lively, vigorous and boisterous an affair democracy was in the United States. The officials in Delhi awaited the results with baited breath and kept their fingers crossed, less Pandit Nehru might say something to queer the pitch. Nehru was too proud then to ask for a gift. India finally got two million tons to meet her food crisis with a loan of \$190 million, carrying interest at 2½ per cent and repayable in dollars over a period of 30 years.

The biggest news of the day is the signing of the agreement between India and U S, by which India will get the largest ever single allocation made under P L 480 covering 16 million metric tons of wheat and one million metric tons of rice. The agreement is unique in more than one way. This is the first agreement of this type that was signed by President Eisenhower himself, with the Food Minister, Shri S K Patil as the co-signatory. Again, this is the first agreement under P L 480 which assures food grain exports from U S over a period of four years. These will be of inestimable advantage to planning development and let us hope it will set the model for all foreign assistance in the future. Such assistance has hitherto been on a year-to-year basis, to be negotiated afresh every year, introducing thereby an element of uncertainty which is hardly conducive to the success of any kind of planning. Another unique feature of the agreement is that for the first time U S surplus food will be supplied to build up reserves. It will enable India

to build up a food reserve of 5 million tons which can be freely drawn upon as a buffer stock to even out unpredictable variations in food production from year to year. The Third Five-Year Plan which will coincide with the most critical phase of India's economic development from the long-range point of view would thus be ushered in under more favourable auspices than could have been hoped for.

The assurance of meeting the annual deficits in food production and the stabilisation, both of supply and prices which buffer stocks should make possible, are both greatly to be welcomed. As with all aids, much depends on the recipient country; on what use it makes of aid. State trading in foodgrains will now be off and it will no longer be necessary even for Food Ministers to pay lip service to it. Will the effort for increasing the food production slacken, now that food is assured? Will search for resources be pursued with less vigour, because assured food supplies will push off the danger limit of deficit financing? Or, will developmental effort be pressed with greater vigour and, confidence, and surplus man-power more energetically mo-

bilised for productive employment? Progress is not inevitable in any situation, however favourable. Only sustained effort can assure it.

Need-Based Wage?

ARE industrial wages 'need-based'? If they are not based on some measure of cost of living, what are they based on? The wage system we are familiar with is, by and large, an administered system. It has two components. The smaller one which is the basic wage, goes back to the past, generally to some pre-war year and changes but little. To it is added dearness allowance, which is most often much larger than the basic wage. Whether dearness allowance fully neutralises the effect of price changes or not is sometimes debated. There appears little to debate on, however, unless cost of living indices are defective and exaggerate the price rise. In the textile industry, as also perhaps in most other industries, dearness allowance is not paid for all the thirty days of the month. It is paid only for the working days which being 25 to 26 out of 30, the dearness allowance can neutralise price changes only to the extent of some 80 per cent.

Mid-Year Special Number June 1960

The Mid-Year Special Number of *The Economic Weekly* will be issued on June 11, 1960. It will contain a minimum of 150 pages bound neatly in art cover and will be priced at Rs 2.50 nP per copy. Registration and Postage charges will cost Re 1.

The Number will be largely devoted to the Third Five-Year Plan. Leading economists, both Indian and Foreign, will analyse competently the different aspects of the Plan. A special feature of the issue is a symposium on the preconditions of self-sustained growth of the Indian economy in which an economist, a sociologist, a political scientist and an engineer will participate. There will also be special articles of topical interest on current economic and political affairs.

For reservation of advertising space in the Special Number, please contact the undersigned. Material for advertisements booked should reach by 28th of May at the latest.

The Special Number will be supplied free to subscribers. Non-subscribers and agents are requested to order their copies well in advance.

A. FERNANDES
Business Manager

This is the simplified picture. To this has to be added the payment of bonus, which has been held by Industrial Tribunals to be no *ex gratia* payment at all, but a deferred payment by which the monthly wage is brought nearer to the level of minimum wage. The Supreme Court in the A C C dispute upheld the same view that bonus is a deferred wage.

Indian labour economics has made an original contribution to the literature on the subject by coining the phrase or creating the concept of "fair wage" which is somewhere between minimum wage and living wage. 'Need-based' wage which is the later phrase, has supplanted it in current discussions. What does it mean? True, there may be disputes about the determination of needs. Whether the number of calories recommended by some authority or other as the necessary minimum for a standard Indian diet is an over-estimation or not, may be open to dispute. When the food budget is settled, there is scope for dispute also about the non-food items which go into the cost of living of an average working class family. Now that the Government has announced the appointment of a special Bonus Commission "to study matters relating to wage fixation, prices, productivity and cost of living", is it warrantable to hope that these terms will be given a precise connotation and that we will get to know something about the level of industrial wages and the wage policy of the Government during the Third Plan? Though the appointment of the Commission has been announced its terms of reference have not been settled yet; and so one has to wait.

Need-based wage? If it means a minimum wage determined in terms of actual cost of living of a working class family as ascertained by a study of household budgets, then it is still a far cry for large groups of industrial workers. The statistical studies which have been made from time to time leave no room for doubt about it. To bring up wages, in the textile industry for example, to the level of minimum so determined would make such demands on the profit earning capacity of the mills that many of them would have to close down. It is the same, presumably, in most other industries.

Wage payments on this scale would not only mean the closure of

many of the units, it will also mean drastic reduction in profits of the better run units, hence heavy inroads on the surplus which can be ploughed back into development.

No Share in Profits for Labour

THIS is the crucial question of wage policy for the Third and the succeeding Plans. How much of the increase in profits resulting from higher productivity is to be passed on to consumers in the form of lower prices or better service, how much of it is to go to the worker in the shape of higher wages and how much will remain to be ploughed back into development? Usually, Labour Ministry's statements and even the reports of the Wage Boards are, without exception, woolly in the extreme on this question. The issue is evaded and obscured under a cloud of high sounding sentiments like harmony of interests and 'reasonable' sharing and so on. Shri Gulzarilal Nanda, Minister of Labour, however, recently struck an unusually sharp note when he said in the Lok Sabha that the workers would not or should not hope to improve their living standards through sharing in the profits. Profits, he said, should be ploughed back into development rather than be distributed in small amounts to a large number of workers.

If Nandaji can maintain this stand, it will clear up the situation a great deal in that wage disputes, and the struggles of labour, will have a defined field of operation, which would be clearly demarcated. It will be a straight struggle for securing a minimum wage in the proper sense of the word and the only grounds of dispute will be the determination and measurement of the need on which the wage rate is to be based. There will be no question of obscuring the issue by introducing profit sharing into it. When the air is thus cleared it should be time to inject a leavening of incentive payments, so sadly lacking today, in order to make the wage system more sensible as also an effective instrument for accelerating development.

Contradictions in Government labour policy, however, have gone on accumulating, especially since the Fifteenth Labour Conference. This Conference adopted a tri-partite agreement that minimum wage

should be 'need-based' and for its determination, the following norms would be the guide for all wage fixing authorities including Wage Boards, Adjudicators, etc:

1. The standard working class family should be taken in terms of three consumption units for one earner.
2. Minimum food requirements should be calculated on the basis of a need intake of 2,700 calories as recommended by Aykroyd.
3. Clothing requirements should be estimated on the basis of *per capita* consumption of 18 yards per annum which give for the worker's family the total of 72 yards.
4. The rent corresponding to the minimum area provided in Government's Industrial Housing Scheme should be taken into consideration.
5. Fuel, lighting and other miscellaneous items should constitute 20 per cent of the total minimum wage.

The Labour Conference recommendations were not accepted by the Pay Commission. On a reference to the Government made by it, the Pay Commission was advised by the Finance Ministry that the Government had at no time committed itself to take executive action to enforce these recommendations. The Wage Boards for textile and cement industries, however, accepted the Labour Conference recommendations as obligatory, and the Labour Minister has held out a threat that if the textile and cement industries do not accept the awards of the Wage Boards, they would be compelled to submit to compulsory arbitration. And he is also on record as claiming that this is not the policy of the Labour Ministry alone, but also of the Government.

Where do bonuses come into all this? Presumably to determine the ability of an industry to pay and this calls for a workable method of measuring the depreciation and rehabilitation requirements of industry. The latter was looked into by the National Council of Applied Economic Research, but obviously its findings were not found adequate. A higher level expertise is now found necessary in order to make the issue proof against unsettling disputes.

Nagpur Disturbances

THAT the birth pangs of the Maharashtra State, which began with rioting and bloodshed on the streets of Bombay should end up with disturbances in distant Nagpur is unfortunate in the extreme. The discontent in Vidarbha or the fact that the separatist elements could muster this much of public support brings into sharp focus the sizable problem that Maharashtra will have to face in the next two years, in bringing about the emotional integration of this State. What is the 'actual strength of public feeling in Vidarbha in favour of a separate State is today largely a matter of guess and the answer to this question is bound to be biased one way or the other. It could not be answered without holding a plebiscite and even if a plebiscite were held in an atmosphere of tension and inflamed passion, its results would be open to question.

All that one can say for certain is that four of the districts of Vidarbha are solidly in favour of Maharashtra and it is only in the other four that there is difference of opinion. What the strength of the dissenting group is must at this stage be largely a matter of surmise. Another thing is clear. The small Hindi speaking minority of Vidarbha constituting about 10 per cent of population is definitely in favour of a separate Vidarbha. It is an influential minority and the events of the last few days show that it is capable of giving vent to its feelings in an unrestrained and embarrassing manner. That the Congress High Command had at one stage blessed or encouraged this separatist tendency made the situation a great deal worse.

In retrospect, therefore, the decision not to incorporate the Nagpur Pact in the Act by which Maharashtra was constituted into a separate State appears to have been unwise in the extreme. True, there is Chavan's verbal assurance but considering the undoubted capacity of the dissenters to foment unrest, this assurance should have been given the authority of statute. The agitation nonetheless is quite pointless, for Vidarbha has the right to choose at the time of the next election which is not so far off. The new State, therefore, has a two-year lead to consolidate its position and win over the dissenters.

U S Financed DVC Power Plant

THE D V C was the first project financed by the World Bank which captured popular imagination. It was for years the symbol of New India in the making. It held the promise of simultaneous development on a number of fronts. Some of the purposes of this multi-purpose project have trailed off. Navigation, one of the multipurposes of the project, is still a long way off. Another, flood-control, the people of the valley and down south, were painfully reminded of, when the promised, or hoped for, protection failed in the hour of dire need. Neither has the irrigation part of the project been a conspicuous success. But power supply, especially the supply of thermal power, has come up in such a big way that it has nearly compensated for the disappointment on so many other fronts.

It is something of a paradox that a multi-purpose project based upon utilisation of water resources should eventually come to rest upon thermal power as its mainstay. The passage of time, the fantastic growth of demand for power and the valiant efforts which the DVC has been making to meet that demand has taken away the sting from that paradox. Thermal power, in a multi-purpose project, plays only a secondary role—it comes in as a balancing factor in the operation of its grid system. With the installation of its first power station at Bokaro, thermal power, far from playing a secondary role, came to occupy the central position in it. The addition of a fourth unit of 75 M W, as against 50 M W each of the first three, is now an old story. The fourth unit should be now under commercial operation.

In order to meet the critical power

supply situation now experienced in the Damodar Valley, energetic efforts are being made to complete the work on the Durgapur Thermal Power Station so that the first of the two units of 75 M W each could be brought into operation in early 1960-61, if not earlier. Arrangement is also being made to buy some power from the West Bengal Government Power Plant at Durgapur.

As the DVC will have to supply the railways for their electrification scheme for all the four sections: (i) Howrah-Mogalsarai; (ii) Asansol - Tatanagar - Rourkella; (iii) Howrah-Kharagpur; and (iv) Sealdah Division of Eastern Railways; it is putting up a new thermal power station at Chandrapura, which is 200 miles from Calcutta, on the Gomoh-Daltonganj loop line, with two units of 125 M W each. In the DVC budget estimates for 1960-61, there was a provision for project estimate for the Chandrapura station for a single unit of 125 M W "as originally decided upon" as also for a second unit of the same capacity "under the instruction of the Government of India". It is now learnt that this station is going to be financed wholly from American assistance, with a loan of \$30 million (Rs 14.3 crores) from the Dollar Loan Fund to cover the cost of foreign exchange, while the balance of the cost of Rs 20.5 crores is to be met from P L 480 rupee counterpart funds. The D L F loan will carry interest at 3½ per cent and will be repayable in 20 years.

From a show-piece of successful World Bank financed development which it was at one time, DVC thus makes a bold bid to be the pioneer in American financed development as the largest project so far to be financed exclusively from U S funds.

Our Delhi Letter

WITH the Parliament in recess, the Prime Minister abroad and the other Ministers on tour, Delhi has been practically left to the clerks and to the loo. Perhaps the last meeting of importance of the season was that on technical education. The meeting was addressed by Shri Humayun Kabir.

The All India Council held its 13th meeting a few days ago and took up for consideration the very important theme of assessing the requirements of technical personnel in the Third and the Fourth Five-Year Plans. The Council had before it the report on the subject by a Working Group appointed sometime in February 1959 with an impressive list of members on it.

According to the Working Group the position in 1960-61 was: 97 engineering colleges with an intake capacity of about a little over 13,000 students and 197 polytechnics with an intake capacity of 26,000 students.

Based on certain important studies by the Planning Commission, the Working Group has estimated the requirement of engineering graduates and diploma holders during the Third Five-Year Plan at about 40 to 45,000 and 70 to 90,000 respectively. As the training of an engineer takes nearly 5 years and that of a diploma holder 3 years, there is also the need for considering right now in however tentative a manner the requirements of the Fourth Five-Year Plan.

The demand and supply of technical personnel over a period of 15 years from 1956 to 1971 has been worked out as shown alongside.

On the strength of the figures adduced and on the basis of a rough logic, the Working Group perhaps feels that its estimates are fair. The Group has also the fear that any over-estimation on its part may end in under-employment and unemployment. With a Parliament always critical of over-estimates the Group has obviously preferred to err on the side of caution, protests notwithstanding.

Shri Humayun Kabir, on the other hand, had experience to quote. And the politician in him would not let go the importance of being impres-

Technical Personnel

sive. The provision for additional intake of students during the Second Five-Year Plan years had to be revised upward, he said, not once but thrice, from 7,232 to 12,980 for engineering colleges and from 12,792 to 27,000 in the case of polytechnics. This, he thought, was an indication of the rate at which the demand for technical personnel was increasing. It also proved how difficult it was to assess the demands of the growing economy accurately. Shri Kabir was therefore sceptical about the proposal to increase the facilities in the Third Plan period at the pace set by the Working Group. The number at the degree level might just suffice, he agreed; especially if there was better utilization of the highly trained personnel, and if we avoided using degree holders for services which are rendered by diploma holders in other countries. At the diploma level, however, he was sure that the Working Group's proposed addition of 15,000 places would have to be revised considerably upward; and for two reasons:

(a) The changes necessary to make the pattern of education in engineering and technology more consistent with the requirements of modern industry would call for a larger number of trained people at the diploma level; and

(b) In industrially developed countries the ratio of intake of stu-

dents at the diploma and the degree levels is 4 : 1. In India, at the end of the Second Plan, the ratio is likely to be 2 : 1. This should be changed to a ratio of at least 2.5 : 1 at the end of the Third Plan. In round figures, this would mean increasing the facilities for polytechnic education to 50,000 admissions per year instead of the 40,000 recommended by the Working Group.

Shri Kabir does not look to any immediate answer, either affirming or refuting his assessment. None was given by the Council. But the earnest Minister of Culture is determined to pitch his demand high. And he will not at all agree to make it less ambitious on consideration of cost. The Planning Commission, he said, had agreed that a total provision of Rs 177 crores was the minimum required for technical education in the Third Five-Year Plan. "Any reduction of this figure can be only at the cost of reducing the proposed targets" he warned sternly, and "this is likely to lead to a shortage of trained personnel that may endanger the execution of all other industrial and agricultural programmes".

In other words, if the other Ministries get away with astronomical totals for the cost of materials required to implement the Plan, Shri Kabir is determined to do equally well, for providing the men.

Demand Supply of Graduates, Diploma Holders and Craftsmen
During the Second, Third and Fourth Plans
(000)

	Second Plan 1956-61.		Third Plan 1961-66		Fourth Plan 1966-71	
	Demand	Supply	Demand	Supply	Demand	Supply
Graduates	28	26	45	51	75	75.3
Diploma holders	54	52	80	76 (a)	1.20	1,17.5 (d)
Craftsmen	6.35	(b)	11.00	(c)	(to be estimated in Third Plan)	

- The shortage will be met through expansion of training facilities during the Third Plan.
- Institutional training would result in a figure of 40,000 to 50,000 while the rest would be available through other forms of training.
- 3,00,000 are expected to be available through D.G.R.E. training centres the rest are estimated to be available through other methods.
- Shortage will be met through expansion of facilities during the Fourth Plan.

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The State Language of Assam

K C Chakravarti

AFTER much bloodshed and violence, the language controversy in the Bombay State has ended and the division of the State is today an accomplished fact. On the eastern side of India, in Assam, the language controversy is raging fiercely. Though the Chief Minister Shri B P Chaliha has very ably defended his Government's policy in the State legislature of not adopting Assamese as the State language, the controversy has not been resolved.

Assam is a multi-lingual State. A little less than two-third of the people are non-Ahamiyas. These non-Ahamiyas include the Bengalees of Goalpara and Cachar, and the hill tribes like Khasis, Garos, etc. These non-Ahamiyas are not birds of passage like the Marwaris, Gujaratis or Punjabis who have migrated to Assam. They are the natives of the soil. The name Assam is derived from the Ahamiyas, called Assamese in English. They live in six districts of the Brahmaputra Valley. In the remaining districts live the non-Ahamiyas. Because the name of the State is Assam, the Assamese have begun to feel that Assam is *their* land, and they tend to forget the existence of others. The Ahamiyas constitute, no doubt, the single largest group; they are, in business and education, superior. Compared with the hill tribes, who have no common language of their own, the Ahamiyas are more advanced. After the exclusion of Sylhet at the time of the Partition, the Bengalees in Assam have become smaller in number and weaker. In the absence of any one single rival, the Assamese now feel that in the State which bears their name, they will be justified in making *their* language the State language, to the exclusion of other languages.

English cannot continue indefinitely to be the official language of the State. Hindi may serve as the federal language but it is not the regional language. If Hindi is adopted as the State language, all problems would be solved and it would have benefited the people materially but on sentimental grounds, the Assamese will oppose the adoption of Hindi because it is not their language. Shri Chaliha has pointed out that the demand for the adoption of

Ahamiya should have come from the non-Ahamiyas, that it should have sprung from the conviction felt by the non-Ahamiyas that their association with the Ahamiyas in the same State would have opened new opportunities for them and that would have strengthened their position and helped their development. Otherwise the non-Ahamiyas would regard the imposition of Assamese as linguistic aggression. When the dominant group tries to impose their language solely on the ground that they form the majority, it is bound to be resisted. All controversies leading to agitation, disturbances, bloodshed and violence in the course of the last few years have borne this out and the Chaliha Government does not want to repeat the same mistake.

While the wise and statesmanlike stand taken by Shri Chaliha is widely appreciated in non-Ahamiya circles, it is not likely that he will be able to control his followers for long. The forces of opposition are too strong for him. The Ahamiya sentiment, supported by their position as a majority, is so strong that they will not stop before Ahamiya is adopted as the State language.

Here the future disintegration of Assam is clearly discernible. How long will Chaliha be able to prevent it? If the Ahamiyas insist that without Ahamiya as the language of the Government, they cannot develop themselves, they are certainly entitled to have it. But the strength of this very argument justifies others to oppose Ahamiya. One is reminded of Mr Jinnah. If the Muslims cannot live together with the Hindus and the Muslim demand for Pakistan is conceded, can the Hindus be forced to live with the Muslims in Punjab and Bengal?

The time has come when our leaders and politicians should seriously think of reorganising the State of Assam. The Naga Hills District, which formerly formed part of Assam, has separated. The other hill areas are already restive. Cachar with its Bengalee population is not as yet so keen on separation. But if Ahamiya is adopted as the language of the State, Cachar will certainly demand separation.

Had the whole of Assam with

Manipur and Tripura formed one State, all citizens would have derived equal benefits from such a large union. Union is always strength. Larger the union, greater are the benefits that flow from it. But such theoretically wholesome advice has little relevance in the present context. If the members of the union quarrel with one another frequently, their energies will be dissipated. It is better to have no partners than to have hostile partners.

There are many Ahamiyas who feel that a smaller State with only the six Ahamiya districts of the Brahmaputra Valley will be better. Though small, it will be compact and homogenous. In such a state, they can have their own language and through their language, they will be able to develop their own culture better.

As the agitation for Assamese intensifies, the demand for separation by the hill tribes will grow. The Nagas have separated. The Khasis, the Garos, the Mizos, etc., will demand a separate tribal unit. Though they have not much in common, their apprehension of being swamped by Ahamiya culture is genuine. English is their common link and they want to retain English.

The tribal areas, including possibly Cachar, are not a source of strength to Assam. These are undeveloped and backward, with bad communication. They are administered with financial help from the Centre. If these areas are separated, Assam will not lose much except that it will not be able to administer in these areas the funds which are provided by the Centre. Secondly, these areas will be closed to Assamese officers. The opportunity to work as judges and magistrates, clerks and teachers, amongst the backward people will go. And thirdly, the opportunity to spread Assamese culture through schools with Assamese as the medium of instruction will disappear. These are not small things for the Assamese but if the State language agitation is intensified, nothing will remain in Assam except the six districts.

How long will Shri Chaliha be able to maintain the *status quo* and how long can the disintegration of Assam be prevented?

Amalgamation of Small Collieries

A B Ghosh

THE share of mining, manufacturing, small enterprises and railways in the national income of India in 1957-58 was Rs 2,400 crores and the value of net output of coal mines was Rs 82 crores. The average daily number of workers employed in 1957 in coal mines and factory establishments was 3.7 lakhs and 33.7 lakhs respectively. Thus every rupee worth of coal helped to raise an additional twenty-nine rupees worth of income in industry and rail transport, and every worker employed in the coal industry provided for the employment of 10 workers in factories and railway workshops. Increased employment and intensive industrialisation in India will need an everwidening base of the 'black diamond'.

An increase of 50 million tons during the Third Five Year Plan* will require an all-out effort in respect of conservation of metallurgical coal, regular wagon supply, rationalisation of production and distribution, improvement of the quality of the product and of labour and satisfactory industrial relations. In this stupendous task, every little bit will be of help. There are so many small-sized, irregularly shaped collieries, and though their share in the total production is small, the solution of their problems would give a fillip to the implementation of the programme.

LARGE NUMBER OF SMALL COLLIERIES

The Government appointed in November 1955 the Collieries Amalgamation Committee to look into "the question of amalgamation of a large number of small and irregularly shaped collieries, particularly in the Bengal and Bihar coalfields". Convinced of the desirability of amalgamation, the Government asked the Committee to make a survey and recommend schemes of amalgamation and adjustment of boundaries, the principles to be adopted to carry out the schemes, the time schedule and legislation required for their implementation. The Committee sub-

* The Second Plan target is 60 million tons. For the Third Plan the Coal Council recommended a target of 110 million tons, but the Planning Commission is likely to fix it at 90 million tons.

mitted its report in December 1956.

Although small collieries outnumber the large collieries, their share in the production is only around 4 per cent. Medium-sized collieries account for over 24 per cent, the balance of 70 per cent being the share of the large mines (see table below).

Why did the small collieries come up? The answer lies in coal scarcity which developed during the two wars when small capitalists found it profitable to work small mines. The colliery control order during the Second World War helped small collieries in securing orders, wagon bookings and better prices. It was only in 1955, with the restriction on opening of new mines, that further growth of small collieries was inhibited.

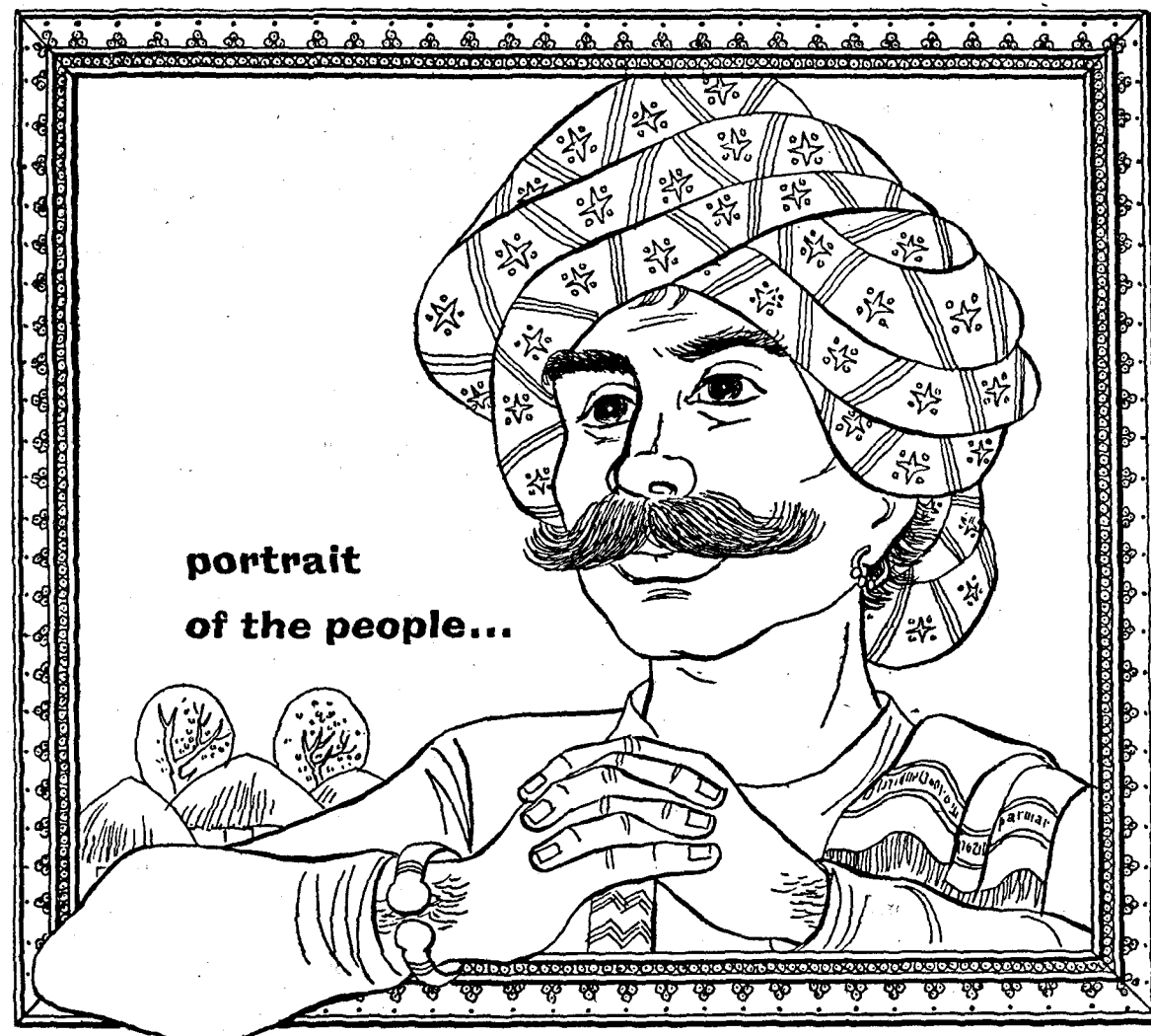
The situation at the end of 1956 was summed up by the Amalgamation Committee as follows: "The small collieries are large in number, but their overall output is small. They are small ventures with no equipment. They have no technical staff. They have limited, if any, possibilities of expansion. They cannot follow scientific and planned methods of exploitation of coal. They cannot tackle fires. They do not provide housing and other amenities

to labour, and as labour in these mines is not organised, collective bargaining is not generally possible. Labour is not paid wages according to the standards laid down and Provident Fund and other facilities are denied. There is wastage in production. The country is going to need more coal and in the next decade or so, the requirements of coal for industrial purposes may increase to more than 200 million tons. New standards to improve the living and working conditions of labour are being laid down. If the Industry is to play its part in the immediate future, if the labour is to get its due place, it should be organised. Such reorganisation is hardly possible if so many small units of production, with all the disadvantages mentioned above, are to be allowed to continue. They should therefore be amalgamated, brought under unified control, reorganised and modernised so that the existing resources will be exploited in the best possible manner and in the best interest of the nation."

SUBDIVISION AND FRAGMENTATION

Small collieries are not only small. They suffer from subdivision and fragmentation. This inhibits not only production but leads to loss of coal. To quote the Committee—

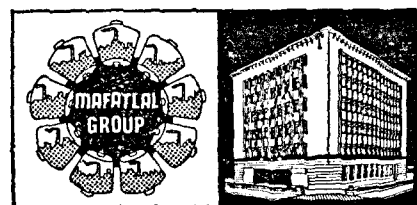
Number of Collieries by Size				
(Percentage share in brackets)				
Size	1919	1935	1945	1955
(a) Below 1,000 tons	288 (49.06)	132 (34.29)	428 (55.90)	309 (42.00)
(b) Between 1,000 and 5,000 tons	213 (36.28)	181 (47.07)	242 (31.60)	276 (37.60)
(c) Over 5,000 tons	86 (14.66)	72 (18.70)	96 (12.50)	149 (20.40)
Total	587 (100)	385 (100)	766 (100)	734 (100)
Output in Million Tons				
(a) Below 1,000 tons	1.19 (6.33)	0.57 (3.44)	1.68 (7.00)	1.30 (4.20)
(b) Between 1,000 and 5,000 tons	6.53 (34.69)	5.31 (32.03)	6.60 (27.60)	7.50 (24.50)
(c) Over 5,000 tons	1.11 (33.98)	10.71 (64.53)	15.60 (65.40)	21.80 (71.30)
Total	8.83 (100)	16.59 (100)	23.88 (100)	30.60 (100)



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"Extraction of coal from narrow corners and other similar patches presents numerous technical problems, the major one being that of roof control. As the area of a grooved-out place in a particular nook or corner is small, very often the main roof does not break, or where it does, the break is neither timely nor regular—with the result that weight of the superincumbent strata is, thrown back on solid pillars. Weighting and crushing of pillars, with its numerous safety problems, is the usual result. The danger of accidents by falls of ground increases, the behaviour of roof and sides becomes unpredictable, and the crushing of coal may result in spontaneous combustion".

"The other major harmful effect resulting from working near irregular boundaries is the one relating to conservation. Large quantities of coal are lost due to difficulty in the efficient extraction of coal from narrow corners etc. Also, crooked boundaries, containing a large number of deep and angular curves are obviously much longer than straight boundaries; and as a result, the amount of coal locked in the barriers along such boundaries is much larger than if the boundary had been straightened".

It was the Coal Mining Committee of 1937 which first recommended the establishment of a statutory authority which, among other things, "should be empowered to arrange voluntary amalgamations, if possible, and then proceed to compulsory amalgamation if the owners will not come to terms". The 1946 Committee observed that "Government have taken no action so far either to control the grant of lease or sub-leases in the Permanently Settled areas or to secure the amalgamation of small curiously shaped properties". The Committee did not think it worthwhile to take initiative for voluntary amalgamation; "the appointment of a special officer to act as a mediator between various owners will serve little purpose... the only solution is for Government to insist on amalgamation when it appears that the separate existence of two or more adjacent collieries is harmful in the broad sense... But if in particular cases, amalgamation cannot be achieved, because of the recalcitrance of any of the parties involved, we think the State should step in and acquire the properties

and operate them after necessary reorganisation in the same manner as the railway collieries. This is the measure of importance we attach to the need for eradicating harmful fragmentation where it exists" Five years later the Working Party for the Coal Industry (1951) reiterated the urgency of amalgamation.

ECONOMIC SIZE

The Amalgamation Committee's chief recommendations are:

(1) The efficient size of an amalgamated colliery should be 100 acres producing 10,000 tons a month for a period of 50 years. Collieries with lesser performing capacity should be amalgamated unless it is not in public interest to do so. If the productive capacity of a colliery is more than 6,000 tons per month, it may be exempted from amalgamation, if it can step up production to 10,000 tons per month within a year of the introduction of the plan of amalgamation. (The 1946 Committee had refrained from laying down any minimum for an operating unit as it thought that the factors determining it are many, and differed according to locality, e.g., the depth of the seams, their thickness and inclination, the existence of known dangers, geological features etc.) In forming amalgamated units due regard should be given to the existence of fires, flooded areas, important surface features and the natural disturbance encountered in or about the area so as to ensure maximum recovery of coal (p 100).

(2) The Central Government should, in consultation with the Governments of West Bengal and Bihar appoint a Statutory Body called the Collieries Amalgamation Commission which will draw up a scheme of amalgamation and adjustment of boundaries, hear objections and give decisions on them. The Commission will have three members, the Chairman being of the rank of a High Court Judge (p 110).

(3) Composite legislation is required to effect amalgamation of collieries and adjustment of boundaries and for the appointment of Collieries Amalgamation Commission (p 114).

(4) The Central Government should appoint a Committee of three technical officers with powers to examine all proposals for voluntary amalgamation from the collieries till

the appointment of the Commission. It shall give decisions on any proposal submitted to it within one month from the date of receipt of the scheme (p 110).

The Committee had information that suitable steps will be taken by the Governments of West Bengal and Bihar to take over the rights in land of all intermediaries and hoped that this step would remove many difficulties in the way of amalgamation and adjustment of boundaries (p 112).

(5) The Committee made recommendations on the basis of determining the share of each colliery in the amalgamated unit.

(6) Although the effect of amalgamation on unemployment would not be significant, any staff rendered surplus should be placed in a pool and the process of rationalisation after amalgamation should be gradual and only after arrangements for the absorption of surplus hands are made.

NO AMALGAMATION YET

The Committee had recommended a time schedule for the completion of the measures for amalgamation beginning with enactment of legislation on March 31, 1957 and ending with amalgamation and adjustment of boundaries by March 31, 1959 (p 110).

Amalgamation will involve extinguishment or acquisition of rights in mines and minerals of the units amalgamated, and adjustment of boundaries even when some collieries are not affected by amalgamation. Legislation will be necessary not only to achieve the above objects but also to set up a machinery for amalgamation, its composition and procedure for determining the shares of owners of existing collieries with the amalgamated unit.

Such Central legislation for compulsory amalgamation is still in the drafting stage; a voluntary amalgamation committee was appointed in August 1958 to invite and initiate proposals for the voluntary amalgamation of collieries which between them possess more than 100 acres, produce 6,000 tons per month and can produce 10,000 tons per month within one year of amalgamation. The committee has asked for joint and approved plans from the parties concerned regarding the area of amalgamation, expected output from the amalgamated unit, proposals for

adjustment of boundaries, terms and conditions of amalgamation and the kind of organisation of the amalgamated unit.

So far it has reviewed more than 100 proposals and approved 22 cases of amalgamation. (The details appeared in the January 1960 issue of the Bulletin of the Coal Board.) Only six amalgamations have actually taken place! The time schedule laid down by the Committee has been thrown overboard. The submission of a brief note to the Minister for Steel, Mines and Fuel by the Joint Working Committee of the three colliery owners' associations on September 10, 1957 requesting a period of two years for voluntary amalgamation and five years for compulsory amalgamation may be more than mere coincidence.

ELIMINATION OF INTERMEDIARIES

As regards the application of the Bihar Land Reforms Act 1950 and the West Bengal Estates Acquisition Act 1953 in the coalfields, the legal position of the Acts is not clear. The Law Sub-Committee of the Amalgamation Committee (Part II, p 33) sums up that :

"(i) the West Bengal and Bihar Governments desire that the rights of all intermediaries should vest in the States, but there are lacuna in the existing Acts;

(ii) the powers under Section 5 and 7 of the Mines and Minerals (Development and Regulation) Act are insufficient and will have to be enlarged;

(iii) all mineral rights should vest in the State Governments and the leases should be direct between the State and the actual person working the mine without any intermediaries; and

(iv) either the Mines and Minerals (Development and Regulation) Act 1948 should be amended or new Central legislation which will have to be undertaken for amalgamation may include the power to extinguish acquire or modify all existing intermediary rights."

The Bengal and Bihar land reforms had established an agreed direct link between the lessees of the first degree and the respective State Governments. The attempt of the West Bengal Government in 1957 and of the Bihar Government in 1958 to collect rents and royalties from sub-lessees on the assumption that all intermediary rights also had

been abolished by the respective land reforms acts led to litigation. The Bihar Government finally reverted to its earlier position and the Indian Mining Federation withdrew its petition from the Patna High Court. It is reported that the petitions filed in the Calcutta High Court by the mining interests against the action of the West Bengal Government have been disposed of recently. In view of the confused position and because rent and royalty payments were being held up, the mining interests had requested the West Bengal Government for a workable solution which was turned down by the latter. As a result the mining interests have requested the Central Government for adoption of measures on the lines of the United Kingdom Coal Act of 1938 as recommended by the 1946 Coalfields' Committee. None of the recent Acts and rules, viz, Mines and Minerals (Regulation and Development) Act, 1957, Coal Bearing Areas Acquisition and Development Act, 1957, Mineral Concession Rules 1958, and the Mines (Amendment) Act 1959,

has incorporated anything facilitating the abolition of the rights of intermediaries in the coalfields. The Voluntary Amalgamation Committee was therefore obliged to pass a resolution in November last requesting the Government to issue an ordinance authorising the Committee to adjust irregular boundaries of coal mines in West Bengal and Bihar.

More than two years have elapsed since the Amalgamation Committee submitted its report. Practically nothing has happened since excepting six actual amalgamations and yet we have been repeating for the last few months the urgency of lifting our economy to the "take-off" stage by 1965-66! Production of coal in 1959 was 46.5 million tons. Attainment of the targets of coal production of the Second Plan is impossible and Herculean efforts will be needed to reach the coal targets of the Third Plan. Delay in implementing the measures for the amalgamation of small collieries and other urgent reforms will not only impede the achievement of the coal target, it will also imperil the task of national reconstruction.



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Communal Finance in Yugoslavia

Jasa Davico

THE rights and obligations of the local bodies of self-government in the sphere of finance reflect the functions and status of these organs in the social system. The volume of their financial resources (both absolute and relative) testifies to the material basis of self-government and the level of social decentralization reached in accordance with the general economic development of the country.

For this reason, the system of communal finance in Yugoslavia cannot be regarded merely as an economic or a financial problem of a technical nature. Communal finance is essentially a socio-political problem as the tendencies manifested in this respect characterize the developments in an important sector of our social relations, namely the communal system.

Communal finance covers two major domains: the budgets of the local bodies of self-government and the social (public) investment funds of the communes and districts. The other spheres of communal finance (budget funds, funds for housing construction, etc), although characteristic of our present communal system since they cover an important activity of the communes in the advancement of certain economic branches and improvement of the general standard of living, are actually transitional forms of communal finance.

THE COMMUNAL BUDGETS

As a rule, the district and municipal budgets are not used for the financing of economic expenditure but for various public services. It is here that the initiative and independence of the local bodies of self-government in the promotion of the social standard of living on their territory is shown. The district and municipal budget outlay assures the functioning of all the basic services and activities in the sphere of education and culture, public health, welfare and the communal services. The expenses financed from the budgets of the higher political territorial units may also be significant in these spheres; on the other hand, the communal services may in some cases be self-sufficient, i.e., self-financing.

The sources of income of the communal budgets fall into two basic categories—obligatory and optional. Obligatory income is stipulated by Law, while optional income is not allowed at all in certain territories. If it must be levied, then it may only be done up to a certain minimum; if the commune should foresee the introduction of income above the minimum level, this surplus income is of an optional character.

The obligatory income of the communes consists for example of the budget contribution from the personal income of workers and office employees (personal income tax), income tax paid by individual peasants, craftsmen and the members of the free professions, death duties and inheritance taxes, minimum rates on income tax, etc. Optional income includes rates on income tax above a certain level, municipal turnover tax, supplementary budget contribution from personal income, etc.

The budget income of the commune may also be divided according to other criteria. There is the so-called common income of municipal, district and other political territorial bodies, which is allocated according to given criteria. On the other hand, there is the exclusive income of the communes. Thus, for instance, the budgets of the municipalities, districts, people's republics and Federation take a part of the turnover tax which is levied in accordance with the Federal Law. Consequently turnover tax constitutes a common source of income. The budgets of the municipalities, districts, and people's republics share the income tax of craftsmen and free professions, but the Federation does not. This is also a common source of income. However, municipal rates, death duties, municipal turnover tax, local budget contribution, land tax, etc accrue exclusively to the municipality.

It is primarily characteristic of the income of communal budgets that they depend on the level of personal income. This characteristic was also manifest in the existing Budget Law and will be further strengthened by the forthcoming budget reform. This is the prime characteristic of communal budget in Yugoslavia.

EXPENDITURE OF COMMUNES

The commune, as the basic organ of self-government, is invested with an unusually important function in the sphere of expenditure. By its self-governing instruments, the commune influences the allocation of expenditure, increasing or reducing the level of general expenditure at the expense of (or in favour of) personal spending and consumption.

If the commune should acquire substantial budget resources by levying supplementary taxes on the personal income of workers or a municipal turnover tax, which are both optional and accrue exclusively to the municipal budgets, it would also reduce individual spending of the citizens on its territory. By reducing the volume of individual spending, the commune makes possible the creation of funds for the financing of various public services in the interest of the citizens living on that territory. From the funds thus obtained, the commune may assure the improvement of the health service or elementary school network or improve the city electric power or water supply. The commune may also subsidize certain public services which may sell their services or products to the beneficiaries at very low prices, i.e., below the actual costs.

AUTONOMOUS DECISION

The citizens may exert a direct influence in the shaping of such a municipal policy at voters' meetings and within the entire mechanism of self-government. They may, in given cases, accept a higher percentage of municipal turnover tax if they consider that the funds thus obtained will enable the more efficient functioning of the essential communal services. Conversely, they may demand the reduction of these taxes if they consider at the moment that the communal services are functioning perfectly and that they should therefore increase personal spending. It is especially to be noted that the allocation of the total expenditure fund to general and individual requirements depends on an autonomous decision.

Consequently, irrespective of their role with regard to the financing of state administration, the communal budgets essentially imply the independent allocation of the total ex-

penditure fund. This is one of the basic functions of the commune in which the working people appear both as producers and consumers. In this respect the commune is the basic social community in which the individual and collective interests are coordinated and harmonized.

The total expenditure of dis-

trict people's committees amounted to 53.2 in 1956, 55.7 in 1957 and 52.5 thousand million dinars in 1958. Total municipal expenditure came to 62.3 thousand million dinars in 1956, 80 in 1957 and 96.8 in 1958. Consequently, municipal budget expenditure rose by over 50 per cent during the 1956-58 period.

Of a total 96.8 thousand million dinars of municipal budget outlay in 1958, expenses for the public administration and judiciary absorbed 23.6 per cent, cultural and educational activities 37.5 per cent, social and health activities 14.9 per cent and communal activities 5.7 per

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cent. The remainder was used for so-called budget investments and subsidies to economic and other institutions.

Apart from assuring the still stronger interconnection between the communal budget and personal income of the population, the budget reform will enable the general expenditure fund from which the public services are financed to be formed in accordance with the consumption power of the population in a given territory. Significant changes are also foreseen aiming at the achievement of a more objective criterion in the formation of the budget income of the commune.

COMMUNAL INVESTMENT FUNDS

Apart from influencing the allocation of the General Expenditure Fund, one of the major roles of the commune lies in the activation of the productive forces in a given territory. The commune is an important investor in the Yugoslav economic system. Its initiative should be reflected in the strengthening of the productive forces on its territory, the creation of conditions for maximum employment and the development of a series of economic activities which contribute to the most rapid development possible.

Therefore, the communes have substantial investment funds at their disposal. These resources are invested in new productive capacities or on the expansion of those existing in the form of loans. The Yugoslav economic system foresees the creation of social investment funds in all political-territorial units (the Federation, republic, districts and communes) which would accrue from several sources of income. The contribution from the income of economic organizations is the most important source of income for the investment funds of the commune.

This contribution was established by Federal Law and should be considered as a kind of progressive income tax according to the volume of business done by the individual enterprises. The total amount of this contribution is distributed among the individual political-territorial units including also the districts and communes. The stronger the commune economically, the larger the absolute investment resources on its territory. Consequently the principle of uniform criteria for the deduction of contribution from income and the creation of communal in-

vestment funds has been adopted irrespective of the level of development reached by the individual regions. The more rapid development of the backward regions is enabled by the special-purpose investment resources allocated by the Federation or some other political territorial unit for investments in these regions. In other words, a faster development will not be achieved by "normal" resources accumulated on the territory of the under-developed region, but by special resources invested for this purpose through the central funds. A different policy would necessarily lead to the falling-off of incentive and stagnation of the developed regions and would not help the under-developed regions sufficiently.

PARTICIPATION BY COMMUNES

The broadly decentralized investment funds enable the communes to channel their resources in accordance with the productive possibilities on a given territory, always taking into account the general economic requirements and interests of the Yugoslav market as a whole. The Yugoslav investment system has a series of instruments for the management of the resources of the decentralized investment funds. So-called participation is one of them. If, for example, the commune wishes to obtain a loan from the General Investment Fund for the construction of spinning, mills, it will have to bear part of the expenses involved in the construction of this project, thus participating with a certain share of resources from its own fund. In accordance with the investment policy foreseen by the Yugoslav Economic Plan, part of the social funds of the communes or districts is also committed in this manner. Thus, for example, the district investment funds invested approximately one fourth of their resources from the investment funds in the projects built with credits from the General and the republican investment funds. Participation of the investment funds of the communes was approximately the same.

The resources of the district and commune's funds for investment crediting (not including the housing construction fund) totalled 76.5 billion dinars in 1956, 114.2 billion in 1957, and 148.9 billion in 1958.

HOUSING FUND

As seen, the decentralized investment funds attached to the district

and commune people's committees are on the increase: this enables an ever stronger influence of the bodies of self-government on the activation of production forces.

The housing construction fund is a special sector of communal finance. This fund accrued so far from the housing contribution which averaged 10 per cent of the wages and salaries of workers and office employees on a given territory. By the Housing Reform which took effect at the beginning of this year and which aims at the establishment of so-called economic rents, the housing fund will henceforth accrue from other sources.

The resources of the housing fund are used for the financing (direct or by means of credits) of housing construction. These funds are registering a steady increase from year to year. In 1956, the local housing construction funds totalled 40.8 billion dinars, 84.8 billion in 1957 and 137.6 billion dinars, in 1958.

The funds created from precisely defined sources of income are a special form of communal finance and may only be used for the purposes stipulated by Law. These are the so-called budget or special social funds whose resources are used for the development of given economic branches and the financing of definite social requirements. The agricultural development funds, as well as the funds for the promotion of rural economy, forestry development funds, water supply funds, road-building and maintenance funds, etc. are of particular significance for the commune.

Seminar on Industrial Journalism

THE Indian Association of Industrial Editors will hold their Second Convention in Bombay from May 9, and on this occasion a Seminar on Industrial Journalism will be held in Bombay from May 10 to 19. A team of visiting industrial journalists from the United States will take part in the Seminar which is being sponsored by the I A I E.

The Seminar will offer a short term course in different subjects relating to industrial journalism and the sponsors expect candidates from various organisations will attend this course.

From the Chair

Indian Aluminium Company Limited

Speech of the Chairman, Mr. K. C. Mahindra

THE following is the speech of the Chairman, Mr. K. C. Mahindra, delivered at the Twenty-Second Annual General Meeting of the Company held at Calcutta on Wednesday, April 27, 1960:

I have pleasure in according you special welcome to our 22nd Annual Meeting, for 1959 has been a year of good profits and a presage of better times to come.

The Directors' report submitted to you along with the audited accounts for the year 1959 gives a factual background to the year's operations. Production and Sales reached new high levels. Initial operations at the Company's new smelter at Hirakud were satisfactory. The Company's Technical Consultants, Aluminium Laboratories Limited of Canada, rendered great assistance towards the start-up of the new smelter. It is a matter of satisfaction to all of us that the Plant is being operated entirely by Indian personnel, which is good testimony to the progress we have made in training a cadre of sound technical personnel within the Company.

INDUSTRY OF HIGH ADVENTURE

It has been reported that the draft of the Third Five Year Plan establishes a target for production within the country of 82,000 tons of aluminium per annum and that the annual requirements of aluminium may be of the order of 100,000 tons. The Industry has come a long way in the last decade, at the beginning of which aluminium was primarily used for manufacture of domestic utensils. Today it is an established metal and is being used in many engineering industries, ranging from road transport to building. Our Company can justifiably claim that it has contributed substantially to the development of the aluminium industry in India.

Aluminium still remains in our country an industry of high adventure. Your Company knows only too well how arduous and venture-some has been the climb and how complex the local technical problems connected with its installations and growth. In acknowledgement of

this spirit I welcome the two new entrants in the field of production. As pioneers in the establishment of Aluminium as an industrial metal within the country, your Company is resolved to play its part in the further development of the industry and has therefore embarked upon the second phase of an integrated expansion of its production facilities, and construction has already commenced.

HIRAKUD SMELTER CAPACITY TO BE DOUBLED

It is proposed to double the Hirakud Smelter to 20,000 tons, to increase Belur production capacity and install an additional extrusion press at Alupuram. These projects are expected to be completed by 1962/63. On completion your Company will be a substantial producer of aluminium with integrated facilities. It is a matter of pride and satisfaction to all of us that the tempo of expansion which commenced in 1953 is being maintained. We propose to go on expanding so that within the next decade we shall be a Company of substantial size.

But we must remember that the price factor plays an important part in the development of demand for any product. More so in India, where great stress is laid on the initial cost as opposed to long-term economies. Aluminium costs 30 to 40 per cent more in India than in other developed countries. Further, the price differential between aluminium and other competing materials is far more unfavourable in India than elsewhere. If aluminium is to establish itself, especially in the next few years, when the supply of steel is expected to increase, it is essential that prices are brought down.

PLANT-SIZE AND COST

This can only be done by having larger plants capable of producing 50,000 tons and over per annum. It has been estimated, for example, that unit costs of production of a 50,000-ton smelter may be lower by 15 per cent than those of a 20,000-ton plant. By having larger size plants, operating costs will be cor-

respondingly reduced and this will ensure that aluminium holds its ground in competition with other metals. For this reason it is essential for us to keep on expanding until such time as we have reached the optimum economic output levels at each one of our plants, so that with increased operational economies, prices may be reduced and thus ensure that demand will receive a stimulus.

As we turn into the 'Sixties', a decade of progress and expansion lies behind us—a decade during which the Company showed a twenty per cent growth a year in ingot production and established supremacy as a leader in a difficult and complex industry. This growth is unparalleled and far exceeds the 6 per cent rate of growth which would characterise a dynamic economy. It is no doubt true that our fabrication facilities have grown only $4\frac{1}{2}$ times as against a $6\frac{1}{2}$ times increase in production of the primary metal. But this is no fault of the Company's management; Government regulations and priority considerations have not permitted a similar development in the semi-fabrication field. And yet, to sustain a demand for the virgin metal over a long term, the fabricators must grow apace, if not beyond the supply of ingots at any period of time.

DEVELOPMENT OF FABRICATION

To continuously develop new applications and new channels for the use of aluminium products there must develop in the country varied types and kinds of fabricated materials. Looking at the decade ahead, we are engaged in increasing our metal production, as well as our rolling and extrusion facilities by another 70 per cent over our present turnouts. This will be achieved by middle of the Third Plan period. We will not cry halt because inherently expansion is in the bloodstream of the Company. Further, the Management firmly believe that economic efficiency as judged by costs which would be comparable to costs, say, in Europe can only be achieved by increasing suitably the

sizes of both smelter and rolling units.

The impost of excise duty in the recent Budget does not however encourage optimism about the growth of the market and I would earnestly beseech Government to examine afresh the long-term implications of the excise policy in its bearing and impact on the volume of future demand for aluminium products in the country. The stimulants of demand, as Mr. Nathanael V. Davis, the President of Aluminium Limited, our Canadian associates, recently stated, are "new aluminium technologies, determined efforts in sales development and research and improved price relationship of aluminium with other metals". Production cannot maintain its rate of growth if consumption lags behind. Disregard of this criterion, it has been truly said, had its nemesis in the marked decline in the production of those very industries which at the beginning of the second Five Year Plan were firmly set on the path to rapid expansion—textiles, cement, transport are significant examples.

ENGINEERING PROJECT DIVISION

Another forward step has been taken by the management in organising an engineering project division within the Company. This is the beginning for a regular design section which would complement the assistance we receive from the design and research facilities of our Canadian associates, and which in course of time will develop enough technological facilities to work out designs and techniques most suitable for operating materials and conditions in India.

CONTRADICTIONS IN GOVERNMENT POLICY

I referred earlier in my address to the impact of new excise taxation on demand. I do not feel curious any more that the immediate fiscal policy of the Government should appear to be in conflict with the long-term planned objectives of the economy, for it has happened so frequently of late in diverse fields. A strengthening of the industrial base was the avowed theme of the Second Plan; strengthening means not merely increased production of basic materials both new and old, but a growing encouragement of the uses of the materials so produced. Application of resources, however

limited, toward industrial growth implies growing diversion of savings toward investment in industries. Savings must increase; increasingly these should be applied toward generating new industry and promoting development of old ones. This concept of planning, admirable and praiseworthy in objectives has, however, been vicariously undermined by fiscal needs and petty conflicts between the various organs of Government. What you promote with one hand, you cut down and emasculate with the other. Road transport—for instance—has been the pet whipping boy of practically all the States in the Union in search of more revenue and now Railways have joined in curbing the upstart competitor which in their imagination threatens the rail monopoly and fresh excise duties have been levied on all forms of motor driven vehicles.

In our industry protective tariffs have helped as a shield for growth. The price situation remained comparatively free from control and was regulated more or less by interplay of supply and demand. Market growth really generated the need for additional production of the metal. New schemes have been encouraged on the basis of anticipated growth in market demand rather than on the strength of the economies of a specific venture. And now heavy excise has been imposed which will obviously lead to the diminishing of demand and thereby make this capital-intensive industry more unattractive. These contradictions in policy of the various Ministries of the Government and between immediate needs and final desires lead one to think if there is not something wrong somewhere in the administration of our planned efforts and whether time has not arrived to re-examine the void between policy and execution and repair the lack of coordination between the planning and the executive wings of the Government.

FISCAL IMPOSTS AND GROWTH

I do not disagree with the "theory of the big push"—for, there are better than even chances of getting somewhere if the country tried to do too much rather than too little. There should therefore be a welcome for the more ambitious target rather than be critical about "unrealistic" goals. But while inciting a revolu-

tion of rising expectations one should be extremely careful that it does not end in becoming a whirlpool of increasing frustrations. Government everywhere is part of industry and planning is an acceptable feature even in free enterprise economies. There can be no quarrel on this score. But Government is essentially the source of prevention measures which when well directed and co-ordinated lead to avoid waste of valuable resources but when we witness contrariness in the various impositions and regulations we encounter the first phase of practical difficulties.

The Planning Commission encourages growth along certain lines but fiscal needs refuse to take note of the effect of tax and such like imposts on demand and therefore on ultimate targets for achievement. Planning should be perspective in the sense that all points of the compass remain within view; over a measurably realistic period of time; that advances in the sectors of production and distribution be simultaneous so that one reinforces the other; that there remain a growing stimulus for further and further improvements in each field of economy. Planning is a most complicated and complex exercise and I can find no better example and precedent than the manner in which the American industry was geared during war time to produce the necessary materials for the struggle.

WAR-TIME PLANNING IN U. S.

Briefly, policy decisions were first made "by balancing the requirements for selected high-priority objectives with the available amounts of strategic or scarce resources. Next, the details of the plan were worked out through applications of standard ratios based on past experience. Final adjustments were left to informal trial and error procedures of the actual month by month operations". The important difference from conditions current today in India was that demands were specific both in categories and quantum and accordingly where a gap in production point was noticed the surplus of capacity, manpower and finance was directed toward creating the supply in the shortest time possible. Applying the formula to the present state of our economic planning one finds no doubt a peremptory urge to move on rapidly, a compulsion to

build a solid industrial base but there is a singular aversion to analyse the factual data involved and shape, alter and mould the programme as we go along. We seem to get lost in concepts of linear programming, in the so-called method of Balances, in input-output ratios. One cannot but view with alarm the application of such theoretical doctrines when simple structural relationships between supply and demand are ignored and obiter dicta are issued nonchalantly and without mutual consultation from desks which adorn the planning or the executive enclave respectively.

Aluminium production should step up to 100,000 tons by 1966; ergo, more units should be licensed to achieve this goal. It is ignored that demand for primary metal has increased from 23000 tons to 35000 tons over the last 5 years because of sales effort to increase applications, because of intense educational campaign to popularise the use of aluminium and because of relative stability in the price level. When the Finance Minister decided to impose an excise levy which would increase prices by as much as 10 per cent at one stroke, he did not, I am sure, consult the planning wing. Would the planners now revise their objectives in the light of possible shrinkage of demand because of pressure of excise duties on prices? I fear not, and that is where the lacunae in our thinking of the future become wide and disparate. It is naturally not my purpose here to draw the lines for the next Plan, but I enter a plea for recognition of the facts of supply and demand and for a more rational approach to the problems of growth of individual industries. If I am critical, it is not for the purpose of imposing judgment; it is to request discipline and rationalisation in the conditions of judgment.

PROFITS HIGHER

The financial picture as presented in the Directors' report is promising. Profit for the year, before providing for income tax and development rebate reserve, was higher at Rs 1.94 crores. After providing for Corporate tax of Rs 55 lacs and setting aside as development rebate reserve, which is a statutory appropriation under the Finance Act 1958, a sum of Rs 61½ lacs, net surplus for the year is Rs 79.83 lacs. Because of the statutory provisions regarding

development rebate reserve the amount of money available for distribution to shareholders is not large.

This may appear disappointing in the year of our Hirakud development, for the immediate return to the shareholders is necessarily small but it is to be recognised that the allocation to the Development Rebate fund is a plough-back of profits into the business of the Company. Such appropriations of earnings retained in the Company are an essential element in a capital-intensive industry like aluminium and more so when the Company is engaged in a forward looking programme of expansion.

HIGHER RATE OF DIVIDEND RECOMMENDED

It has been possible for the Directors to recommend payment of a higher rate of dividend on equity shares—the highest so far in the history of the Company. I appreciate that the net receipts in the hands of the shareholder is less

because of the new base of tax policy and abolition of the system of grossing up of the dividend. But here neither you nor the Board have any say if Government chooses to tax the shareholders further and take away a substantial portion of their income. The Company has passed on to the shareholders most of the "savings" on corporate taxation effected under the new scheme.

To Mr Vance Echols and his able associates in the Company I convey our congratulations and thanks for the splendid results achieved during the year and I am sure the shareholders will join me in wishing them further success in the endeavours to come. Equally meritorious has been the effort of our work force at all the six operating points in the country. I am confident your trust is in good hands and the coming years hold an encouraging promise.

NOTE: This Does Not Purport to Be a Record of the Proceedings of the Annual General Meeting.

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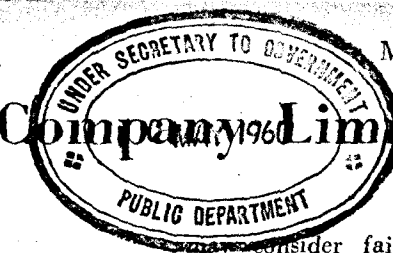
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The Indian Iron & Steel Company Limited

Notice



May 7, 1960

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, at 3 p.m., on Friday the 3rd day of June 1960, 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 Martin Burn Limited be and they are hereby re-appointed as the Managing Agents of the Company for a period of ten years with immediate effect from the expiration on the 15th day of August 1960 of the Agreement dated the 8th day of July 1948 and made between the Company of the one part and Martin Burn Limited of the other part in pursuance of Section 330 of the Companies Act, 1956 and upon the terms and conditions contained in an Agreement proposed to be entered into between the Company of the one part and Martin Burn Limited of the other part a copy of which was laid on the table and signed by the Chairman for the purpose of identification and that the Directors of the Company be and they are hereby authorised to execute such Agreement under the Company's common seal.

SPECIAL RESOLUTION:

2. That the Articles of Association of the Company be altered in manner following:—

(i) Article 50 shall be deleted and the following substituted therefor:—

"50. The Company may, after giving not less than seven days previous notice by advertisement in a newspaper circulating in Calcutta, close the Register of Members or the Register of Debenture-holders, as the case may be, for any period or periods not exceeding in the aggregate forty-five days in each year but not exceeding thirty days at a time."

(ii) Article 113 shall be deleted and the following substituted

therefor:—

"113. Unless otherwise determined by the Company in General Meeting each Director shall be paid out of the funds of the Company by way of remuneration for his services in attending Meetings of the Directors a fee of Rs. 100/- for each Meeting attended by him. Each Director shall also be entitled to receive a share of a commission (to be divided among the Directors in such manner as the Directors may determine and in default of such determination equally) of one per cent of the net profits of the Company computed in the manner referred to in sub-section (1) of Section 198 of the Companies Act 1956 in any financial year. The commission payable to the Directors shall be payable for a period of five years up to and including the financial year ending on the 31st March 1961, but this provision may be renewed or reviewed from time to time in accordance with the provisions of any statutory enactment from time to time in force and applicable thereto. For the financial year ending on the 31st March 1961, the net profits as aforesaid shall be deemed to accrue on a day to day basis and the commission attributable on such basis to the period from the 16th August 1960 to the 31st March 1961 shall be subject to a limitation at the rate of Rs. 2,50,000/- per annum which limitation unless otherwise determined by the Company in General Meeting shall continue to apply in respect of any period for which the provision for payment of commission as aforesaid may be renewed. The Directors may allow and pay to any Director who for the time being is resident out of the place at which any Meeting of the Directors may be held and who shall come to the place for the purpose of attending such Meeting such sum as the Directors

may consider fair and reasonable for his expenses and loss of time in connection with his attending at the Meeting in addition to his remuneration as above specified."

(iii) Articles 128, 129, 130, 131, 132, 133, 134, 135, 136 and 138 shall be deleted and for Article 128 the following shall be substituted:—

"128. 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."

By Order of the Board,
Martin Burn Limited
A. G. Gidley

Secretary
Managing Agents.

12, Mission Row, Calcutta.
Dated, 5th May 1960.

NOTE: (i) A member entitled to attend and vote at this 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 of the Company.

(ii) An Explanatory Statement is annexed to the Convening Notice issued to members of the Company.

Burn and 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 Thursday the 2nd day of June 1960 at 11 a.m. to consider and if thought fit to pass with or without modification the following resolution which will be proposed as an ordinary resolution:

That Martin Burn Limited be and they are hereby re-appointed

as the Managing Agents of the Company for a period of ten years as on and from the 15th day of August 1960, on the terms and conditions embodied in the draft of an Agreement to be entered into between the Company of the one part and Martin Burn Limited of the other part, a copy of which was laid on the table and signed by the Chairman of this Meeting for the purposes of identification and that the Directors of the Company be and they are hereby authorised to execute under the Company's Seal in manner provided for in Article 155 of the Company's Articles of Association the Agreement setting forth the terms and conditions of the re-appointment of the Managing Agents.

By Order of the Board,
Martin Burn Limited
A. G. Gidley
Secretary
Managing Agents.

12, Mission Row,
Calcutta.
Dated, 5th May 1960.

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 the members of the Company.

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 Thursday, the 2nd day of June 1960 at 11-15 a.m. to consider and if thought fit to pass with or without modification the following resolution which will be proposed as an ordinary resolution :

That Martin Burn Limited be and they are hereby re-appointed as the Managing Agents of the Company for a period of ten years as on and from the 15th day of August 1960 on the terms and conditions embodied in the draft of an Agreement to be entered into between the Company of the one part and Martin Burn Limited

of the other part, a copy of which was laid on the table and signed by the Chairman of this Meeting for the purposes of identification and that the Directors of the Company be and they are hereby authorised to execute under the Company's Seal in manner provided for in Article 155 of the Company's Articles of Association, the Agreement setting forth the terms and conditions of the re-appointment of the Managing Agents.

By Order of the Board,
Martin Burn Limited
A. G. Gidley
Secretary
Managing Agents.

12, Mission Row,
Calcutta.
Dated, 5th May 1960.

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 the members of the Company.

Company Notes

Tata Textiles Improve

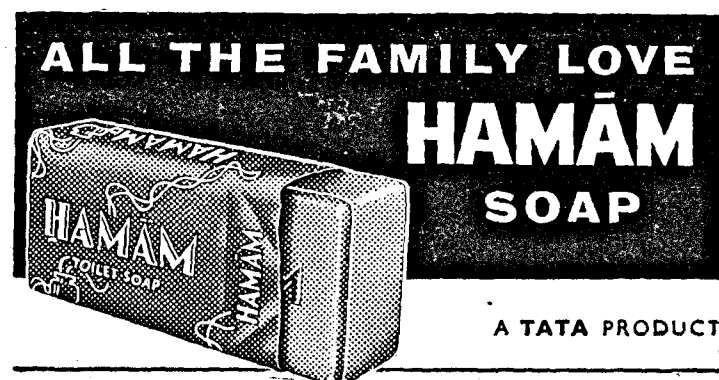
WHILE Central India, the oldest of the Tata mills, is still on the dumps, working of the two other Tata units in Bombay has improved appreciably. The larger of the two, Svadeshi Mills, had a sales turnover of Rs 428 lakhs during the year ended December 31, 1959, with a gross profit margin of 8.4 per cent, against Rs 395 lakhs and 5 per cent in the previous year. Its net earning after tax improved to Rs 16 lakhs from Rs 11 lakhs, giving a net

return on capital invested of 6 per cent against 4 per cent, and on net worth of 8 per cent against 5 per cent. Earning per ordinary share has improved from Rs 10.73 to Rs 14.72, but it has not been possible to maintain net distribution to shareholders. Dividend recommended is Rs 14 gross against Rs 10 net.

The bulk of the company's expenditure on renovation is being met from internal resources. Orders have been placed for a Sanforising range, a complete blow room line, one combing set, one open-width washing and soaping machine and a hot air stenter. The company is disappointed that it has been allotted only 48 looms against its application for 240 automatic looms for replacement. It has also been unable to get Government sanction to instal 12,000 additional spindles which are badly needed to balance the mills' productive capacity. Installed capacity of the mills is 75,036 spindles and 2,000 looms inclusive of 560 automatic looms.

The sales turnover of Tata Mills improved during the year from Rs 333 lakhs to Rs 386 lakhs and gross profit margin from 3 per cent to 5 per cent. Against practically nil earnings in the previous year, net earning in 1959 was Rs 8 lakhs, giving a return on capital invested of 3 per cent and on net worth of 8 per cent. Net earning per ordinary share is 12 per cent. Distribution has been raised to 10 per cent gross from 6 per cent net in the previous year.

Under the U S export-import credit scheme, the company has imported one Whitin drawing frame, one super lap machine, and six combers which are now working satisfactorily. One more Whitin super lap machine and two combers are in transit. The



installation of these plants marks a significant departure from the mills' past pattern of production which had been confined to coarse and medium varieties ever since their establishment 46 years ago.

Like other mills, both the Tata mills have suffered from scarcity of domestic cotton. The supply position of foreign cotton however, has been satisfactory as they have fulfilled the requirements under the export promotion scheme and the user import quota.

Mafatlal Group of Mills

THE Mafatlal Group of cotton mills is one of the largest and most well-equipped in the country. It consists of 6 companies, of which one is a private limited company. The operating results of the 5 public companies in 1959 are presented in the table below.

Total capital invested in these companies at the end of 1959 amounted to Rs 10.16 crores, an increase of Rs 91 lakhs over that in the previous year. The whole of this amount is financed from internal resources, i.e. paid up capital and reserves. The latter in fact exceed the capital invested; the balance is used for inter-corporate investment. Internal resources consist predominantly of reserves which is a measure of the prudence with which the Mafatlals have conserved and ploughed back their earnings over the years.

Sales turnover of these 5 companies at Rs 19.27 crores in 1959 was more than Rs 1 crore higher than in 1958. Gross profit on sales turnover improved from 12.8 per cent in 1958 to 14.6 per cent in 1959.

Net earnings after tax were substantially higher at Rs 1.44 crores against Rs 94 lakhs. Consequently, net earning on capital invested increased from 10.2 per cent to 14.2 per cent, and on net worth from 9.5 per cent to 13.7 per cent. This is a satisfactory performance by any standard. In addition, the companies incurred capital expenditure of Rs 1.16 crores on modernisation of plant and ancillary items without any strain on their resources. Their total gross block now exceeds Rs 12 crores.

Mafatlals are interested mostly in fine and superfine fabrics, but one of their largest units, Sassoon Cotton, is a leading producer and exporter of coarse and medium products. The operating results of Sassoon have not been as favourable as those of other units, but they show considerable improvement over the previous year. All the units, except Shorrock, have in fact done appreciably better than last year.

The group continues to plough back a large part of its earnings, which can be observed from the considerable difference between the earnings and dividends per share.

Mafatlal Fine has ceased to hold any interest in its former subsidiary, M G Investment Corporation Private Limited, a managing agency concern.

National Pipes & Tubes

THE first and still perhaps the only manufacturer of non-ferrous pipes and tubes, National Pipes and Tubes, has shown satisfactory working results during the year ended September 30, 1959, despite stoppage of production for about 2½

months. Sales turnover remained stationary at Rs 83 lakhs and gross profit margin also remained constant at 23 per cent. Net earning, nevertheless, went up from Rs 7 lakhs to Rs 8.62 lakhs, giving a net return on capital invested and net worth of 14.6 per cent against 12.6 per cent. Earning per equity share is Rs 2.67 against Rs 2.17; dividend is Rs 1.50 gross against Rs 1.25 net.

The company has installed additional processing plants which have already gone into production. These have increased the output of smaller sections of non-ferrous semis. Severe restrictions on the supply of copper and zinc, however, continue to inhibit expansion of output.

Machine Tools Import

THE Centre has decided to issue licences for the import of permissible types of machine tools to established importers on the basis of a quota of 30 per cent general and 30 per cent soft during the current half year.

Applications for import of machine tools should be submitted by June 30, 1960.

Established importers will also be permitted to submit applications on behalf of actual users for import of actual users for import of machine tools required by the latter.

The applications should be supported by the essentiality certificate by the appropriate recommending authority. Licences will be granted in the name of the actual user with a letter of authority in favour of the importing house.

Operating Results of Mafatlal Mills

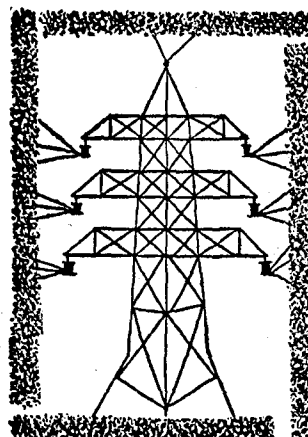
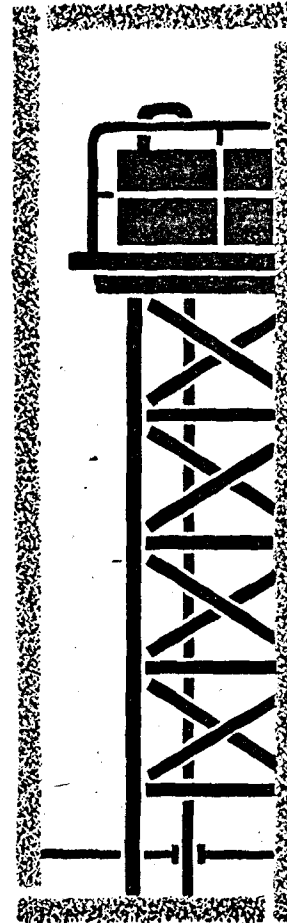
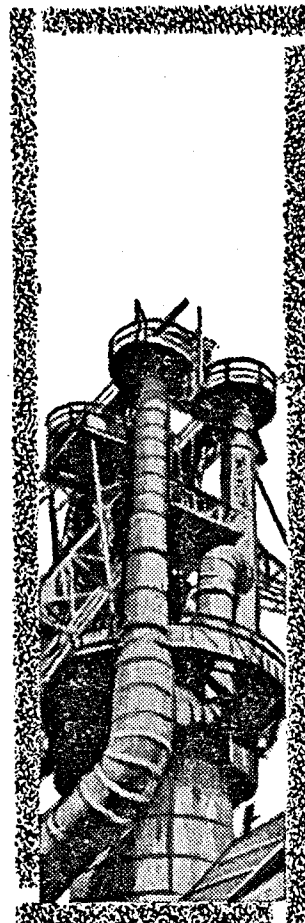
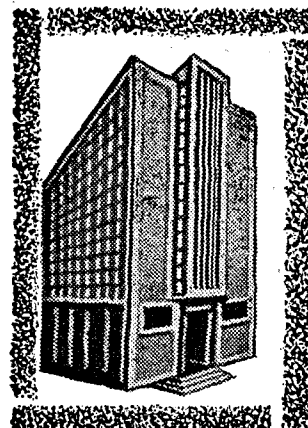
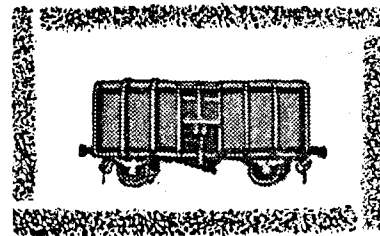
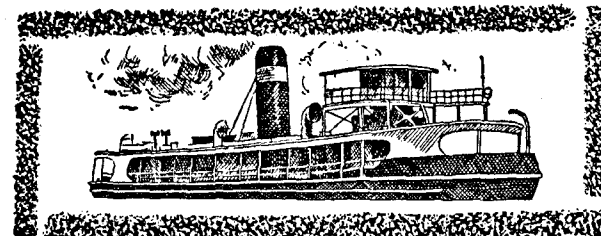
	(Rs lakhs)									
	Standard	Sassoon	New Shorrock	Mafatlal Fine	Shorrock					
	1959	1958	1959	1958	1959	1958	1959	1958	1959	1958
1. Capital Invested (net fixed assets and net working capital)	369	356	240	197	155	130	140	136	112	106
2. Net Worth	365	354	159	156	195	170	220	209	110	104
3. Paid Up Capital	122	122	38	38	52	52	87	87	29	29
4. Gross Fixed Assets	405	353	285	254	194	181	222	208	125	119
5. Sales	629	609	565	518	285	273	245	224	203	196
6. Gross Profits	85	78	24	10	90	74	56	40	27	31
7. (6) as % of (5)	13.5	12.8	4.2	2.0	31.6	27.0	23.0	18.0	13.0	16.0
8. Profits before tax	73	69	16	4	76	65	49	34	23	27
9. Profits after tax	44	28	11	3	46	33	29	17	14	13
(of which Development Rebate)	(11)	(12)	(7)	(3)	(3)	(5)	(3)	(3)	(3)	(3)
(8) as % of Capital Invested	12.0	7.7	4.8	1.4	30.0	25.0	20.7	12.5	12.5	12.0
(8) as % of Net Worth	12.0	7.7	7.2	1.7	24.0	19.0	13.0	8.0	12.7	12.5
11. Times Preference dividend covered	65	40	—	—	—	—	16	9	—	—
12. Net Earning per Equity Share (Rs)	39.00	25.00	3.00	0.70	110.60	79.30	46.70	25.90	47.90	44.40
13. Dividend per Equity Share (Rs)†	29.00	20.00	2.50	2.00	55.00	35.00	29.00	18.00	30.00	22.00
14. Price per Equity Share (Rs)	890	—	52	—	1,385	—	793	—	695	—
15. Price as Times Earning (15÷13)	23	—	17	—	13	—	17	—	15	—
16. Yield net of tax	2.8	—	3.4	—	2.8	—	2.6	—	3.0	—

† Figures for 1959 are gross of tax deduction at source: those for 1958 are net.

May 7, 1960

THE ECONOMIC WEEKLY

AIDING INDIA'S PROGRESS



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THE ECONOMIC WEEKLY

Around Bombay Markets

Irregular but Firm

Thursday, Morning

DALAL STREET last week provided a somewhat mixed fare. Quite a few select counters scaled new peaks—higher than the post-Budget highs. Most shares fluctuated irregularly in a very indecisive fashion though the general tone continued to be remarkably steady. Net changes over the week were generally small. The volume of business continued to be on the rather low side, with activity predominantly professional. Notwithstanding the continued strength in the market despite certain unfavourable factors, stock-brokers reported virtual absence of outside business. But they had enough work on hand on account of the new issues—largely unremunerative because applications continue to be many times the size of the capital sought.

The outstanding bright spots of the week included Standard Mill, Mukand Iron, Indian Copper, Gwalior Rayon, Polychem and Hindustan Motors. Indian Iron, Kohinoor, Bombay Burmah and Century joined the list very late in the week. All these shares recorded new high levels for several weeks and many hit new all-time highs. Corrective profit-taking produced a small setback now and then but they were short-lived. Lower levels attracted renewed professional support.

The strength in some of the counters reflected largely the good corporate news—whether the current levels already discount all the good news is a moot point—and the rise in others was perhaps mainly speculative. The April figures of steel output both at Burnpur and Jamshedpur showed a substantial decline over the previous month's performance which could not be explained in terms of the 30 days of April against 31 of March. IISCO's output of saleable steel totalled 44,751 tons against 75,812 tons in March and that of TISCO came to 99,900 tons against 123,000 tons. But the lower production figures did not have any noticeable effect on the general trading sentiment because the shortfall was attributed to certain temporary factors.

CREDIT CURB

Rumours were also current during the week that the Reserve Bank was

likely to tighten credit restrictions still further. But this only induced some caution among bulls. Bears continued to be reserved because of the underlying strength in the market. Rumours of tighter control over credit have materialised. The Reserve Bank directed all scheduled banks on Wednesday evening to deposit with it 50 per cent of any addition to their deposits accruing after May 6. From March 11 the banks had been required to deposit 25 per cent of their additional deposits. These deposits will continue to earn interest varying with the bank's average cost of deposits.

Dalal Street's initial reaction to the new credit curb was some hasty selling which produced a moderate decline in kerb dealings but equities staged a quick recovery on renewed bull support and bear covering. Perhaps the market might not have developed even a temporary setback but for the strong rumours that banks were contemplating an increase of about ½ per cent, presumably at the instance of the Reserve Bank, in their overdraft charges. That the stock market should have staged a quick recovery after a hasty sell-off is not the least surprising. The impounding of the additional deposits is unlikely to produce any impact on the general price situation. The busy season is now almost over and bank advances in the slack season are to decline anyhow. So the restriction on the banks' lending capacity is of little immediate consequence. Its impact can be felt only during the next busy season which is many months away. The stock market can derive some cheer from the Reserve Bank's decision to content itself for the time being with the raising of the reserve requirements which implies that the Bank Rate is not likely to be stepped up in the near future. But it is arguable that the Bank is now determined to take further steps to curb inflationary trends in the economy, which is a bear point from the stock market angle. Whether inflationary trends can be checked through tighter credit control without affecting productive effort is debatable.

It has been suggested by some financial observers that the banks

might as well thank the Reserve Bank for relieving them of the burden of finding a suitable outlet for their surplus funds during the slack season, the more so because the additional deposits to be kept with the Reserve Bank are likely to fetch a better return than investment in treasury bills. This implies that the banks cannot employ these funds more remuneratively. If that be so then where was the need for the authorities to call for additional reserve requirements. It is arguable that the new credit measure might affect banks' contribution to the new loans that will be put on the market by the Centre and the States after a month or two.

Oilseeds

ALL-ROUND RECESSION

OILSEEDS last week suffered an all-round setback, with castor May down from Rs 172 to Rs 169, groundnut May from Rs 219.25 to Rs 217.50 (the week's low was Rs 215.25) cottonseed May from Rs 159 to Rs 156.75 and linseed May from Rs 33.06 per cwt to Rs 32.50. Everywhere it was a case of bull liquidation induced mainly by considerations of the maturity of the May contract.

Uncertainty about trading in new contracts has at last ended. The Forward Markets Commission's sanction came on May 2 and the exchange started trading the very same evening and the regular session had to be extended by an hour. All the terms and conditions imposed by the Commission except the one relating to wider representation for crushers' interests have been accepted by the Oilseeds Board and the question of crushers' representation is also to be reconsidered at some later date. The Commission's permission has come not a day too soon because the existing contracts have already entered their delivery period. With a view to providing facility to speculators to switch over their interest from the maturing contracts to the new ones it was decided to extend the first tendering day to May 6.

THE NEW CONTRACTS

The new contracts—September in respect of castor, cottonseed and linseed and August in the case of

groundnut—started at a premium of Rs 7 per candy in castor and Rs 1.06 per cwt in linseed. In groundnut the new contract started at a discount of Rs 3 per candy and in cottonseed the discount was small—around a rupee. The premiums in castor and linseed reflect mainly the anxiety on the part of bulls of May to switch over to September instead of facing the risk of tenders because the spot material is much cheaper. Of course the size of the premiums itself can have an important bearing on the volume of tenders. If the premiums are really very attractive, sellers would not like to tender goods in May but transfer their interest to September. With the supply position of both castor and linseed fairly comfortable the existing premiums are unlikely to decline unless of course substantial export business in oils materialises in the immediate future.

That the August contract in groundnut should be quoted at a discount over May would seem a little intriguing in view of the fact that the season for groundnut approaches its fag-end by that period. The more so when the supply position is known to be far from comfortable. But it is mainly because the May contract has already risen very close to its ceiling of Rs 225 per candy that the new August contract has started at a discount. Since the price is already quoted so very high there is a greater chance for it to come down, particularly if the monsoon progresses satisfactorily. Bulls in August will certainly have to face the monsoon. The position in regard to cottonseed is very similar to that of groundnut, current prices being already at a very high level.

Export houses did not talk of any fresh important business during the week. Only U K was credited with the purchase of a few hundred tons of castor oil and some groundnut extractions. Unconfirmed reports also indicated U S buying in castor oil. Some of the Communist countries showed fair interest in oilcakes, particularly linseed cake but these inquiries have yet to result in business.

Cotton

FURTHER IMPORT QUOTA

THE cotton futures market had a small shake-out last week. Jarilla August was marked down

from Rs 780.25 to Rs 768.25 and the week-end closing was only a little better at Rs 772. The setback was caused essentially by technical considerations. For too long had futures kept very close to the effective ceiling rate of Rs 790. Activity had virtually come to a standstill. Such a situation could not be expected to last indefinitely. The scope for pushing up the market being extremely limited because of the ceiling, speculators chose to give a small jolt to the market. That was probably all that happened last week. But selling was also attributed to the release of a fresh import quota for two lakh bales of cotton stapling 1-1/16" and above from any area.

The new quota which raises the total quantity released to date to 11.80 lakh bales is naturally welcome because liberal imports alone can help ease the difficult supply position resulting from the serious shortfall in the 1959-60 crop. Of the new quota, 50,000 bales have been earmarked for requirements of mills for counts above 60s and the balance of 1.50 lakh bales will be issued to mills on the basis of their consumption. It is generally believed that while extra-fine cotton will come mainly from the Sudan, Egyptian prices being higher, the bulk of 1-1/16" cotton is likely to come from the U S and East Africa, particularly the U S.

NO EFFECT ON PRICES YET

The import quota now announced has not had any softening effect on prices. On the contrary the prices of imported cottons have recorded an appreciable rise, with East Africans up by nearly Rs 100 per candy, the Sudanese varieties by about Rs 50 and U S cottons by about Rs 25 per candy. This has come about despite the fact that arrivals of foreign cotton in coming weeks are expected to be quite heavy, which shows how keen is the mills' appetite. Most mills have already exhausted their quotas for indigenous cotton. Except for C02, all Indian cottons are quoted substantially above the official ceiling rates, premiums ranging between Rs 50 and Rs 100 per candy.

The provisional figures of cotton consumed by the mills in March are 355,318 bales Indian and 54,107 bales of foreign cotton compared with 369,175 bales and 45,383 bales respectively in February. The de-

cline in the consumption of Indian cotton and the rise in foreign cotton is not the least surprising. Domestic cotton is being rationed because of the smaller crop while import has been liberalised and its consumption is being encouraged through com-

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pulsion. With arrivals likely to pick up appreciably from now on the rate of consumption of foreign cotton can be expected to show further good rise during the rest of the season.

Bullion

EXTRAORDINARY CIRCUMSTANCES!

"IF, in the event of any extraordinary circumstances arising in the market, the President deems necessary in the interest of the market to forthwith close the market, the President in such circumstances shall have the power to forthwith stop transactions being effected in the market by ringing the bell. Under these circumstances, a meeting of the Board shall be called forthwith to consider what future action should be taken." This is the by-law—number 33 to be very precise—which the Board of the Bombay Bullion Association invoked on May 3. The market was ordered to be kept closed on May 4, presumably to await the arrival of the president, who had gone out of Bombay, to hold a special meeting on May 5 to decide what future action should be taken to arrest the rising trend in prices which is believed to be due essentially to bull manipulation.

What are the extraordinary circumstances that have arisen in the market which have encouraged the authorities to take such a step? Bullion prices continue to scale peaks which have never been known before. Last week ready gold and silver were bid up to Rs 137-10 and Rs 228-12 respectively. On January 2 the corresponding rates were Rs 126-8½ and Rs 211. Backwardation charges in Vaisakh delivery, i.e., the premium enjoyed by Vaisakh over Jeth delivery rate, stood as high as Rs 3-13 in gold and Rs 4-5 in silver. What is more, ready silver fetched a fantastic premium of Rs 10-8 over the Jeth contract rate and gold ready commanded a premium of Rs 6-8. These figures clearly indicate firm bull grip over the market. Bulls have acquired control over the bulk of floating supplies; according to the market authorities floating stocks in Bombay are now estimated at no more than 125 bars of silver of 2,800 tolas each, and 20,000 tolas of gold.

MARGIN TO BE EX-PARTE?

There is little that can be done to check the rising trend in prices when supplies are steadily dwindling and demand keeps rising. Bulls can

scarcely be blamed for exploiting the situation when they have observed all the rules of the game. Margin rates have been progressively increased and bulls in gold are already paying as much as Rs 60 per tola. The worst that the authorities can do—this is probably what is likely to be decided at today's meeting—is to enhance the margin rates still further and make the margin ex-parte, that is, disallow the existing facility of offsetting sales against purchases. That cannot be done without seriously undermining the liquidity of the market. Already

the futures market has been reduced to the position of a limited playground for a handful of resourceful speculators. But when one looks at the figures of floating stocks one begins to wonder as to why forward trading is at all permitted. The sooner the Government decides to put a stop to futures trading in bullion the better. Whether the closure of futures market will help in arresting the rising trend in prices is quite another matter. For, if people choose to continue to pay higher and higher prices for precious metals, who can stop them from that?

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CURRENT STATISTICS

BANKING RETURNS (Rs Crores)				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note Circulation	1883.59	1890.00	1864.53	1751.11
2. Rupee Coin	127.31	127.35	128.17	132.06
3. Deposits				
(a) Central Govt	50.58	51.82	73.49	53.28
(b) Other Govts	45.28	14.61	35.34	22.44
(c) Banks	97.64	97.71	79.02	83.70
(d) Others	98.89	99.72	104.62	118.06
4. Foreign Securities	163.01	163.01	163.01	178.01
5. Balances Abroad	17.60	21.31	25.50	25.21
6. Rupee Securities	1506.47	1506.65	1461.91	1350.81
7. Investments	232.38	202.81	248.18	264.98
8. Loans and Advances to Govts	48.22	50.47	27.81	39.39
9. Other Loans and Advances	114.53	101.59	143.52	75.97
Scheduled Banks				
1. Liabilities:				
2. Demand (net)	782.33	783.55	780.83	754.44
3. Time (net)	1154.17	1142.33	1121.39	937.90
4. Total	1936.50	1925.88	1902.22	1692.34
5. Cash in hand	48.82	50.12	61.92	43.84
6. Balances with Reserve Bank	93.86	96.57	90.95	87.98
7. (5) + (6) as % of (4)	7.37	7.62	8.04	7.79
8. Borrowings from Reserve Bank	32.34	45.24	79.44	27.20
of which				
Usance Bills	8.07	13.61	14.03	9.57
9. Advances	945.03	950.18	93.47	868.80
of which				
State Bank's	199.78	211.28	198.21	190.06
10. Bills Discounted:				
(a) Inland	133.03	132.41	129.37	113.51
(b) Foreign	46.79	45.12	46.51	38.09
(c) Total	179.87	177.53	175.88	151.60
of which				
State Bank's	16.66	16.57	15.01	13.15
11. Bank Credit (9 + 10c) as % of (4)	58.09	58.55	59.25	60.30
12. Invest in Govt Sec	736.97	732.19	714.73	616.12
of which				
State Bank's	375.05	369.99	347.40	282.01
13. (12) as % of (4)	38.06	38.02	37.57	36.41
Cheque Clearance	196.93	211.50	257.70	179.07

† For Reserve Bank and Cheque Clearance Week ended 29-4-1960. For Scheduled Banks week ended 22-4-1960.

Bombay Money Rates (% per annum)				
(Selected Scheduled Banks other than State Bank)				
22-4-1960	Week Ago	Month Ago	Year Ago	
Call Money				
From Banks	3½-3¾	3½-3¾	3½-4	3½-3¾
Deposits				
Seven Days	3-3½	3-3½	3-3½	2½-3½
Three Months	3½	3½	3½	3½-4
Six Months	2½-3½	2½-3½	2½-3½	2½-4

Bombay Bullion (Rs and nP)				
5-5-1960	Week Ago	Month Ago	Year Ago	
Gold (per fine tola)				
Spot	137.87	135.50	130.31	124.44
Forward	129.87	128.81	127.00	123.50
Silver (per 100 tolas)				
Spot	230.00	224.50	215.50	201.19
Forward	216.72	214.69	212.12	198.44

INDEX NUMBER OF WHOLESALE PRICES				
(Base : 1952-53 = 100)				
Week Ended	16-4-60	9-4-60	19-3-60	18-4-59
Group and Sub-group				
Food Articles	119.0	118.0	117.1	113.0
Cereals	103.6	103.1	103.1	97.5
Pulses	90.5	88.0	89.7	93.0
Fruits & Vegetables	137.2	133.2	127.0	124.2
Milk & Ghee	116.1	114.6	113.4	117.9
Edible Oils	138.0	137.3	135.9	125.6
Fish, Eggs & Meat	118.1	116.3	115.5	107.9
Sugar & Gur	139.9	140.1	140.1	128.8
Others	161.0	160.1	156.4	150.6
Liquor & Tobacco	100.4	100.4	96.1	97.5
Tobacco	98.4	98.4	93.8	95.8
Fuel, Power, Light & Lubricants	118.8	119.1	117.2	115.7
Industrial Raw Materials	134.6	133.3	132.7	116.6
Fibres	130.5	127.9	126.5	108.1
Oilseeds	142.0	141.2	140.9	128.3
Minerals	98.2	98.2	97.5	101.4
Others	130.9	131.2	131.6	111.7
Manufactures	117.2	117.2	116.6	108.4
Intermediate Products	122.7	122.3	121.1	108.6
Finished Products	116.3	116.3	115.8	108.4
Textiles	115.9	115.8	115.0	103.1
Cotton	124.1	125.0	124.4	112.1
Jute	102.7	99.9	97.9	83.7
Woollen	104.2	104.2	104.2	104.2
Silk & Rayon	102.0	102.5	102.9	95.7
Metal Products	148.2	148.2	148.2	143.3
Chemicals	104.7	104.5	105.0	108.2
Oil cakes	137.1	139.8	141.4	140.4
Machinery & Transport Equipment	108.6	108.6	108.6	106.1
Others	114.8	114.7	113.8	113.0
All Commodities	120.5	119.8	118.9	112.0

CALCUTTA TEA AUCTIONS				
	1959-60		1958-59	
	June 1 to March 30		June 1 to March 31	
	Pack-ages	Avg Price* per lb (Rs)	Pack-ages	Avg Price* per lb (Rs)
For Export				
Assam Zone I	428,524	2.43		
" II	302,543	2.43	1,049,097	2.32
" III	360,267	2.37		
Cachar	208,495	1.97	221,967	1.78
Darjeeling	165,619	3.08	151,373	3.31
Dooars	598,034	2.08	569,501	1.88
Terai	114,161	2.05	85,940	1.85
Tripura	26,079	1.92	24,442	1.73
Total (incl others)	2,203,958	2.29	2,103,026	2.18
For Consumption in India				
Dusts	762,776	2.13	693,435	1.99
of which				
Assam Zone I	283,333	2.16		
" II	133,152	2.21	482,231	2.06
" III	103,229	2.12		
Cachar	55,258	2.01	53,143	1.76
Darjeeling	7,119	2.18	7,460	2.17
Dooars	160,840	2.03	136,301	1.80
Other Grades	40,975	1.80	67,243	1.56
of which				
Assam Zone I	15,004	1.84		
" II	5,213	1.79	45,771	1.53
" III	7,452	1.79		
Cachar	1,839	1.62	3,869	1.43
Darjeeling	579	2.16	2,710	2.47
Dooars	7,909	1.75	12,129	1.51

*Exclusive of Excise Duty.

INDUSTRIAL DISPUTES IN INDIA

(Numbers)			
Year/Month	Disputes	Workers involved	Working days lost
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	1,784	908,722	6,406,566
1958 : Jan	145	58,402	354,185
Feb	133	87,130	342,205
Mar	167	91,489	818,824
Apr	170	65,199	530,162
May	160	61,570	560,459
June	163	164,673	1,529,248
July	164	112,060	464,165
Aug	147	72,579	655,057
Sept	132	59,359	415,083
Oct	121	36,501	262,600
Nov	136	35,548	177,574
Dec	139	48,526	199,012
1959 : Jan	152	61,169	306,998
Feb	93	35,141	271,253
Mar	134	56,019	279,346
Apr	158	44,834	383,741
May	131	59,764	354,517
June	161	80,223	826,805
July	142	62,407	745,436
Aug	141	66,437	396,789
Sept	137	66,146	220,586
Oct	168	72,806	273,181
Nov	139	53,432	254,426

Source : Deputy Commissioner of Labour, Government of Bombay.

INDUSTRIAL DISPUTES IN BOMBAY STATE

(Numbers)			
Year/Month	Disputes	Workers involved	Working days lost
1955	255	103,319	361,249
1956	294	245,140	705,881
1957	306	192,283	867,311
1958	245	216,105	1,261,770
1959	291	195,089	648,074
1958 : Jan	31	14,946	69,955
Feb	25	11,475	27,114
Mar	19	5,426	11,428
Apr	34	16,858	113,292
May	25	10,340	147,368
June	26	65,701	605,755
July	30	77,219	197,087
Aug	21	5,824	10,709
Sept	21	5,802	11,209
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
Mar	17	4,583	6,276
April	33	9,187	47,545
May	44	31,335	105,951
June	37	22,089	80,508
July	31	14,839	81,871
Aug	34	21,162	78,187
Sept	21	2,969	20,758
Oct	28	24,576	29,087
Nov	35	22,938	34,840
Dec	38	42,863	199,866
1960 : Jan	50	35,643	79,418

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	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	98	98	124	124	118	116	
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	130	126	106	106	110	108	87	93	117	120	113	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	126	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	119	117	
Feb	133	130	102	104	136	126	102	103	127	127	120	118	
Mar	134	131	102	104	137	126	96	99	125	127	118	117	
Apr	134	130	103	104	124	119	91	95	128	128	119	117	
May	137	132	104	106	120	116	91	95	132	131	121	119	
June	140	135	110	110	121	117	93	97	135	134	126	122	
July	142	136	118	114	122	117	93	97	137	134	128	124	
Aug	143	137	120	116	122	118	94	98	136	134	129*	125	
Sept	145	137	117	111	122	118	93	97	135	134	129*	125	
Oct	147	139	120	116	124	120	94	98	139	137	131*	136	
Nov	145	138	117	114	123	120	95	99	144	139	130*	126*	
Dec	143	137	112	111	121	119	89	96	140	137	128	124*	
1960 : Jan	—	137	—	110	—	121	—	96	—	136	—	122*	
Feb	—	136	—	111	—	122	—	98	—	139	—	122*	

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THE ECONOMIC WEEKLY

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Khrushchev's Triumph

AMONG the one or two other things established by the shooting down of the American U-2 plane by the Russians over Siberia is the fact that the Soviet Prime Minister is a super show-man. His performance before the Supreme Soviet, when he announced the news and alternately moved his audience to derision and anger was more than mildly reminiscent of Mark Antony's famous oration to the citizens of Rome. There is no doubt that Mr Khrushchev made the most of the incident and, in some ways, exaggerated its significance beyond all reasonable and unreasonable limits. It is interesting to note that he has expressed wonder at this act of aerial espionage by the United States taking place on the very eve of the Summit—and no one will deny that the incident could not possibly have been timed more badly from this point of view—but the question, which nobody has bothered to ask is: Why has Khrushchev himself made the maximum possible fuss over the incident on the eve of the Summit? The timing of his fuss was almost as deplorable as that of the incident itself.

To all appearances, the Soviet Prime Minister has always been very keen on the Summit; and it is perhaps not too much to say that but for his own consistent efforts in this regard, the impending meeting of the Heads of State might never have become a serious possibility. Yet just when the Summit has been achieved, he blows up what is in most respects only a molehill into a viciously exaggerated affair. Why does he do that? Is he no longer interested in making the Summit a success? The motives of Soviet diplomacy are not always clear; and it is not therefore easy to answer these questions; but certainly Mr Khrushchev's all-out attack on the Western camp at this particular moment in international affairs exposes his motives to a very wide range of doubts.

An interesting speculation to make today would be to ask how matters might have proceeded if the Russians, having known of the U-2 flight and capture, had made no public fuss about it until after the Summit. Perhaps Mr Khrushchev would have impressed the West vastly with his honourable motives regarding the preservation of peace if he had personally and confidentially told the President of the United States in Paris about the incident and explained that he had deliberately kept out the news of it for the moment in order not to embarrass the chances of the Summit. For some reason, Mr Khrushchev did not do that. He preferred instead to jump at the incident as if it was a godsend for rebuking the Americans on the eve of the Summit. It was as if he had been waiting for something to give him the opportunity to attack the United States. The U-2 gave him the opportunity and he grasped it avidly with both hands.

That the Khrushchev speech (and his subsequent statements) was unnecessarily wild and hyperbolic is clear. Surely, the Soviet Prime Minister is not such a political innocent as to be honestly scandalised by learning the fact that the United States has an elaborate system of

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espionage and that the chief target of this system is Russia? Is the world to deduce from Mr Khrushchev's shocked reaction to the U-2 incident that he himself has no espionage working on the Americans and the rest of the Western camp? Since there can be only one answer to these questions, the conclusion is inescapable that the Soviet Prime Minister was merely feigning his indignation for purely propagandist purposes. Which means, in turn, that he was genuinely interested in propaganda at this stage.

As for the United States, it has acted honestly by coming out and saying what everyone already knows: that every country has its espionage system and that the U-2 shot down by the Russians was not the first American plane to undertake espionage on the Soviets. The Americans have also made the further point, also legitimate to an extent, that Western espionage is the child of Soviet secrecy. No doubt the size of Western espionage would shrink considerably if the Russians became less secretive; but

here the Americans are surely being unreasonable and naive in suggesting that Russia should do what no country on either side of the Iron Curtain ever does—make its security and military arrangements a matter of public knowledge.

Honesty, however, is one thing and efficiency quite another. By this one does not mean to condemn the failure of the U-2 in question to complete its particular mission; for, after all, if this is the first plane to be caught in this way, it speaks extremely highly of American efficiency in espionage for all these years. What is deplorable is the apparently total absence of any co-ordination between the policy-making wing of the American Government and the military administration. There is no doubt that if President Eisenhower had known of these particular flights, he would have ordered that they should be suspended at this crucial stage in East-West relations. The most important (and one would have thought the most obvious) fact to be faced here is that in the conditions of today, political policy-making cannot be divorced for military manoeuvres

THE ECONOMIC

of any kind. One affect. If the Russians were to see over the United States a when its leaders were prepared to hold peace talks with them, United States would be quite right to interpret it as an unfriendly and deliberately provocative act. No one blames the Russians for interpreting the incident in this way; but it is interesting that Mr Khrushchev himself admitted that Mr Eisenhower was probably innocent of any complicity in this affair. The fear, however, that an H-Bomb war can be started off by U S militarists without the President's sanction is baseless. Even in the United States there are limits to the military's independence of action; and nuclear orders are strictly vested in the President. Nevertheless it is necessary for the civil administration of the United States to have constant control over the doings of the Military wing. If the army officers cannot actually drop an H-Bomb on Moscow without President Eisenhower's knowledge and sanction, they can at least start something which might in turn start a nuclear war.

Free Trade Zone

THE proposal for setting up a free trade zone is by no means new, nor is the concept sensationally novel. High tariffs, stringency of customs regulations and the administrative difficulties of getting draw-back of import duty on materials used for export products naturally give rise to the demand for and create the scope for free trade zone. When import restrictions of the type that we have got come in, the situation becomes much more complex. It is not surprising, therefore, that, though the proposal was first mooted when Shri K C Neogy was the Minister of Commerce, it should have taken the Government all these years to formulate a scheme for it. The one placed before the Lok Sabha by Shri Raj Bahadur, the Minister of State for Transport and Communications, is tentative in the extreme. Shri Raj Bahadur made his first statement on the subject a month ago; since then, the Press Information Bureau has released an outline of the scheme. But it does not appear from the outline that the Government has yet got down to work-

ing out a scheme on which opinion can be usefully elicited from industrial and trade interests. There are a number of different ideas in the tentative scheme and it is by no means clear which of the many possible lines of development the Government intends to pursue.

To begin with, the scheme combines two different objectives, viz that of the development of the Kandla port and the township of Gandhidham with that of a free trade zone which is entitled to a place in the economy in its own rights. Kandla and Gandhidham between them are a striking and ambitious attempt to rehabilitate refugees from Sind. by far the most imaginative and spectacular attempt that has been made so far for resettlement. Kandla is a symbol of hope and aspiration of the displaced Sindhis and they intend to build it up as a port and as an industrial and trading centre which will some day rival Karachi.

The setting up of a free trade zone has been long overdue. It has been necessary ever since import control took its present form many years ago. Export industries

which use imported materials need a speedy and convenient arrangement for draw-back on duty whenever tariffs are high. This is, however, a part of routine customs administration and does not call for a separate free trade zone. It is only very special types of industries which use high-tariff or banned imported materials as their principal stock-in-trade and work up such materials to higher stages of production, largely industries specializing in export products of high value in small bulk, which need a free trade zone for their proper development. In a limited customs-free area, indigenous labour and specialized skills can be employed profitably to work on imported materials for export. One naturally thinks of skills like those of our diamond-cutters and jewellers who had been for years unable to sell the products of their skill abroad and have not only suffered unemployment themselves, the country has forgone valuable foreign exchange which they could have earned. Our diamond-cutters and stone-setters can also work on synthetic stones and jewellery made from such stones

THE ECONOMIC WEEKLY

has a good market in high-income countries. These could be easily organised. The same consideration applies to jewellery made from gold and some other luxury industries.

There are other industries in which semi-finished or semi-processed goods imported are worked to higher stages of production with the help of local labour and machinery for export. The element of imported material in the exported product has to be sufficiently large or the imports must belong to a special category, e g, not normally licensed for import, to require a free trade zone for their development. Since imported material is automatically exported at a later stage and the entire process is carried on within a barbed wire area directly under the supervision of customs authorities, it is surprising to find that Shri Raj Bahadur should say that "it would not be possible to relax the ordinary restrictions as for import into the rest of the country where it is a question of importing gold or certain special articles such as diamonds, ... watches, etc."

Shri Raj Bahadur and his Ministry do not seem to see eye to eye on this crucial point. For, the scheme circulated by the P I B is explicit on the point that normal import restrictions will not apply to the free trade zone. To quote from it, "Licences for the import and export of goods and articles into or from the zone will be issued freely. The intention is not to subject these transactions to import and export control but only to keep an account of the imports and exports into the zone with a view to watching the progress of the development of the zone and also to keep an indirect check on smuggling of goods into other parts of India."

The free trade zone will serve several other subsidiary purposes. One is that of re-exports. Actually, for entrepot trade, the free trade zone is an important facility and not an essential need. In fact, the customs authorities in the bigger ports do have arrangements of storing imports in bond. Re-packaging of goods in the bonded warehouses, sorting or grading—these can be easily arranged. Another function claimed on behalf of it is that "the zone will be a distribution centre for India and neighbouring markets wherein stocks always accessi-

ble may be maintained free of duty and bond." A centre for distribution to neighbouring markets, one can understand. That is part of re-export or entrepot trade but, as a duty-free storage centre for imports awaiting distribution within the country, can the zone possibly offer the facilities claimed for it? According to the scheme, the domestic importer, by ordering his purchases or consignments to the Kandla free trade zone, "can examine his goods for conformance to specifications or sample and for count, condition, weight or purity. He can arrange for marking, labelling, etc and for licences, permits or documents. He can bring prospective buyers to inspect the goods." The zone is to be a duty-free storage centre for imports like spare parts, so that the latter can be drawn when actually required, thereby "eliminating imports being made in advance."

There is another idea running through the scheme which is not clearly formulated, viz, attracting Indian businessmen abroad to set up industries in the free trade zone.

It is not clear whether the industries contemplated are those which are prohibited under the present industrial policy. The only safeguard mentioned is that such industries should not compete 'unfairly' with export industries elsewhere in the country. The zone being located in an area of trading people who have established trade connections all over the world, there is something tempting about this proposition. But segregation of imported capital, though owned by Indians abroad, into a sphere outside that covered by the present industrial policy, will it not present insurmountable difficulties?

All these and more may be possible and may come in due course; but first things must come first. Government has to make up its mind whether it is confident of being able to set up and run a free-trade zone. If it has that confidence, it must not tinker with the idea that it can set up a free trade zone and yet not relax "the ordinary restrictions as for import into the rest of the country."

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Weekly Notes

Millowners Accept Wage Award

THE award of the Central Wage Board for the textile industry is the first one of its kind to lay down a single broad pattern of wages for the industry as a whole. All previous awards related to individual centres and, therefore, necessarily left wide disparities in the wage structure of the industry. This is, moreover, the first award which links a new wage scheme with rationalisation and consolidates the greater portion of dearness allowance with basic wage. After some hesitation, the millowners of Bombay and Ahmedabad have agreed to implement the award. Though the exact terms of their acceptance are not known yet, it implies that nearly two-thirds of the industry has agreed to the award. Bombay and Ahmedabad are likely to be followed soon by Madras, Punjab, Delhi and Calcutta. The acceptance of the award in Kanpur, Madhya Pradesh, Orissa and West Bengal (outside Calcutta), however, where the cotton textile industry has been somewhat moribund, is doubtful since the financial condition of the mills may not enable them to comply.

The award is an integrated set of recommendations relating to revision of basic wages, consolidation of dearness allowance with basic wages, and a more rapid pace of rationalisation. The recommendations are guided by two basic principles:

- (1) wages must move towards a need-based minimum on the lines set out by the 15th Labour Conference,
- (2) rationalisation and modernisation is a necessary condition of survival and is in the interests of labour.

On the basis of these two principles, the Board suggested an increase of Rs 10 in the basic wages in the more prosperous centres, of which Rs 8 was to be granted with effect from January 1 this year and the remaining Rs 2 from 1962. In less prosperous areas like Kanpur and Madhya Pradesh, the increase recommended is only Rs 8. The Board has also suggested that consolidation of dearness allowance with basic wage in each mill should take place at an index which will

yield an amount equal to three-fourths of the average dearness allowance of the first six months of 1959. The remaining 25 per cent of dearness allowance will continue to be linked to movements in the cost of living index for the centre or the nearest centre for which an index is available.

Rationalisation and Modernisation

IN lieu of these benefits, demands for revision of wage scales would not be considered for the next five years. Acceptance of modernisation and rationalisation by both labour and management is an essential part of this scheme. Government would have to take an active part in this process by setting up national and regional committees to deal with rationalisation and its implementation. Whenever rationalisation or modernisation is resisted by either management or labour, Government should intervene to ensure that a reasonable scheme is put into force — especially in those areas where the industry is stagnant and management is either too lethargic or too impoverished. Government would also have to be more liberal in according sanction to schemes of modernisation and in allocating foreign exchange for the purpose.

The Board postulates that as a consequence of rationalisation, there should be (i) no retrenchment or loss of earnings of the existing work force, (ii) an equitable sharing of gains between the community, the employers and the workers, and

(iii) a proper assessment of work-loads by independent experts. There should be some machinery to resolve disputes arising from rationalisation at the unit level also.

The consolidation of the greater part of dearness allowance with basic wage fulfills a long-felt need. The purpose of dearness allowance is to compensate workers for temporary increases in cost of living. When most of this increase is permanent and dearness allowance comes to form the greater part of the wage payment, the wage structure, ceases to make any sense. Apart from its irrationality, it narrows down wage differentials between different grades of labour and deprives workers of their legitimate claim to higher provident fund and allied deferred payments which are fixed according to the basic wage.

Implementation of the award is bound to cause hardship in some cases, especially in Kanpur and Indore, where the industry had not been doing well even before the crisis of 1957. The evolution of a national wage policy (deficient though it might be from the view point of development) cannot, however, wait indefinitely for the laggards to catch up. Once we accept the proposition that wages must fulfil certain minimum requirements, it follows that units which cannot afford to pay these wages would have to close down, and leave the field to the more efficient producers.

Mid-Year Special Number June 1960

The Mid-Year Special Number of *The Economic Weekly* will be issued on June 11, 1960. It will contain a minimum of 150 pages bound neatly in art cover and will be priced at Rs 2.50 nP per copy. Registration and Postage charges will cost Re 1.

A special feature of the issue is a symposium on the preconditions of self-sustained growth of the Indian economy in which an economist, a sociologist, a political scientist and an engineer will participate. There will also be special articles of topical interest on current economic and political affairs.

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The Special Number will be supplied free to subscribers. Non-subscribers and agents are requested to order their copies well in advance.

A. FERNANDES
Business Manager

Economy of Scale in Aluminium

ALUMINIUM has come a long way from a metal for domestic utensils to one which is being used increasingly in engineering industries. Many new uses of it will be found with the progress in industrialisation. In a country which is comparatively new in non-ferrous metals the future of aluminium is rosy and its prospects have attracted a number of new producers in the field. In fact nowadays an aluminium plant has become a necessary adjunct of every sizeable power project. Power from Rihand Dam will run the Hindustan Aluminium Corporation Plant with a capacity of 20,000 tons, another aluminium plant with the same capacity is going to be located near Koyana, and there is keen bid for a plant in Salem with a capacity of 10,000 tons drawing its power from Kundah. Indian Aluminium has doubled the capacity of its smelter at Hirakud to 20,000 tons but its plant at Alwaye, the oldest of the lot, is still a modest one, with a capacity of 5,000 tons though giving a production substantially higher.

Speaking at the last Annual General Meeting of the Indian Aluminium Company, the Chairman Shri K C Mahindra raised the very pertinent question whether expansion in this very important industry was being planned on sound lines and whether this new metal, the use of which has still to be popularised and developed, is being assured its rightful place in the Indian economy? To popularise and develop the utilisation of aluminium, it is necessary that its price should compare favourably with that of competing metals. Aluminium costs 30 to 40 per cent more in India than in other countries. The price differential between aluminium and other competing metals is far more unfavourable in India than elsewhere. In the circumstances, the imposition of the excise duty in the last budget is bound to inhibit the growth of demand. And licensing of new units of production in complete disregard of the economies of scale and the scope for reduction of unit cost will also work in the same direction.

These are valid points and Shri Mahindra has a strong case. True, excise duties have come to stay as an important and expanding source of budgetary resources. They are

justified, however, as a disinflationary measure as the preferred alternative to deficit financing only when they help to mop up the surplus purchasing power that would be spent, with the growth of incomes, on non-essential consumption goods. There is no case for imposing excise duties on raw materials and intermediate goods. The Finance Ministry, it is obvious, has not yet studied the scope and uses of excise duty as a source of finance for planned development. There is perhaps some measure of alleviation. What matters most for expanding the demand for aluminium is the price of competitive metals and Shri Mahindra mentioned steel in this connection. He can derive some consolation from the thought that neither the excise duty on steel nor steel prices are likely to be reduced in the near future.

The neglect of economies of scale in the planning of aluminium production, however, is a much more severe matter. If the cost of production of a 50,000 ton smelter is 15 per cent lower than that of a 20,000 ton plant, the rationale of the present programme must be dubious indeed. Worse still, in yielding to the strong pressure of licensing of aluminium plants, there is a real danger that the optimal or balanced utilisation of electrical power will be seriously and very adversely affected. Once a plant is set up, its power supply cannot be withdrawn. On the contrary, it will have a prior claim on power if it wants to expand its capacity. It is hardly possible to be sure that these long run aspects of the problem are even considered, far less borne in mind in planning the development of power and of aluminium.

Break-Even Load Factor

BRITISH Overseas Airways Corporation, an undertaking in the public sector, is in a much better position than it had been recent years. This improvement stems largely from the reduction in its operating costs from 39d per ton mile three years ago to 29d, which is the cost estimate for the current financial year 1960-61. Nearly half of this improvement has been contributed by the Engineering and Maintenance Department which brought down its costs in these three years from 10½d per ton mile to 5½d. As a result, BOAC has been

able to pursue a policy of progressive reduction in fares and is now in much stronger position to compete with other airlines.

In the financial year ending March 31, 1960, BOAC earned a clear surplus on its own operations after payment of interest (i.e., guaranteed dividend of £ 4 million) which compares with the deficit last year of just over £ 2 million. The associated companies of the BOAC also gave a much better performance and though they still incurred a deficit of £ 1.1 million, after payment of interest, this was nearly £2 million better than in the previous year. BOAC increased its carrying capacity by 29 per cent in 1959-60, the traffic carried during the year also rose by the same percentage. In the current year, its carrying capacity will be 42 per cent higher than what it was last year.

The crucial ratio in the economics of commercial aviation is the break-even load factor. As a result of the various economies, BOAC has been able to bring down its break-even load factor from over 60 per cent to the low fifties, according to an official handout. How does it compare with the experience of our own airlines, Indian Airlines Corporation and Air-India International? For the IAC, the percentages of load factor were as follows:

Year	Break-Even	Over-all
1956-57	80.7	68.8
1957-58	81.0	70.2
1958-59	78.3	70.6

No comment is necessary.

For the Air-India International, the percentage figures of load factor were as follows:

Year	Break-Even	Overall
1956-57	59.1	64.3
1957-58	55.7	59.1
1958-59	56.2	56.8

The break-even load factor has been consistently below the overall load factor, thus enabling the A I I to operate on a surplus. But, unfortunately, up till now, it has been a dwindling surplus. How the load factor will work out when its newly acquired fleet of Boeing 707 are in full operation is naturally uncertain, as there is no experience to go by, but there is little doubt that the higher efficiency of the jet aircraft will be reflected very favourably in this crucial ratio.

A Question of Civility

WHILE calling tenders, an escape clause is always inserted to the effect that those calling the tender are not bound to accept the lowest or any other tender. Can this escape clause be invoked without stretching terms beyond the verge of decency when a foreign firm is invited to put up a scheme of production, in unceremoniously rejecting its offer without giving any valid reason? To this aspect of the question, not discussed in the Audit Report on Defence, attention has been drawn by a correspondent who writes:

In the Weekly Note in the issue of April 23 on Audit Report on Defence, you say "If production programmes had to be drawn up on the Auditor General's advice or, for that matter, on the guidance of an auditor in a commercial firm, there would be an end to development." If you read para 57 of the Audit Report, you can find out for yourself whether any such claim was made by the Auditor General in that paragraph or not.

You will notice that the firm 'B' (a Company from U K) did not just come and canvass for its tractors; it was one of the five firms specifically requested to quote. If the Army in India had no experi-

ence of its tractors, Government must have been aware of that before the firm 'B' was asked to quote. It was not a decent plea, though legally the Government was not debarred from raising this plea. But, if it was a good enough plea against the firm 'B', it should have been an equally good plea against the Japanese firm also. One might say "what is sauce for the goose is not sauce for the gander". But do you think that such a behaviour conforms to the traditions of civility which should govern the commercial transactions of the Government of a civilised people? A State which has a large and expanding public sector and has been actively trying to enlist the sympathy and aid of the investing institutions and the Governments of the industrially developed countries in Europe and America cannot perhaps afford to indulge in such open, unabashed, discriminating treatment. In any case, such conduct does not enhance the commercial goodwill which this country needs in plenty.

The audit paragraph does not object to the manufacture of tractors in this country, nor does it object to a Japanese firm as partners, but it objects to the manner in which one party's terms were unceremoniously rejected, for some

alleged defect, which was shared also by the Japanese firm. This is not a financial irregularity which term has a certain technical connotation, but it is surely a matter of no little financial implication affecting as it does our goodwill in the international monetary world. Why not try and look at the case from this angle? Is it an altogether wrong angle?

Errata

Amalgamation of Small Collieries

In Shri A B Ghosh's article under the above caption which appeared in the last week's issue, certain misprints inadvertently crept in.

In the table on page 701, size of collieries is by production per month and total output of coal in 1919 was 18.83 million tons and not 18.33 million tons.

On page 703, para 2 should read as follows:-

- (5) The Committee made recommendations regarding the sources of finance for the organisation of and the basis of determining the share of each colliery in the amalgamated unit.

In line 5, para 4, page 703 the date should be January 31, 1957 and not March 31, 1957.

Off the Record

Bombay Telephones

WHAT has happened to Bombay Telephones? Not to speak of wrong connections—who keeps count of them any more?—so often it is impossible to get a number that one turns increasingly in desperation to 'Assistance.' The bell at '999' goes on ringing; nobody responds. One tries again with no better result and, if the urgency is pressing, one goes on repeating the performance until a voice is heard at the other end—it is a feeble voice and a harassed one. Poor thing, what can she do? There are so many seeking assistance and so few—perhaps only one at a time—to attend.

While the normal telephone service is thus cracking up, the Posts and Telegraphs Department has chosen to accost the exasperated subscriber with brickbats and bouquets—brickbats in the form of a bill which will make his eyes boggle—Rs 240 in one lump sum for the whole year, instead of the monthly Rs 12, and bouquets in the form of promises, of a 'Telex' service, of direct dialling of out-stations, and so forth. This is planning in the reverse and as good an example of it as any that one can think of.

The Indian Telephone Industries at Bangalore has been turning out all the telephone equipment that we need and more, receivers, switch gear, the special gadgets needed for operating the trunk lines. It is not only turning out all the needed equipment, it is attaining a steady improvement in productivity and efficiency, along with a rising scale of production. Yet, the telephone service goes on deteriorating, the waiting list of applicants for new connections goes on lengthening and exasperation is spreading all around. Why?

Though telephone equipments are being produced as planned, they are not being drawn into use as and when they become available. The reason for non-utilisation or inadequate utilisation lies in some budgeting problem, to which the Posts and Telegraphs Department has not been able to apply its mind or which it has not been able to solve. This snag is in the financial part of planning, but it results in a failure in the utilisation of resources which makes a mockery of our search for

resources, for the lack of which, we are told, we have to cut down the size of the Plan and cannot tackle the problem of unemployment.

The failure from the angle of financial resources has its counterpart in physical resources also. There is a gap. It is not enough to step up the supply of receiving sets, switch gear and other apparatus. If the under-ground cables have not been replaced for ages, how can the surface installations, however good they may be, function properly? Even irresponsible journalists would not have the temerity to suggest that no one ever thought of the necessity of maintaining under-ground cables in proper working condition for running an efficient telephone system. Some one must have thought of it and the Development Wing must also have licensed one or more units for the manufacture of cables. But either the production of cables failed to synchronise with that of telephone equipment—production programmes have a way of lagging behind—or a particularly knotty budgetary problem cropped up which could not be resolved. Whatever the reason, the fact is that bad condition of the cables must be largely, if not primarily, responsible for the faulty working of Bombay's telephone system. Malabar Hill numbers, it is well known, are chronically out of order during the monsoon. With the first shower of rain, many of the lines go out of order. Bombay Telephones do not entertain applications for transfer of lines during the three months of monsoon. Cables were successfully laid across the Atlantic more than a hundred years ago. Those cables were proof against the waters of the Atlantic, but Bombay telephone cables cannot stand the lightest shower!

It is not only telephones which suffer from planning in reverse. For other examples, one does not have to go very far. From the day that Pandit Nehru ceremoniously opened the Vaitarana Dam, water supply in many parts of the city has dried up; it has not yet returned to normal. Why? It is not enough

to dam up water 54 miles away, that water has to be brought to the city. This requires miles and miles of pipes. Somebody has got a licence for manufacturing pipes and, for three generations, the family will have its hands full and will not have to worry for food and shelter. But until the pipes are supplied and laid along these 54 miles, the not-so-well-off city dwellers, who cannot 'fix' their landlords and make under-hand arrangements, will continue to suffer from water shortage.

Phasing is a new idea that is being dinned into the Planning Commission this time pretty diligently, so that the Commission may be forced in the end very reluctantly to split the Third Five Year Plan into annual plans and thus to commit itself at which point of time a particular project comes in. There is danger in this of exposing itself to all manner of criticism if, after the given time lag, production or services from the project in question do not start flowing. Those who built the Vaitarana Dam did not have to face such embarrassment. No one ever asked them, since the pipes were not there, what was the point in damming up water at such heavy cost, especially cost in foreign exchange? To synchronise the building of a dam with the laying of the pipes or construction of a net work of irrigation channels through which the water from the dam would flow and be utilised productively may not present a difficult problem in planning theory. But if one were to apply this criterion to all the Plan projects, what would be the findings?

If this is the state of public utility services in India's premier city, one can imagine the condition in the rest of the country, especially in the villages, for which the Government and the Congress never tire of shedding tears.

The Health Minister bluntly told the Lok Sabha the other day why village drinking water supply programmes had failed. There were no pipes to carry the water. Either the manufacture of pipes had not been put into the Plan or it had



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not been phased properly, or something had gone wrong. Not that he did not know that 75 per cent of the diseases in this country are water-borne and supply of drinking water is the single-most important health measure that one can think of. But he is the Minister of Health, production of pipes is none of his business. The pity of it is that he could get away with such an explanation.

Though the market has hardly taken any notice of the Reserve

Our Delhi Letter

Digesting P L 480

SHRI S K PATIL has given us food and given us a good deal more food for thought. The praise-worthy features of the Indo-U S food agreement, to which Shri Patil was mainly instrumental, has received a well deserved Press. The generous proportion of the deal, the liberal terms and timeliness of the gesture have also been duly noted.

Yet the Food Ministry is obviously worried. For it is a stupendous task handling the 17 million tons of grains, in the stipulated period. Within months, if not weeks, the Ministry will have to get ready a scheme—a fool proof scheme—to receive a ship load of wheat a day, find the port facility for it, transport it, store it and reach it to the people in the different regions when they want it and at a price they can pay for it.

The U S Ambassador (while addressing newsmen in New Delhi) squarely put the job on the Government of India. The U S Administration had been assured, said the Ambassador, that India would brace herself up for this work. Shri Patil had told the Administration, continued the Ambassador, that vigorous steps would be taken to handle the wheat properly.

What were the bottlenecks that he anticipated, the Ambassador was asked. Shipping was not so much a problem, he answered, as port facilities in India and the necessary storage capacity. Even if the maximum handling capacity of the Indian ports was put to use (and maintained,) it would just be enough to handle the proposed rate of supply of 4.5 million tons a year he said.

Bank directive to scheduled banks for raising the ratio of additions to deposits to be impounded to half, there was some speculation as to how the news leaked into one of the papers. It is the trained seal which catches the fish. That is not special to this country alone. Newsmen addicted to high places do not, however, normally get advance intimation of such things as bank rate changes even in countries where financial correspondents enjoy high prestige. When they do, there is usually a furore.

Here, however, communication does not run along such conditioned reflexes but through other channels. India is caste, family, kinship *et al.* This was thus an occasion for amused speculation. And why call it leakage? Could it not have been intelligent anticipation? Did not the three wise men who reported to the President of the World Bank look askance at our monetary policy and make some unfavourable comments against maintaining low interest rates in a country which is so short of capital?

assistance is a tangible evidence of the success of his line of thinking and he may make good use of it answering the Planning Commission. But the Commission may not be so easily convinced either, for it is determined to check food price inflation at any cost. The National Development Council is openly divided on the issue of State trading of food and Shri Patil, for one, is known to be against it in toto. The Price Policy Committee held a preliminary meeting the other day but did not want to proceed further in the absence of Shri Patil. The Committee felt that, in any case, to work out a strict price policy would need a lot of details, at present not with it.

Another point which awaits Shri Patil's immediate attention is the adjustment in the total import of foodgrains over the next few years. Already he has sounded Canada to cut short her supply in view of the American deal. He will have to do the same with Australia.

The biggest task yet before Shri Patil will be the nature of controls he and the Ministry should have in hand in case of an unmanageable surplus! Hitherto they have all been working on the assumption that Indian food production will be at a given level. But it may not take more than a couple of good monsoons to upset the whole calculation. What will happen if in the middle of American imports, internal crop figures show a steep increase? How will the price line be held then from tumbling to catastrophe? Is there provision for deferring the American imports in such a situation?

From the London End

Britain's Reappraisal of Europe

THERE can be no doubt that one of the more important issues which the Commonwealth Premiers have had to face in London was that concerning the future relations of Britain with Western Europe. Presented with the patent failure of Britain's policy for an independent deterrent and the spectacle of a new and dynamic Europe which the six countries of the Common Market are building, the Commonwealth Premiers must have enquired with deep concern how far Britain is reconsidering its position in Europe. The doctrine of the so-called 'triple position' which has dominated British foreign policy for long is now clearly archaic and out of place. Britain's 'special relationship' with the United States is no longer special in view of the open encouragement which the American Government is giving to the European Common Market.

'TRIPLE POSITION' UNDER FIRE

Next, it is now clearly impossible for Britain to exercise an independent influence over the course of European politics. Conrad Ahlers, the well known West German journalist, expressed the other day that "for most Germans Britain has become a second rate power. What irritates us most is the impression that the British . . . refuse to realise this decline in power and have been acting and reacting as if they still rule the waves and the world". When people in continental West Europe begin to speak in these terms, it is no longer possible to talk of Britain possessing the type of influence she had or exercised in the decades of the past.

The last of the 'triple position' is the Commonwealth. This, as we are now witnessing, is a vulnerable position for Britain. It is now acknowledged that the bonds which have somehow or the other maintained the cohesion of the Commonwealth in the past are no longer as strong as to make the Commonwealth an independent force for Britain. The Commonwealth is being subjected to influences which are gradually changing its complexion and character. Even the economic ties arising from imperial tariff preferences, banking and trade are now seen to

be of lesser importance than in the past.

In a word the doctrine of the 'triple position' is under heavy fire and a major reappraisal of British foreign policy is now necessary. Indeed, there are signs that it is taking place at least in respect of West Europe.

SUSPICIOUS OF BRITAIN

The most noticeable change in Britain's attitude to Western Europe concerns the growing recognition that the policy of trying to place obstacles before the Common Market has failed. Thus, in spite of the ratification of the instruments for the creation of the E F T A, there is an equal recognition that the E F T A has proved to be a liability. The E F T A proposal to exchange tariff preferences with the Common Market was politely shelved by the last meeting of the now re-formed and very much vaguer Organisation for European Economic Co-operation. Many members of the E F T A openly state that they are not prepared to construe their relations with Britain as being part of a "peripheral alliance" directed against France and Germany.

Equally significant is the view held in Western Europe that Britain should be treated with suspicion, that her position in the Nato alliance is equivocal and is to be doubted; and that fundamentally Britain is working towards an understanding with the Soviet Union based on the *status quo* in Germany. Many Europeans believe Britain to be anti-European and all this creates a climate of hostility towards Britain. The Bonn Government shows deep concern about what is regarded as "the recent apparent change of opinion in certain British circles towards the communists in East Berlin".

TO GAIN SUPPORT FOR SUMMIT

The increasing isolation of Britain resulting from this hostile trend in Europe was certainly a matter for deep thinking and discussion by the Commonwealth Premiers. It is known that Mr Macmillan's purpose in convening the Commonwealth Prime Ministers conference was to enable him to present a front of widespread support for his policy and for the position he

intended to take at the forthcoming Summit conference. And yet, as we now know, the possibility of the Summit conference seriously discussing the problems which cause international tension is less certain.

The American Government has firmly declared that it will not make any move at the Summit that is likely to weaken Dr Adenauer's position. General de Gaulle, too, has made firm commitments for the maintenance of the Western position in West Berlin. Even the central question of disarmament is unlikely to any nearer solution except possibly for some agreement for joint research on questions of underground nuclear tests. Pandit Nehru has indicated that his expectations of the outcome of the Summit were now less optimistic. Mr Khrushchev has declared that the cold war is in one way or another being revived (just as the Summit is approaching) and that this does not provide a climate for clear and serious discussion. Hence Mr Macmillan is unlikely to achieve anything substantial even with the support that he can muster from the Commonwealth countries.

NEED FOR REAPPRAISAL RECOGNISED

Of course it cannot be taken for granted that all the countries of the Commonwealth would support him in his movement towards a detente on the basis of a revision of the status governing Berlin's position. It is certain that the Pakistani President as well as the Australian Prime Minister were expressing the opinion that the only way to peace is through defence. This implies necessarily that increased militarisation must remain a continuing factor for the whole Western world at this time.

The reappraisal is, therefore, well founded. Almost every major force in British public opinion is coming to recognise the failure of Britain's past policies. Even industrialists and financiers are expressing doubts about Britain's policy towards the Common Market. It is reported that major changes have already been made by the British Government in the personnel of its negotiating team with the Common Market countries. According to one M P "members of the Govern-

ment are privately dissociating themselves with the old policy and Mr Maudling's reputation as a European negotiator is not now much above that of Sir David Eccles, and that many are beginning to recognise the harm which has been done by this competent, complacent and extremely narrow sighted minister."

LOGIC OF REAPPRAISAL

What then are the possible lines of policy which can arise from this reappraisal? Should it be based on the recognition, which the West Germans believe to be necessary, that "Britain has become a second rate power"? It is not easy for anybody in Whitehall to quickly adjust himself to this fact. A recognition like this would arouse emotions and prejudices similar to those which so disastrously forced Sir Antony Eden to the Suez crisis. In any event this is a basic present-day fact. It should also be realised that the Commonwealth can no longer be used as an argument for Britain to keep aloof from the dynamic changes and moves towards integration in Europe: if the West German Government is prepared to postpone for six months the implementation of the Common Market acceleration proposals, then this must be used not to secure the old 'special arrangement' between the Six and the Seven, but rather to drop the Seven in favour of a more direct relationship with the Six itself. By doing this, some of the demands of the Commonwealth countries for some relationship with the Common Market may become possible. Countries like New Zealand, Australia and others are strongly in favour of such a move.

The reappraisal along these lines, though evident, may not, however, lead to an immediate change of policy. Postponements, thinking and re-thinking will tend to occur and recur, since the logic of the reappraisal dictates so revolutionary a change in policy that the present Government will find it much beyond its capacity to adjust its mental bearings to the situation. This indecision is likely to be the most dominant feature of Britain's policy and attitude to the forthcoming Summit.

"Britain" an Official Handbook (1960 Edition)

THIS established work of reference covers events up to September 1959 and, like its predecessors,

gives factual accounts of the administration and the national economy of the United Kingdom and describes the activities of many of the national institutions, both official and unofficial as well as various aspects of the social industrial and cultural life of the country. An

addition this year is a chapter on sporting activities.

The Handbook is published by Her Majesty's Stationery Office, London, and is available in India (price Rs. 10 plus postage) from British Information Services, Chakrapuri, New Delhi, 21.



St. John's Church, Calcutta, is 190 years old. To preserve the character of this historic building it was necessary to replace the old roof with a light weight roof of similar design which could be supported by the old walls. Prestressed concrete provided the answer.

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JWT STP 57

Is Credit Restraint Unwarranted?

S N Sen

ON March 11, 1960 the Reserve

Bank of India announced a series of measures of credit restraint, the chief of which was the requirement that all scheduled banks should maintain with the Reserve Bank additional average daily reserves equal to 25 per cent of the increase in deposits accruing after March 11, over and above the reserves required at present, viz, 5 per cent of the demand deposits and 2 per cent of the time deposits. The Reserve Bank has so long been applying selective credit control measures to restrict the grant of bank advances against food-grains and certain other commodities without at the same time attempting to limit the total of bank advances. There was only one exception to this. The Governor of the Reserve Bank informally requested the banks in June 1958 to bring down the total of their advances during the slack season by about Rs 100 crores. This is, however, the first time that the Reserve Bank made use of the method of variable reserve ratios. This has naturally given rise to some controversy, and the *Economic Weekly* has characterised the step as unwarranted. It is necessary, therefore, to analyse the basic economic conditions in order to assess the justification or otherwise of this attempt to impose quantitative restrictions on bank credit.

It has been argued that the policy of quantitative limitations on bank credit may be of some use in coping with a credit-based inflation. But the present inflationary situation has been brought about mostly through the fiscal and planning policies of the Government. So long as there is no change in these policies, the attempt to curb the inflationary forces by placing restrictions on the aggregate of bank advances will not be of any use, and may in fact be mischievous if it leads to a decline in output and employment. And so, the argument goes, there is no justification for this shift to quantitative restrictions.

THE SECONDARY EXPANSION

The present inflationary situation has no doubt been due mostly to the high rate of investment expenditure. The Government decides to spend in course of the year a certain amount of financial resources on

a number of investment projects, and this decision is given effect to, partly through borrowing from the Reserve Bank of India. This results in an increase in money incomes, which is proceeding at a faster rate than the rise in real output. Upto this stage, things just go on happening, irrespective of what the Reserve Bank does or does not do, and the price rise or the inflationary pressure resulting from this increase in money incomes cannot be said to have been generated by the expansion in bank credit. But a part, and an increasing part, of this rise in money incomes is being deposited with the banks, and a portion of the additions to the money supply comes back to the banks, thereby augmenting their cash balances. The latter increase the ability and the willingness of the banking system to lend, and this secondary expansion in bank credit will have its impact on prices.

This expansion ratio of bank credit will be larger at a time when

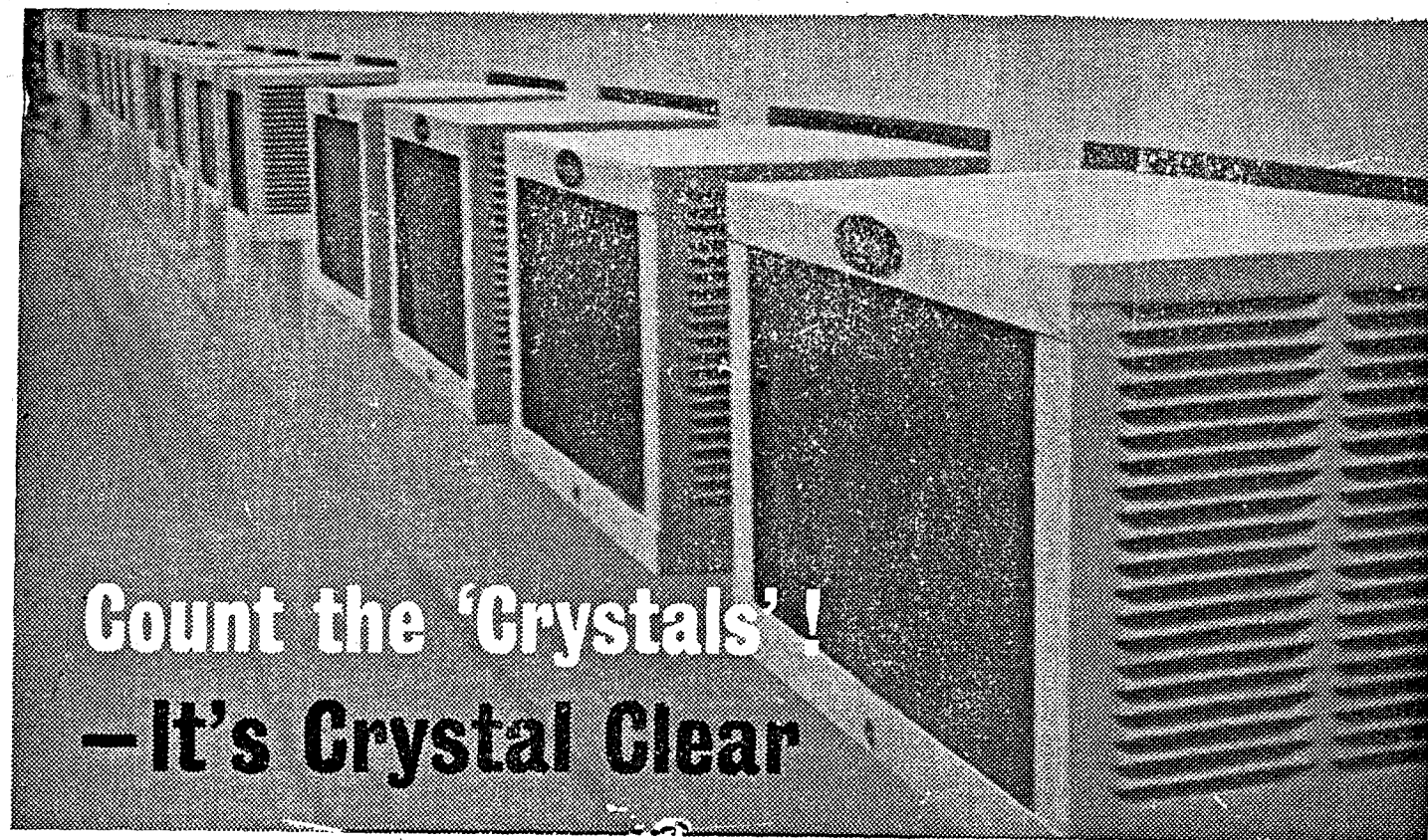
a significant swing is taking place from demand to time deposits. Here is, therefore, scope for the application of quantitative restrictions, and there is nothing illogical in this attempt of the Reserve Bank to slow down the rate of creation of bank credit, even though it is not in a position to curb the primary expansion in investment. On the other hand, one may well argue that because some expansion in money supply was inevitable if the Government was to finance its investment, one should be careful in ensuring that this was not used as a basis for the secondary expansion in bank credit. If we cannot stop a war, we can at least make some attempt to localise it.

A number of important considerations arise in regard to this argument. The process of expansion in bank credit depends not only on the ability and willingness of the banks to lend, but on those of the borrowers to borrow. It seems that during the recent period, banks have

TABLE I.

All Scheduled Banks
(Crores of rupees)

Period	Changes in bank credit	Changes in total deposits	Changes in investments	Changes in borrowing from R.B.
1. Busy Season 1955-56 (Oct 15 to May 25)	+ 180.39	+ 44.14	— 37.55	+ 57.21
2. Slack Season 1956 (May 26 to Aug 31)	— 34.07	+ 25.80	+ 8.64	— 32.96
3. Busy Season 1956-57 (Sept 1 to May 17)	+ 202.40	+ 124.30	— 17.31	+ 62.29
4. Slack Season 1957 (May 18 to Nov 29)	— 97.39	+ 115.22	+ 144.51	— 23.90
5. Busy Season 1957-58 (Nov 30 to Apr 14)	+ 128.13	+ 142.78	+ 32.04	+ 25.85
6. Slack Season 1958 (Apr 15 to Nov 21)	— 137.27	+ 108.19	+ 199.61	— 36.58
7. Busy Season 1958-59 (Nov 22 to May 8)	+ 197.09	+ 92.97	— 7.39	+ 38.18
8. Slack Season 1959 (May 9 to Nov 21)	— 105.34	+ 150.01	+ 172.86	— 39.17
9. Busy Season 1959-60 (Nov 22 to Feb 26)	+ 138.41	+ 41.51	— 66.74	+ 40.17



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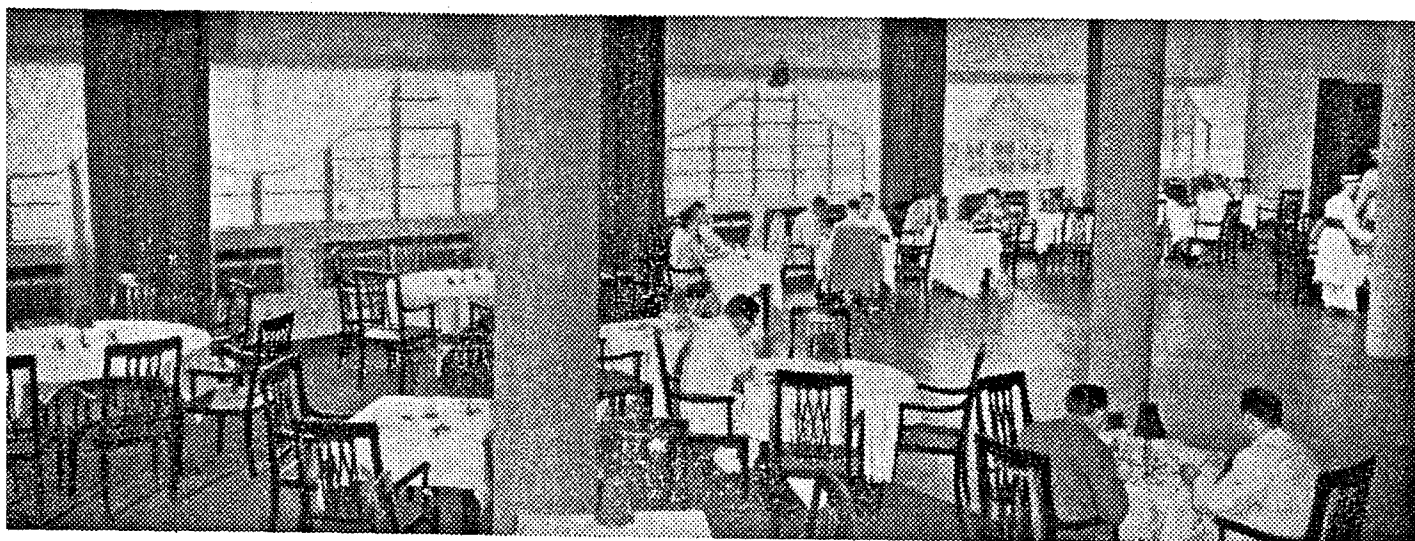
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been found to be moving into Government securities to a larger extent than they did before, and this indicates a dearth of good borrowers in sufficient numbers. So the danger of a too rapid expansion in bank credit is not after all serious. Secondly, further bank credit expansion may be fully justified in view of the needs of the economy for growth at a particular rate. If the private sector is to fulfil its targets, it must have command over adequate financial resources to carry out the planned investment expenditure. There is, lastly, the more fundamental question regarding the effectiveness of monetary policy under the present day conditions.

HEAVY PRESSURE ON BANKS

Before we proceed further, it will be better to collect the necessary data on some of the assets and liabilities of the scheduled banks. (Table I)

The current busy season is still going on and by the last week of March 1960, bank credit had increased by Rs 204.46 crores, deposits by Rs 104.80 crores, investments had declined by Rs 91.90 crores and borrowings from the Reserve Bank had risen by Rs 78.02 crores.

The story that the banks are finding it difficult to lend during the current busy season or during 1959-60 does not seem to be borne out by these data. The present busy season has witnessed the largest expansion in bank credit as compared to the earlier periods. Borrowing from the Reserve Bank had also been the highest during the current busy season, even higher than the period during which the banks suffered from acute stringency. Moreover, the cash ratio of the banks has also been the lowest on the 26th February 1960, being 6.49 p.c. In fact, during the eleven months of the year 1959-60, the average cash ratio amounted to 6.71 as against 8.03 in 1958-59, 8.89 in 1957-58 and 7.96 in 1956-57. In other words, banks had used up their cash resources to the maximum extent during the current busy season. As regards the investment of the banks in Government securities, this is no doubt large. But during the first 3 months of the current busy season, banks had already sold securities worth Rs 66.74 crores, the largest amount sold during this period in any busy season (by the end of March 1960, the banks had sold securities worth Rs 91.90 crores).

Thus whatever one may say about the previous busy seasons, banks are not finding it difficult to utilise their resources and have not been forced into Government securities. The extremely low cash reserve ratio, the high rate of borrowing from the Reserve Bank and the considerable sale of securities, — all these indicate the existence of heavy pressure on the banking system.

EXCLUDING STATE BANK

Moreover, to understand the real position with respect to investments in securities, the data relating to the State Bank of India should be separated from those of other scheduled banks. The State Bank of India has been following the policy of investing the PL 480 funds in Government securities and this has been an important factor in inflating the figures relating to investment in the banking returns. As the data relating to the PL 480 deposits are not available for different dates, it would be better if the deposits, advances and investments of the State Bank of India were separated from the total figures relating to all the scheduled banks. The relevant data have been given in Table II.

Thus the investments of the other scheduled banks have risen over the year 1959 by only Rs 35.52 crores, as against a rise in deposits by Rs 167.93 crores, i.e., by only Rs 21.14 p.c. of the rise in deposits. The ratio of investments to deposits has declined from 32.6 p.c. in 1958 (end of December) to 31.0 p.c. in 1959 (end of December). By the end of February 1960, the investments of other scheduled banks had declined by Rs 4.88 crores, and by the 11th March 1960 by another Rs 20 crores. The ratio of investments to deposits declined to 28.58 p.c. on the 11th March 1960. During the eleven months of 1960 ending 11th March, the advances of other scheduled banks have risen by Rs 85.81 crores; their deposits by Rs 26.83 crores, and their investments are down by Rs 25.41 crores. Whatever other factors are indicated by these data,

they do not support the hypothesis that other banks are finding it difficult to lend and so have been forced to invest heavily in securities. The boot is actually on the other leg. With a nearly 70 p.c. advances-deposit ratio, there is no doubt that other banks have gone to almost the maximum limit with regard to the grant of loans and advances.

INVESTMENT-DEPOSIT RATIO

Surely an investment-deposits ratio of 28.6 p.c. cannot be regarded as an all-time high if one looks a little into the previous years. The ratio of investments to deposits for other scheduled banks amounted to 33.4 p.c. at the end of February 1952, and to 32.4 p.c. at the end of the same month in 1956. In fact, such an investment-deposits ratio cannot be regarded as high, considering the very low cash reserves maintained by the other scheduled banks. Government securities are the only liquid assets, besides cash, held by the banks, and an overall liquidity ratio of 35 p.c. can not be regarded as high, especially as it includes long-term securities as well. Even if we take account of the investments of the State Bank of India, the investment-deposits ratio of all scheduled banks was 40.82 p.c. on the 26th February 1960.

We have generally a short memory. The ratio of investments to deposits of all scheduled banks was 42.0 p.c. in 1935, 43 p.c. in 1936 and rose to 49.4 p.c. in 1937. For the Indian scheduled banks, the ratio was as high as 50.3 p.c. in 1937 (with the Imperial Bank's ratio standing at about 59 p.c. in that year). The ratio of investments to deposits of all class I banks (excluding the Imperial Bank of India) was 44.7 p.c. in 1946 and rose to 47 p.c. in 1948.

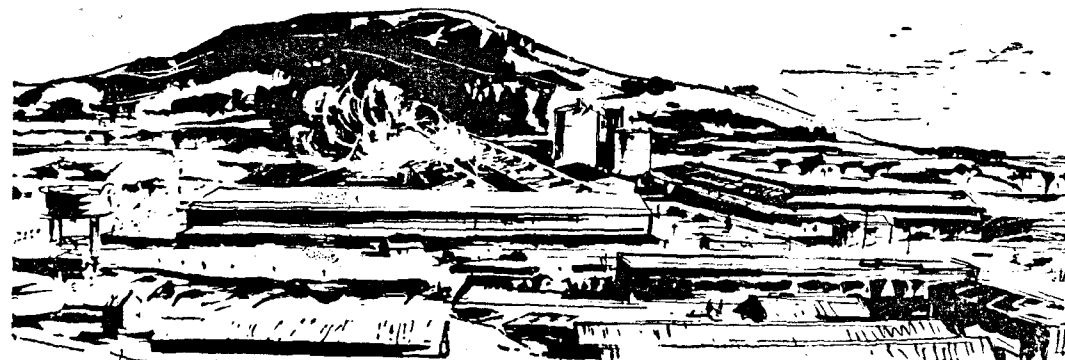
IS BANK LENDING EXCESSIVE?

So it seems that the banks have not found any difficulty in lending as much as they liked. But this does not automatically signify that they have been lending at excessive rates.

TABLE II
Other Scheduled Banks
(Crores of rupees)

	1958 (Last week of December)	1959 (Last week of December)	26.2.60
Deposits	1080.93	1248.86	1267.57
Advances	695.31	802.36	870.50
Investments	852.15	387.67	371.72

Now—a 55% increase in India's aluminium production



INDALCO'S Hirakud Smelter—it's capacity is being doubled to 20,000 tons

Indian Aluminium announces fully integrated expansion plans

	Today	1962
Ingot	15,600 tons	25,600 tons
Alumina	18,000 tons	54,000 tons
Rolling Mill	9,000 tons	16,500 tons
Extrusions	1,200 tons	3,700 tons

In early 1960, Indian Aluminium Company proposes to launch the biggest integrated expansion scheme it has yet undertaken. A comprehensive programme to increase production of aluminium ingots by 10,000 tons a year will be initiated... within a year of the opening in February 1959 of the Company's Hirakud Smelter which, at one stroke, more than doubled India's production of aluminium. The 1960 Expansion will increase the country's ingot production by another 55% and make substantial increases in semi-fabricating capacity.

This rapid expansion in a vital sector of the aluminium industry is based on the mounting importance of this metal in modern everyday life. Barely 16 years ago India produced no aluminium, and its consumption was restricted to diffident users of domestic utensils. Ever since Indian Aluminium installed their first aluminium smelter in 1943 at Alwaye, the rise in demand has been little short of phenomenal. Today it is estimated at over 50,000 tons a year, or nearly three times the country's present production of 17,500 tons.

NEW EXPANSION IS IN GOOD HANDS

Appropriately enough, the present effort to catch up with demand is being made by India's pioneer in the aluminium industry—Indian Aluminium Company—which has done the most to give the country a reliable and vigorous aluminium industry. Indian Aluminium has extended its facilities almost continuously since it began operations and today produces over 90% of the country's ingot output. It is by far the largest manufacturer of sheets, circles and extrusions.

INDIA MUST PRODUCE MORE ALUMINIUM

India's developing economy warrants a substantial expansion of the aluminium industry—and the country's large bauxite and water power resources makes this a practical proposition. The sanction for Indian Aluminium's 1960 Expansion Scheme is as much an evidence of Government's recognition of the country's needs as it is an expression of faith in the Company's resources and know-how. Indian Aluminium is fully geared to meet the challenge of the years ahead when India will find a position on the world map of major aluminium producers.

Indian Aluminium Company Limited

A CANADIAN-INDIAN ENTERPRISE



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Is there any evidence to show that the current expansion in bank credit has been unduly large? The busy season of 1958-59 led to an expansion in bank credit by Rs 197.09 crores. In the ensuing slack season, the volume of bank credit declined by only Rs 105.34 crores, so that the busy season of 1959-60 started from a larger base than had been the case with the previous busy season. This is borne out by other data. For example, the total volume of bank credit increased by only Rs 21.8 crores in 1958 and by Rs 129.4 crores in 1959. During the busy season of 1956-57, when there was also a very large expansion in bank credit, the latter increased by only Rs 130.60 crores up to the second week of March, as against Rs 160.85 crores during the current busy season. During the same period total deposits had increased by Rs 63.58 crores in 1956-57 and by only Rs 50.21 crores during 1959-60. So starting from a much larger base total bank credit has increased by a larger amount during the current busy season as compared to the previous busy season.

CASH BALANCES RUN DOWN

Secondly, banks, as we have already seen, have run down their cash balances by very large amounts during the current busy season, and the volume of excess reserves has touched an almost all-time low figure. In 1958-59, the average amount of excess reserves formed 1.09 p.c. of the aggregate deposits and about 24 p.c. of the total cash reserves. In the last nine months of 1959, the volume of excess reserves declined to 0.9 p.c. of the total deposits and only 13.5 p.c. of the total cash reserves. In February 1960, the volume of excess reserves amounted to 0.6 p.c. of the aggregate deposits and about 10 p.c. of the total cash reserves. The volume of excess reserves is now being maintained at very low levels at a time when banks are also keeping very small amounts of till money. The volume of cash held by the banks formed on average about 2.5 p.c. of the aggregate deposits during the last nine months of 1959. In 1956-57, a year during which the banks also kept very low excess reserves (0.8 p.c. of deposits), the proportion of cash held by them against their deposits amounted to 3.4 p.c. In other words, during 1959 banks have maintained both very low excess reserves and very low amount of cash,

thus indicating a rather over-extended position.

The cash reserve ratios of the scheduled banks are at present lower than those prevailing in even many of the advanced countries of the world with highly developed banking systems. As compared to the American, Australian or British banks, the other scheduled banks have invested a larger proportion of their resources in loans and in Government securities.

HIGH ADVANCE RATIO

Surely a 70 per cent advances-deposits ratio during a period when the other scheduled banks obtained the largest additions to their deposits raises a strong presumption in favour of the hypothesis regarding an undue expansion in bank credit. Moreover, the borrowings of these banks both from the State Bank of India and the Reserve Bank of India have been on a larger scale during 1959 and afterwards than during the previous years with the exception of 1956-57 (but during the latter period total deposits increased by only Rs 90 crores).

INDUSTRIAL PRODUCTION AND CREDIT EXPANSION

It is of course true that during 1959, though the level of food production has remained more or less the same as that of the last year, there has been a large expansion in industrial output. The index of industrial production has risen during 1959 by 7.1 p.c.,—a very high rate of increase recorded so far in the index. So there would naturally be a large increase in the demand for bank credit.

During 1959-60, the average volume of bank credit has risen by about 9.8 p.c., which is higher than the rate of increase in the index for industrial production. The volume of bank credit had increased on average by Rs 46 crores per year during the ten years, 1948-49 to 1958-59. It has risen by roughly 88.34 crores in 1959-60. At 1952-53 prices, the average volume of bank credit increased from Rs 446.65 crores in 1948-49 to Rs 795.73 crores in 1958-59, i.e., by an average of Rs 35 crores per year in 10 years. In 1959-60, the average volume of bank credit at 1952-53 prices had risen by Rs 48.34 crores over the level of 1958-59. The index number of industrial production had risen by 51 p.c. over 8 years (1951 to 1959, i.e., by an annual average

of 6.4 p.c. The increase in the index in 1959 was higher than this average by a little above 10 p.c. The rise in the volume of bank credit in 1959, however, has been nearly double the average rate of increase in bank credit during this period.

One interesting point to note in this connection is that while the index of industrial production has registered the highest rate of increase during 1959, a comparatively smaller portion of the secured additional bank credit between the end of October 1959 to the middle of February 1960 has been granted against industrial raw materials and manufactured goods than in the same period of the previous two years. In these two years about 83 to 84 p.c. of the secured bank advances were devoted to these two purposes, while the ratio was only 63 p.c. in 1959-60. A much larger part (about 32 p.c.) of the additional secured advances granted during October to February (1959-60) was given against miscellaneous types of securities than that in the two previous years when it amounted to 10 p.c. or less.

RESERVE REGULATIONS OUTDATED

What should have been the policy of the Reserve Bank under these conditions,—of a continuously large expansion in bank credit since 1955-56 against at first declining and then slowing rising national income? The former had risen over these 4 years by more than 56 p.c., while the index of industrial production had risen by only 23.6 p.c., and the aggregate national income by still smaller percentage (11.5 between 1955-56 and 1958-59). And all this expansion in bank credit took place at a time when stringent import control restricted one important source of demand for bank credit. The shift to the time deposits against which much lower cash reserve ratios have been prescribed has meant a considerable increase in the power of the banking system to create credit.

It is time for the authorities to do away with this rather antiquated practice of prescribing different and lower ratios for time deposits. A prescription of the same cash reserve ratios would end the anomalous situation in which a shift from demand to time deposits would lead to an increase in the liquidity of the banking system. Under the present practice, banks may offer higher

rates of interest on time deposits and so induce a shift from demand to time deposits. This would increase their ability to lend more money on the basis of the same aggregate volume of deposits and the same amount of cash reserves.

NO OTHER SOURCES OF FINANCE

The question may naturally be asked, after all, do we gain anything by attempting to limit bank credit? Would not the prospective borrowers find a way out by borrowing from other financial institutions? But unlike the U K or the U S A, we do not have a large number of building societies or savings banks. The insurance companies have been nationalised into one unit — the LIC, — and the number of general insurance companies is not large enough to make a significant difference in this respect. The only other important source in India is of course the indigeneous bankers. But the prospective borrowers do not go to them at first, in spite of their comparatively easier methods of doing business, because recourse to them involves much higher rates of interest (normally the differences in the rates charged by these bankers and the commercial banks must be sufficiently large to compensate for the greater ease and formality in indigeneous banking transactions).

In view of these large differences in rates, it is probably only those borrowers who are already very deeply committed and have proceeded far with their investment plans that would go to the indigeneous sector when rebuffed by the banks. Those who are still in the planning stage in regard to their investment plans or can afford to wait a little longer for better days would probably stay their hands rather than commit themselves to much heavier interest charges. In any case conditions in the Indian money market have not attained that stage when we have a plethora of saving or financial institutions, giving plenty of choice at or near the margin to the intending borrowers for investment expenditure. Refusal on the part of the commercial banks to grant accommodation may thus prove to be deterrent to further investment.

NOT ALL INVESTMENT IS GOOD

Do we want to reduce investment expenditure in a developing economy? Is it not better to allow in-

vestment expenditure to go ahead while exercising restraint over consumption? Is it wise to take steps to curb investment at a time when investment in the private sector is looking up after being in the doldrums for some time? Limitation of bank credit does not lead to a reduction in consumption expenditure. The proper instrument for such a purpose is fiscal policy and the last budget has not proved to be anti-consumption except for its reliance on some excise duties, whose impact on consumption expenditure is unlikely to be significant. A greater anti-consumptionist budgetary policy would no doubt have been more useful as anti-inflationary device than this resort to quantitative restriction of bank credit.

But this argument, however valid, presupposes that because an economy has to be developed at a rapid pace, all investment is good and justified. Investment may be directed to abnormal inventory-building, or to projects with very high profit expectations but not necessarily sound from the long-term point of view, etc. That is exactly the danger against which the authorities have to guard when the financing of development leads inevitably to the emergence of inflationary pressures. There is some evidence of the appearance of this propensity to distort the investment-pattern in the Indian economy in the data relating to the purpose-wise classification of bank advances in recent months. If one can get money from the banks quite easily, one would naturally like to adopt all sorts of get-rich-quick plans of investment.

Such a situation, it may be urged, ought to be handled through the judicious application of selective credit control. But a multiplication of the points at which such control is to be imposed gives rise to all

kinds of complications without leading us anywhere. In the face of the rise in the liquidity of the banking system, and the rather large fringe of unsatisfied borrowers, quantitative restrictions on bank credit would be necessary if only to prevent the selective credit control methods from becoming completely ineffective. The recourse to the method of variable reserve ratios is therefore only a belated recognition of this fact. It would probably be better if the Reserve Bank combined this application of the variable reserved ratios with the fixing of ceilings on particular types of bank advances, instead of seeking to manipulate a large number of margins and so adding to the complications of administration and regulation.

Record Rise in Yugoslav Industrial Production

YUGOSLAVIA takes first place in the increase in industrial production in 1958 and 1959, ahead of nine countries of western and eastern Europe, according to the data recently published by the United Nations Economic Commission for Europe. Yugoslavia, which last year increased industrial production by 13 per cent, is followed by Soviet Union and Italy with an increase of 11 per cent each, Rumania 10 per cent, Poland 9 per cent, Denmark 8 per cent, Federal Republic of Germany 7 per cent, France 6 per cent and Belgium and Greece 4 per cent each.

During the last five years Yugoslav industry has recorded very rapid rise in production. Taking 1953 as 100, the value of industrial production in Yugoslavia last year was 214, Soviet Union 191, Poland 172, and Greece 167.—'Tanjug'.

Service Relationship between Barbers and Villagers In a Small Village in Ranpur

Nityananda Patnaik

DIMIRIA is a small village situated three miles to the south of the town of Ranpur which was a feudatory State of Orissa. It has an area of over 500 acres. There are 61 families in the village, and the total population is about 300. Of the five caste groups in Dimiria, Sudras are in overwhelming majority. The breakdown of the families by caste is as follows:

Name of the Caste	No of Families
Sudra (cultivator)	35
Kumbhar (potter and cultivator)	12
Dhoba (washerman and cultivator)	9
Barika (barber and cultivator)	4
Pana (village watchman, scheduled caste cultivator)	1

Like other villages in this part of the country, Dimiria is situated in the midst of fertile paddy fields. The village is not self-sufficient. It is not independent of other villages in so far as its economic ties with neighbouring villages are concerned. The economic ties cut across village boundaries.

About 80 per cent of the village land is under cultivation. Paddy is the major crop, and is grown once in a year. Some mung is also grown. Average yield of paddy per acre is five maunds and the annual crop of paddy even in a good year does not exceed 2,500 maunds and is insufficient to meet the needs of the village. The needy borrow paddy from the landlords of neighbouring villages. Some of the villagers are employed as agricultural labourers on 'annual basis' in the neighbouring villages.

Not all the washerman and barber families are solely dependent on their parent village for their livelihood. The different occupations followed by the members of the washerman and the barber families of this village are shown in Table I.

NOT ENOUGH LAND

Out of four barber families, only one has enough land to yield more than the paddy it needs for the whole year. All the four barber families work for daily wages. Two of them were engaged as agricultural servants

(known as 'Halia') on annual contract by the two Sudra families in the village. But one of them has now given up his service with the landlord and has gone to Calcutta with a gang of indentured coolies to work for a period of three months at the rate of Rs 120 for the whole period, excluding food and travelling expenses. One of the barbers of the village has, in addition to part-time wage labour and his caste service, opened a grocery shop in one of the neighbouring villages. The barber who has gone to Calcutta to work has no service affiliation with any family of the village, in so far as his caste service is concerned.

Of the nine washerman families, five do not have sufficient land to maintain themselves throughout the year. Two of them and two landless families are employed as agricultural servants on annual contract by the Sudra landowner families in the village. Two families, one having land and one landless, are doing the job of cattle and buffalo tending in the village. Except the two families who have given up their caste occupation, others are doing their caste service of washing clothes and doing other jobs in the village as well as outside it, in addition to agriculture, wage labour and agricultural services. One family is doing service exclusively in the village, two exclusively outside the village, in the near and far off villages, and three families are doing their service both within and outside the village.

THE BARBER FAMILIES

It is the purpose of this paper to describe the service alliance of the barbers with the other castes of the village. Some hundred years ago, there were only three barber families whose heads were:

- (1) Balavadra Nisanka,
- (2) Jaga Balabantara and
- (3) Govinda Nisanka.

Balavadra had two sons—Kanduri Subudhi and Gopi Sundara;

Jaga had two sons—Ananta Balingh, Chanda Mohapatra; and

Govinda had three sons—Chinta Atibudi, Panu Santara, and Bidya Nisauka.

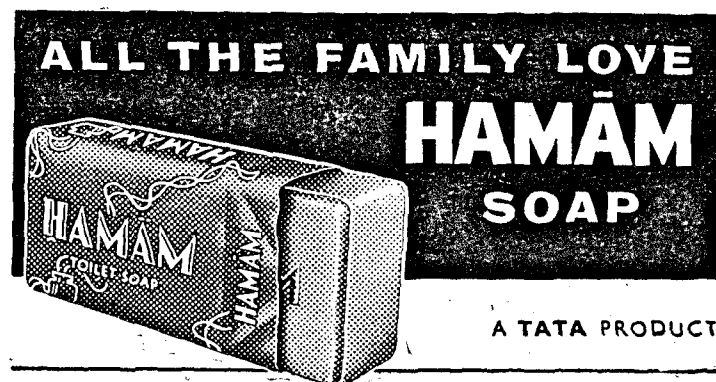
Kanduri had one son named Pura Martha who bore two sons—C and D of the barber families in Table I. Gopi Sundara had one son named Netai Balabantara who had no son.

Ananta had one son who also had one son, who left the village and established his household in a neighbouring village called Barangadia. He could not make much income in the village and therefore moved to Barangadia. There he reclaimed a piece of waste land and lived by his caste-occupation in that village which had no barber family previously. Chanda Mohapatra had no son but he had six daughters who left the village during the life time of their parents after marriage.

Chinta Atibudi also had no son. He adopted a son from Gopi Sundara. But unfortunately the son died. Panu Santara had two sons whose families are recorded as Family A and B of the barber families in Table I. The barber of family A has one son and that of family B has two sons, one of whom has opened a shop and the other is effeminate.

A SHREW

The barber of family B is an innocent fellow. His wife, however, is a mistress of abuse. She is the 'gazette' of the village, gathering information about scandals such as incest and quarrels between mother-in-law and daughter-in-law etc. Not a single day passes when her loud voice is not heard hurling abuses at some one in the village for some (fancied) grievance such as theft of her nail cutter, or in retaliation to her being called an unchaste woman (which she had overheard), and for calling one or other of her family members bad names. She does not spare even her husband or sons when she is in a temper. She has on many occasions beaten her husband and driven him out of the house. Standing akimbo in front of her hut or, sometimes, in the middle of the street, or while on her march back from the village well she flings her abuses to the wind, not mentioning the person meant by name. Nobody dares to stand singly in opposition to this woman. She is always on the move in the neighbour-



ing villages and spreads news and views about persons in different villages.

THE BARBERS THAT STAYED

All the seven brothers, who are sons of the original three barbers, served together in the Patnaik family of the Sudra group, which was very wealthy, influential and famous in this locality at that time. Pura Martha, the son of Kanduri Subudhi, was serving the rest of the villagers but not the washerman whom the barbers do not serve. His sons who are recorded as family C and D in Table 1 are employed primarily in occupations other than their caste service, as noted above. The barber of the family D has given up caste service altogether whereas the barber of family C who

has one kit of shaving tools known as 'mutti' is serving three families in the village and six families in three neighbouring villages jointly with the barber of family A.

Originally the barber of family D above was serving those six families outside the village. But as he could not manage by himself, being a wholetime agricultural servant, he solicited the joint service of one of his agnates who belongs to family A. Now a complaint is being heard from the people of those six families that the barber of family D is not serving them properly and in time. They therefore want to dismiss the barber of family D and engage the one of family A as full time barber for them in their villages. One of the

three families of the village whom the barber of family D was serving has now dismissed him as he was not loyal to them. Some days back, on the occasion of a marriage, the head of this family asked his barber to carry a heavy load of vegetables and other things to the house of one of his relatives. He also asked him to call a scheduled caste man to assist him in carrying the load. The barber pointed out some difficulty and requested him to hire another man for which he offered to share half the cost. The man took umbrage at this behaviour of his barber and engaged a scheduled caste man to carry the load, paid him for it and asked his barber not to work any more in his house. Later he employed the

barber of family A to work in his family.

SERVICE NOT HEREDITARY

Some twenty years back the position of village barber was hereditary. A barber's son did service in the family of his father's patron, who was known as 'saanta'. Neither the barber nor his saanta was free to leave each other without good reason. If a villager capriciously dismissed his barber he had a lot of difficulty in getting another. No barber would agree to serve him unless the barber, who was dismissed, gave his consent. If a new barber, allured and induced by a high wage, served him, the matter was referred to the caste assembly of barbers and the offender was outcasted. Since the caste assembly of barbers has weakened, there has been much disturbance in the service relationship between barbers and their saantas.

Nowadays contracts between the barbers and their saants are verbal. A barber's son may contract his service with some or all of his father's saantas or he may contract with families of other villages. He continues from year to year unless the contract is cancelled or renegotiated. The contract may be broken by either party, either at the end of the year or at any time during the year. In both cases, the barber is paid his dues for the number of days he has worked in his saanta's house.

DISMISSAL AND REAPPOINTMENT

How loose the service alliance between barbers and the villagers whom they serve has become and how the contract is broken at the slightest provocation can be shown by citing a few cases.

Case 1: Kamal Lochana, a villager of Dimiria has opened a grocery shop in the village. The barber of family B was serving his family since a year. Since his barber did not buy things from his shop, he dismissed his services and contracted with the barber of family A.

Case 2: Gouranga Patnaik belongs to this village. He asked his barber to carry a heavy load of vegetables to the house of one of his relatives in a distant village. That day the barber was ill and refused to comply. Gouranga, therefore, took the load by bus and dismissed his barber and appointed the barber of family A.

Case 3: The barber of family A was doing service in the family of Markanda Mohapatra. On an occasion known as 'Dutiya Osa' the barber was sent to Banpur to his saanta's daughter's house. His saanta's son accompanied the barber. At Chandpur, a village on the way to Banpur, the barber begged his companion to give him some money to purchase some chewing tobacco. At this, his saant's son got angry and suggested sarcastically that he sell some vegetables from the bag and help himself. On their return the son narrated this incident to his father who promptly dismissed his barber. That was the middle of the year when Markanda dismissed his parent barber and contracted with the barber of family B to serve his family. The barber whom he dismissed neither asked for his yearly dues nor did his saanta pay him any. The barber of family B served him for two years until something happened again, his service was terminated and the barber of family A was reinstated.

Some time later, the new barber was again sent to Banpur. When a barber is sent with goods to the house of a relative on festive occasions, he is paid what is known as 'Barika Bidaki' (barber's send-off money). A barber of this village usually gets Rs 3 if he goes to Banpur. But the relative at Banpur paid him only twelve annas! On his return the barber complained to his saanta and refused to serve his family. The barber of family B was again taken in.

Case 4: The barber of family A was serving in the family of Ananda. There was a death in the family of the father-in-law of Ananda's son and the barber was to be sent there on the 10th day of death rites. The barber of Ananda had put everything in a bullock cart and went to attend the rite. On the day of Dola Purnima (in March), which is considered the beginning of the year when the old servants are discharged and new servants are appointed, Ananda informed his barber that he did not require his services any more, and appointed the barber of family B. One day, Ananda asked his new barber to go to his relative's house at Nayagarh, but as the barber had some difficulty, he refused. Ananda got angry with him and requested the barber of family A to

do this job for him. He agreed. The daughter-in-law of the barber of family A (his son's wife) has bond friendship with the wife of Ananda's son as both belong to the same village. The barber of family A gave his consent to serve Ananda on the basis of this friendship.

Later, Ananda gave Re 1 to the barber of family A as advance money for harvesting his paddy for one day in his field. In exchange, the barber also begged Ananda to lend him his pair of bullocks to till his field for a day. As Ananda did not give his bullocks, the barber did not harvest in his field. Now, there is a rumour that Ananda will dismiss the barber of family A.

Case 5: The barber of family B was serving in the family of this writer who is resident of this village and neighbour to the barber woman who is mistress of abuse. Her husband was the writer's barber. But as he is not good at hair cutting, the writer's wife decided to patronise the son of the barber of family A who knows to crop hair fashionably, though the writer has at present very scanty hair on his head. In addition, several young married men patronise the town barber who occasionally visits this village to shave and cut their hair fashionably although other members of their families patronize and pay the village barber.

SERVICES PERFORMED BY THE BARBER

The village barber is, however, always called in on all ceremonial occasions. There is no instance of service performed by any outside barber in the village on any ceremonial occasion.

The barber performs ritual and caste services in the village. The types of services which are demanded from a barber by his saant on different occasions are listed below.

ON THE OCCASION OF MARRIAGE

(1) The barber presents arecanuts among the relatives and friends of the saant and announces the news of marriage among them.

(2) He washes the feet of the relatives and friends who gather on the first day of marriage, known as 'Magan'. He spreads the carpets and makes the beds for the guests to sit and relax upon.

(3) The barber's wife wears a new cloth given by the saanta on the first day of marriage and leads a

Table 1 : Sources of Livelihood of Barbers and Washermen

Caste	Family	Owner-cultivator	Cultivating Others' Land	Agricultural Labourers	Caste-Service within Village	Caste-Service outside Village	Buffalo and Cattle Tending	Wage Labourer outside Village
Barber	A	Yield from land owned sufficient for the whole year	Yes	Whenever necessary as day labourer within or outside village	Yes	Yes	....	....
	B	Yield from land not sufficient for the whole year	Yes	At times	Yes	Yes	....	Opened a grocery shop
	C	"	Yes	Employed on annual basis	Only a few families	No	....	....
	D	"	Yes	"	....	....	....	Gone to Calcutta as wage earner
Washerman	A	Not sufficient land to depend upon for the whole year	....	Employed on annual basis	Yes	Yes	....	....
	B	"	....	....	....	....	Yes	....
	C	"	Yes	Employed on annual basis	Yes	Yes	....	....
	D	Landless	Yes	Employed on annual basis	Yes	Yes	....	....
	E	Not sufficient land for the whole year	....	....	Yes	....	....	....
	F	"	Yes	....	....	Yes	....	....
	G	Landless	....	....	....	Yes	....	....
	H	"	....	Employed on annual basis	....	....	....	....
	I	"	....	....	....	....	....	....

“India has more acreage under rice than any other country in the world. Yet production is not large enough to meet the demand. Considerable damage to crop is done by the paddy stem borer, the cost of which is estimated at over Rs. 30 crores a year. Shell endrin provides effective control of this deadly insect pest and can thus increase rice yields on affected fields by upto 50 per cent.”

Extract from a Burmah-Shell publication

Saving the rice crop

procession of married women with the bride to the temple of the village goddess where she bathes the image and decorates it with vermilion, oil and flower and prays for the well-being of the couple. This ceremony is known as ‘Dian Ganasa’ and the new cloth which is worn by the barber’s wife is known as ‘kula paka’ (the cloth which is placed on the new winnowing fan containing the collection of puja articles used in the temple of the village goddess).

(4) The barber sits on the elevated earthen platform which is known as the ‘bedi’ where the marriage is performed and supplies all necessary items required from time to time by the priest and other people. The barber’s wife escorts and carries the bride to the bedi and back home.

(5) The barber supplies water to the guests to wash their hands. The leaf-plates on which the meal was served to the guests are collected and thrown out and the place is cleaned by the barber. Nowadays, however, barbers are not obliged to supply water or pick up leaf-plates.

(6) The barber accompanies the marriage party and is the custodian of the valuables such as clothes, ornaments, and the necessary articles such as stationery, oil, flower, etc used in a marriage ceremony.

WHEN THERE IS A DEATH IN THE FAMILY

(1) The barber carries the news of death to the relatives of the bereaved family.

(2) From the day of observing the purificatory rites, he supplies whatever is required to the brahmin priest in the performance of his priestly duties.

(3) He supplies the leaf-cups which are required in the rite. The leaves must be of the tree of jack-fruit. He gathers them and sews them with fine sticks and makes the cups.

(4) He shaves and pares the nails of the members of the family and the relatives who join them on the tenth day of purificatory rite which is celebrated near a tank. His wife pares the nails of women of the bereaved family and the relatives.

ON OTHER OCCASIONS

The barber is required to carry loads of foodstuffs, vegetables and other things to the houses of relatives on several festive occasions.

At the time of ‘second marriage’ of the daughter, which is popularly known as ‘Puani-Ghar’ in Orissa, when the daughter is sent to the house of her father-in-law with all the presents given by her father, viz, furniture, utensils, clothes, paddy and pulses and stone implements and many other household articles, the barber must accompany the daughter as the custodian of the presents.

He delivers these presents to her father-in-law before the assembled guests, relatives and villagers with a sense of pride and demands a substantial reward from her father-in-law. Not to pay the barber handsomely on this occasion brings shame to the person who accepts these presents.

At the time of offering to the manes the barber supplies leaf-cups and is present in the house of his saanta to attend to the call of the priests and his saanta.

At the time of performance of ‘Homa’ in the village, the village barbers supply whatever quantity of fuel is required in the ‘Homa kunda’ (the pit in which the sacred fire is kindled).

PAYMENTS MADE TO THE BARBER

The barber is paid on a yearly basis. The payment, known as ‘Barika Baratana’ (barber’s wage or salary), is fixed regardless of the economic condition of the client.

The barber usually gets a bundle of paddy and two nouties (5½ seers

per nouty) of paddy for serving an adult. For two men, he gets two bundles of paddy and four nouties of paddy. For three men, he gets two bundles of paddy and six nouties of paddy. This payment is only for shaving and cutting hair. In addition, he gets other payments separately on occasions of marriage, death, offering food to the manes, ear piercing, and for carrying loads of food and other items to houses of relations.

The payments made to a barber on different occasions are shown in Table II.

BARBER’S STATUS IN SOCIETY

Barber is one of the clean castes in Oriya society. He is included in the schedule ‘other backward classes’ prepared by the Government. There are two types barbers: Kanamuttia and Oriya Barika. The Oriya Barikas use an open leather flapped shaving kit known as mutti, while the Kanamuttia barbers use a closed wooden box to keep the razor, scissors and other hair cutting tools. The Oriya barbers generally have service alliance with the people, have their own saants and are paid annually. The Kanamuttia barber works for ready cash. He is not a ‘sebayat’ (service holder) like the others. The Kanamuttia barbers are never employed by the villagers of Dimiria to perform the ceremonial functions which are always done by the Oriya barbers on service tenure.

Table II: Payments to Barbers on Different Occasions

Occasion	Cash	Kind
Marriage		Piece of new cloth known as ‘Kula paka’ Payment known as ‘Biva khata’ —Rice 5½ seers; Paddy 11 seers
Death	2 annas per man who carries the dead body and cremates it	All clothes worn by persons who take bath in tank on 10th day A piece of new cloth on the 10th day Rice 1 nauti, towards ‘sudha khata’ Paddy 2 nautis, labour charge
Offering of food to the manes in ordinary and maula sradha ceremony		One of the shares of rice served on the leaf-plates offered to the dead ancestors
Carrying loads of food stuff and vegetables to the house of relatives on several occasions	Payment in cash by the relative. The amount of ‘barika bidaki’ depends upon the status of person who pays and the distance travelled by the barber	

Both the types of barbers give their service to castes such as Brahmin, Karan, Sudra, Khandayat, Gour, Oriya, Goldsmith and Confectioner on occasions of marriage and death. On such occasions they do not serve the potter, oilman and washerman castes. They cut hair and shave faces of the oilmen and potters. Barbers do not touch weavers (Tanti), oilmen (Teli) and fishermen (Karatia) and the caste which prepares flat rice (Keut). They never cut hair and shave faces of persons belonging to Keut and Karatia castes. They shave and cut hair of the Tantis, after taking the precaution of wearing a coloured napkin which protects the barber from being defiled when he touches an untouchable.

CONCLUSION

The barber plays an important role in the village. In addition to shaving and cutting hair for which he is paid at harvest time with paddy, he is indispensable in several ceremonies, the most notable of which is the young Sudra or a Brahmin boy's first hair cutting and ear piercing ceremony. The barber is one of the most indispensable castes on occasions of marriage, death and other ceremonial performances. He accompanies the bridal party at the time of Puani-ghar and demands a substantial gift from the daughter's parents-in-law. The exact content and quantity of the gift is not standardized. It depends upon the wealth and whim of the giver—though the barber has several ways of expressing his displeasure should the amount of the gift or reward be inadequate. The service alliance of the barbers with the other caste people whom they serve on the basis of caste hierarchy has become more flexible nowadays because the caste assembly of the barbers has weakened. Family quarrels among barbers have grown and the stronger and wiser brother always tries to take advantage of his weaker and innocent brothers.

Since the traditional economic organisation in the village has weakened, the villagers have no means of regulating and controlling the barber's jajmani system. The barber has occupied a strategic position in the overall caste organisation. For any breach of caste rule for which the accused is outcaste, he is prohibited from using four things in the

village, viz, fire, water, barber and washerman. No barber would serve an outcaste, or the man who is boycotted by the villagers. To be deprived of the services of the village barber is a matter of great shame on the part of the man who is so punished. The barber is the informal communicating agent who spreads news of a village in other villages.

He has not only functional services in the village; he also offers certain ceremonial services. His wife propitiates the village goddess at the time of marriage. He serves men and his wife serves women in the village. Generally the barber's wife is also the midwife and is a source of assistance to the village women at the time of parturition.

Coolness... at a touch



TATA PRODUCTS

Cow-Dung as Manure

N A Mujumdar

ALTHOUGH agricultural economics in India is often dubbed as 'cow-dung economics', not much seems to be known even about cow-dung. There is far too little precise knowledge, for instance, about the proportion of dung used as fuel, the geographical factors influencing this proportion and the regional variation both in respect of the dimensions of the problem as well as its implications for policy. In discussions on investment criteria, the question of the development of manurial resources in lieu of chemical fertilisers is not even considered; perhaps it is not regarded as sufficiently important to deserve serious study.

NINE MILLION TONS OF FOODGRAINS

What are the basic facts? It is estimated that manure mostly from cattle amount to more than 800 million tons annually; of this, 300 million tons are used in dry state as fuel and about 160 million tons or 20 per cent are wasted on hill sides and roads. The economic implication of using dung as fuel in rural areas is highlighted by the following estimate: if the 300 million tons of dung could be diverted to manuring, about nine million additional tons of grains could be produced. The question therefore arises, why is it that not much headway is made in the use of dung as manure?

Attention to this potentiality was drawn as far back as 1893 by Dr Voelcker in his report on Indian agriculture. The Royal Commission on Agriculture reiterated the need for diversion in 1928. It would not be very far from truth to say that it's two-page discussion on farm yard manure and composts remains as relevant today as it was when the Report was prepared. If it has not been possible to make any perceptible progress in diverting the use of dung from fuel to manure, it is because the question posed by Dr Voelcker remains largely unanswered even today: "Of what use will it be to demonstrate at experimental farms the value of manure and how to preserve it when the cultivator has to burn it because he has nothing else to use for fuel?"

Before we pass on to the question of alternative fuel, it is neces-

sary to underline the regional or local character of dung-use. This is important not merely for understanding the situation in the specific context of a region but also for devising policy measures, say, for providing alternative fuel. The estimate of dung used as fuel, for the country as a whole, may at best indicate the broad dimensions of the problem. But no more. From the policy point of view, it would be necessary to undertake detailed studies on regional basis. As illustrative of this need the following facts may be relevant.

REGIONAL VARIATIONS

The distribution of livestock is not uniform throughout the country. If the number of cattle per 100 acres of cultivated area is as high as 130 in Madras State, it is only 29 in Bombay State. Taking the country as a whole, it is the largest in Madras, followed by West Bengal and Bihar. In U P the concentration of livestock is less than half and in Bombay it is only one-fourth of that in Madras.

Then again, evacuation per animal and the proportion of dung used as fuel seem to vary from region to region. How regional conditions powerfully influence them may be exemplified by the findings of an intensive investigation conducted recently in what was formerly known as Bombay Karnatak region. For purposes of the enquiry this small region was divided into four geographical tracts, namely, dry, wet, transitional and coastal. It was found that in the region as a whole about 20 per cent of the dung was burnt as fuel. But note the remarkable variations amongst the tracts. While in the wet tract this proportion was as high as 37, in the coastal tract the proportion was only 12.

This goes to show that the use of dung as fuel is governed by the availability of alternative fuel materials like not only firewood but also fodder refuse, cotton stalks or dry stubbles, etc. In the wet tract there is not much firewood to be had; and because paddy is the main crop there is not even considerable fodder refuse. As the coastal tract has a large forest area, the farmers do not find it difficult to secure firewood at negligible cost. On the other hand,

the quantity of manure is higher in the wet than in the dry and the coastal tracts, though the total number of animals here is smaller. This is because of the comparatively higher evacuation per animal.

COW-DUNG VERSUS FERTILISERS

Now to turn to the problem of using dung as manure. The Indian Agricultural Institute has designed a simple village model of a cow-dung gas plant. The dung is, in the first instance, fermented so as to yield a sufficient quantity of combustible gas which can be used for cooking and lighting purposes by the farmer. The residue is still available for use as manure without any loss of manurial content. The cost of a plant, sufficient for a family of five, comes to about Rs 350. No other expenditure on day-to-day maintenance is required. A daily production of 100 cubic feet of gas is obtained by the regular addition of the dung of 4 animals.

This seems to be an ideal gadget: it supplies fuel from dung without destroying its manurial content. Its price, however, is rather high. Rs 350 is a sum much beyond the resources of the average farmer. To expect him to invest this amount to get what was hitherto available to him almost free of charge is hardly realistic. It would be more practicable, therefore, for the State to set up bigger gas plants, one for every village. The dung of the entire village should be collected and utilised in these plants from which gas will be supplied to all the residents in the village for domestic fuel and lighting. The farmer will not be called upon to invest any amount on such plants, the gas would be supplied in exchange for the dung he contributes to the plant. Village sweepings, leaves and other decomposed vegetable matter, all of which might otherwise be wasted, could also be profitably utilised on such plants.

RELATIVE COSTS

To set up such plants in all the villages in the country, how large would the investment be? Secondly, given the investment allocation for the production of nitrogen, which of the alternative technical possibilities is to be preferred—chemical fertilizer factories or cow-dung gas plants?

Stock Market at New Peak

Thursday, Morning

EQUITIES continue to rise. Gains recorded last week were fairly impressive and they were well distributed all over the list. Interest was by no means confined to a few select speculative favourites. In fact, counters which shot into the limelight were those which had been lagging behind all the while. For Shipping, Steel and Cement shares were the outstanding bright features. Scindia Steam were marked up from Rs 14.92 to Rs 17.28, Tata Steel from Rs 156.75 to Rs 164.50, Indian Iron from Rs 24.28 to Rs 25.95 and A.C.C. from Rs 140.50 to Rs 147.50. The other counters to record significant gains included, Kohinoor, Standard Mills, Mukand Iron, Hindustan Motors, Indian Copper, Larsen Toubro, Premier Construction, Tata Locomotive and Sirpur Paper.

The Reserve Bank's index for variable dividend securities for Bombay which had risen to 171.9 in the second week of March and had reacted to 161.7 within a fortnight of the announcement of credit curbs was up again at 171.6 by the end of April. As prices have recorded a further good rise since April end the index must have made a new high mark now. The stock market continues to respond to good news and ignore adverse factors. The Reserve Bank's determination to bring inflationary trends under check through restrictions on bank lending has failed to impress the stock market which is perhaps an indication of the market's belief that bank credit has not contributed much to the inflationary pressures in the economy.

BUYING STILL PAYS

It can be argued that the rising trend in equities reflects the industrial upsurge in the country. Notwithstanding the issue of fresh capital by several old companies and the floatation of new companies the supply of shares has not kept pace with the growth of investible funds. That is perhaps why new issues with no prospect of any dividend for some years are commanding fancy premiums. Few can have any serious doubts about industrial prospects. But rising costs pose a problem which investors cannot easily ignore.

The stock exchange bull, however, is being guided at present mainly by inflationary trends in the economy which explains the marked preference for capital appreciation to yield considerations. It is possible to enumerate factors which are against bulls. But the market is still in good temper and there is no knowing yet that the rising trend in equities has spent its force. Equities continue to rise because buying still pays.

Oilseeds

IRREGULAR TREND

OILSEEDS last week moved up and down in a rather irregular fashion. Prices rose, reacted but rallied again to wind up the week with only minor net changes. Speculative interest centred mainly round castor and fluctuations in castor generally set the tune to the market. Business was mostly in the nature of switching over of speculative interest from the maturing contracts to the distant ones. Sentiment was guided more by ideas about likely tenders against May than by the tone of overseas advices. In castor, however, rumours about the freight rate for castor oil to the U S also played their part in moulding the price pattern.

After being marked down from Rs 169 to Rs 167.50 castor May recovered to Rs 170 but declined to a new low of Rs 165.75. The week-end closing was higher at Rs 167.37. The September contract was quoted at a premium of Rs 7.50 to Rs 8 per candy most of the time. Linseed May moved between Rs 32.16 and Rs 32.72 and closed at Rs 32.59 against Rs 32.50 a week earlier. The September contract fetched a premium of a little over a rupee per cwt. Groundnut May and August contracts were bid up to Rs 219.50 and Rs 214 reacted to Rs 216.50 and Rs 210 and finished at Rs 217.50 and Rs 211.50 respectively. Cottonseed were virtually neglected at around Rs 157.

No tenders were issued against the maturing contracts in groundnut and castor and none had been expected for the simple reason that the ready material can be sold at much better

prices than futures. In castor and linseed too tenders were by no means heavy—5,600 candies of castor and 500 tons of linseed. The heavy discount on the spot material had led to fears of very large tenders but the attractive premium on the distant contracts discouraged sellers from tendering goods. Transferring sales to September has seemed more profitable. If the spread between the May and September contract rates continues to be around the current levels—about Rs 8 per candy for castor and Rs 1.10 per cwt for linseed—tenders might not turn out to be very heavy. Of course a good deal will depend upon the export business put through in castor oil and linseed oil during May.

FREIGHT TO U S

Exporters anxiously await the decision of the Conference Lines regarding bulk freight for castor oil to the U S ports. For changes in freight rates can have a material effect on costs. Unconfirmed reports, however, indicate that the freight rate for oil is unlikely to exceed 30 dollars. It might as well be only 25 dollars. Of course until recently freight could be booked at around 20 dollars.

Freight has often provided a big headache to shippers. Increases are known to have been effected when they were least called for. Conference Lines are in a position to dictate. The problem of freight deserves serious attention because higher freight rates can upset all export plans.

To come back to the market story, shippers are inclined to suspend their judgment about the outlook for castor oil until uncertainty about the freight to the U S is over. But considering the export performance up to now the outlook is by no means unencouraging. The all-India figure of shipment of castor oil since the beginning of the year is estimated around 20,000 tons and commitments outstanding are mentioned around 5,000 tons. Of course the trend of castor oil prices after July will be guided essentially by Brazilian prices. No definite idea is yet available about Brazil's new

Although precise data regarding the cost of such village gas plants are not available, the order of outlay needed could nonetheless be estimated. The cost of such gas plants does not vary directly with size. For instance, a plant about ten times bigger than the 'family plant' designed by the Agricultural Institute is estimated to cost about Rs 1000. Assuming that the bigger plant would utilise the dung of about 50 cattle, the aggregate cost for erecting gas plants to use the dung of 155 million cattle in the country (figure for 1951) would work out to Rs 310 crores.

The 300 million tons of dung would yield 900,000 tons of nitrogen (which is equivalent to 4.5 million tons of ammonium sulphate). The annual rated capacity of Sindri is about 75,000 tons of nitrogen. To produce 900,000 tons of nitrogen, therefore, 12 factories each of the size of Sindri will have to be set up. Since fixed investment on Sindri is about Rs 25 crores, the total fixed investment alone on the 12 factories would be of the order of Rs 300 crores.

Thus with more or less the same investment, it seems possible to produce an equal quantity of nitrogen from dung gas plants. There is also a big difference which tilts the scales in favour of gas plants. The decidedly additional advantage of gas plants is the domestic fuel which they can supply to rural areas. It is hazardous to estimate the value of the fuel in monetary terms. As a broad indicator, however, the following data are significant. At present the 60 million rural households, it is estimated, burn dung equivalent to 35 million tons of coal. If the same quantity of fuel is provided by the gas plants—in fact it may be more—the resulting benefit could be valued at about Rs 210 crores.

These data and the calculations are admittedly rough estimates but they suggest the greater profitability of investing on gas plants.

WILL SAVE FOREIGN EXCHANGE

Nor is this all. There seem to be a number of incidental advantages. The most important in the present context, is the saving of foreign exchange that would result if the cow-dung gas plant scheme is adopted. Of the Rs 25 crores of fixed investment on the Sindri factory, the

foreign exchange component is Rs 10 crores. Hence for 12 factories of about the same size the total foreign exchange requirements would be Rs 120 crores. On the other hand, for erecting cow-dung gas plants, all the materials and skill can be had from within the country. The time-lag will also be less. It takes about three years to set up a fertiliser factory, while the dung plant may be put up and got into operation within, say, a year.

A more pertinent point is that the cost per ton of nitrogen would be brought down substantially in the case of dung plants. There are at least three factors which go to indicate such reduction. Firstly, the raw-materials used on the dung plant obviously cost very much less than those used in the production of chemical fertilisers. Secondly, since the plants will be spread out throughout the country-side the heavy transport costs now incurred on the distribution of fertilisers will almost tend to disappear. Thirdly, the over-head costs are also likely to be lower in the case of dung plants. The elaborate administrative machinery which becomes necessary in the case of a few factories would not be needed in the case of the dung plants. These economies, may bring down the cost by more than 30 per cent. It is hardly necessary to add what this would mean to the agricultural economy in general.

Gas and Fertilisers from Agricultural Wastes

TWO pilot plants to produce gas and fertilisers from agricultural wastes are to be set up shortly: the one at the National Sugar Institute, Kanpur, will use bagasse; the other at the Agricultural Research Institute, Delhi, will use cow-dung and other agricultural wastes. The plants will be set up by Chemolimpex, the Foreign Trade Company for Chemical Products of Hungary.

Under an agreement, signed last month, Chemolimpex will furnish Government with technical data and designs and provide adequate technical staff for installation of bio-gas-fertiliser plants. The number of plants to be set up has not been decided yet. Within six months of the successful working of the two pilot plants, Government will estimate the number likely to be set

up by its agencies. Chemolimpex will also be permitted to help private owners in setting up gas plants.

Rupee Payments to Foreign Countries

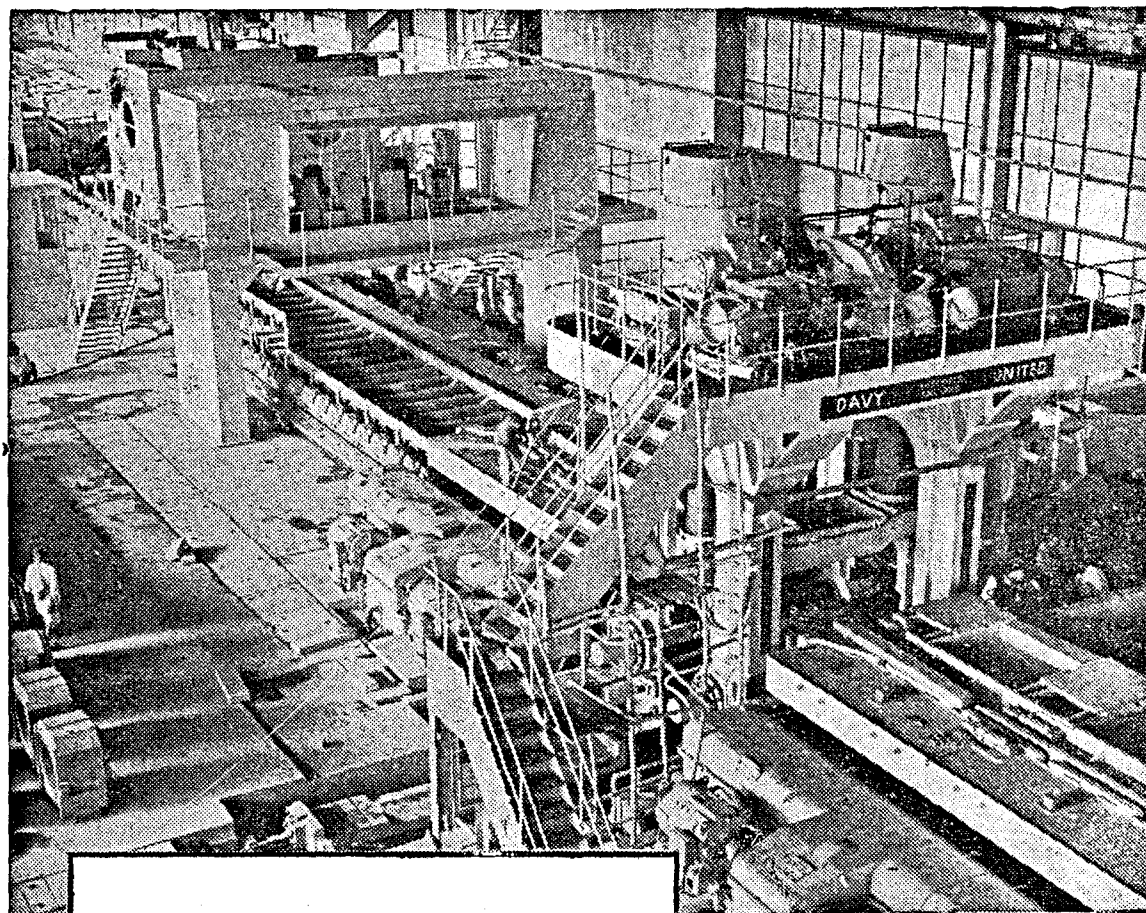
SINCE an increasing part of our imports is now being paid for in rupees, it would be interesting to know the magnitudes of such payments during the First and Second Plan periods. The figures reproduced below were given recently in Parliament.

These give a breakdown of payments by countries and their nature. They include rupee payments in lieu of loans received under PL480 and P L 665, instalments of principal and interest payments, and payments for goods purchased under bilateral agreements which allow part payment in rupees.

Payments in rupees to foreign nationals for technical know-how, however, are not included.

(Rupees crores)		First Plan	Second Plan
U S A -			
Development Assistance & D L F			
Loans	—	4.53	(2.24)
P L 665 and P L 480	4.80	345.12	
U S S R			
Bhilai Credit	—	13.64	(2.42)
Payments for Goods	1.40	59.22	
Other Countries (for goods purchased under bilateral agreements)			
East Germany	0.27	9.19	
China	0.18	7.72	
Bulgaria	—	0.34	
Yugoslavia	—	3.11	
Rumania	—	3.12	
Hungary	—	4.22	
Czechoslovakia	—	4.76	
Poland	—	7.76	
Total	6.65	462.73	(4.66)

Figures in brackets indicate payment of interest.



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BRITISH COMPANIES WORKING FOR INDIA

crop. Export business in castor oil put through last week was reported around 1,200 tons of which the Communist countries took about 1,000 tons. Prospects of further business are rated high.

Groundnut futures were rather subdued during the week because of the improved offerings in ready seed as well as oil, particularly in upcountry markets. The approach of the monsoon season has induced stockholders to part with their goods and current prices too are a record high for many years. In view of the overall tight supply, offerings are being readily absorbed without any serious impact on prices. The sizable discount on the distant August contract over May does not indicate any doubts about the supply position. Prevailing prices are pretty high. Bulls and stockholders do not want to risk much on the weather.

Exporters of groundnut extractions had a rather dull time last week. Total sales did not perhaps add up to more than 2,000 tons. Overseas advices were easier, the U K prices having come down by about £ 1-½ per ton to around £ 30-10, June shipment. It is quite interesting to hear many shippers here say that the recent decline in U K prices is due mainly to speculative marking down of quotations by certain traders here who had been carrying a huge "short" interest in the market. Most shippers are inclined to expect an early recovery in overseas prices and demand for groundnut extractions. Hardly any export business was reported done in linseed cake or linseed oil during the week under review but overseas prices held steady around their previous week's levels.

Cotton

CONTROLS WILL STAY

COTTON futures rose and fell and closed virtually unchanged over the week. Jarilla August which had risen from Rs 772 to Rs 781.75 by May 6 moved irregularly to Rs 773 by May 11. Fluctuations in futures reflected merely the passing moods of speculators. Facts about the supply position of indigenous cotton are now patent. There can be little doubt that the carry over at the end of the season will be at least nine lakh bales less than at the end of the previous season. This means that Indian cotton will continue to be available only on ration at least

during the first few months of the next season even if the new crop promises to be a really good one. For the fate of the crop will become known only when the season is already some months through.

But since price control has been an utter failure—right from the start of the season cotton has been selling at huge premiums—and quality control too has proved unsatisfactory, both the trade and textile interests have been pleading for the removal of controls during the next season. They pleaded their case once again at last week's meeting of the Cotton Advisory Board but all in vain. The Textile Commissioner left no room for doubt that controls would continue but he assured sympathetic consideration of the trade's plea for a suitable increase in the official ceiling rates next season. Informed sources believe that the ceiling for Moglai fine 25/32" would be raised from Rs 820 to Rs 900 per candy. Will higher prices help increased production? They might. But weather is a far more important factor and this is unpredictable.

WHY NOT O G L ?

The trade and mill interests also made a case for placing the import of cotton under O G L to ensure freer and selective buying. This too did not find favour with the Textile Commissioner, who, however, assured the trade that he would try to remove the restrictions which were impeding the smooth flow of imports. He also indicated at the meeting that the Government was negotiating for the import of another two lakh bales of cotton from the U S under P L 480. Imports have been picking up of late, the quantity licensed up to the end of April having reached 771,344 bales, comprising 303,762 bales of dollar area cotton and the rest from the sterling area. Actual arrivals are placed at 401,731 bales. Arrivals are likely to pick up in coming weeks but this has not had any effect on prices except East Africans which have eased by about Rs 30 per candy. Sudan cotton continues to hold remarkably firm and prices of U S cotton too are being well maintained.

The balance quota of indigenous cotton amounting to nearly 2.8 lakh bales has been released which brought some liveliness to the market last week. It is considered possible that some 'emergency' quota might follow some time later for

mills which simply cannot use foreign cotton due to technical difficulties. Only CO2 cotton is said to be quoted a little below the ceiling. All other varieties are commanding premiums ranging between Rs 70 and Rs 130 per candy.

Bullion

SHARP BRAKE

AFTER striking new highs early in the week bullion prices suffered a sharp decline which was more pronounced in ready than in futures. Silver and gold, ready, which had been bid up to Rs 231.4 and Rs 138.11 on May 5 were sold down to Rs 219.8 and Rs 130.12 respectively on May 11. During the same period gold and silver, Jeth delivery, eased from Rs 131.6 and Rs 218.8 to Rs 127.14 and Rs 216.1 respectively.

In view of the spectacular rise over the past few weeks, technical considerations alone could have produced a sizable setback. But selling which caused last week's decline was provoked no less by the imposition of stiffer margins, Government warning to take further steps, if necessary, and the marked increase in arrivals induced presumably by the attractive prices and the slack season ahead. It is arguable that the market might not have reacted so sharply if it had not grown extremely thin due to stiffer margins which have virtually eliminated the small fry.

The exorbitant backwardation charges ranging up to Rs 4.4 in both the metals, and the fantastic premiums commanded by the spot material had induced the market authorities, partly at the instance of the State Government perhaps, to vote for an ex parte margin of Rs 60 per tola of gold and Rs 3,000 per bar of silver on bulls in Vaisakh delivery, in case backwardation charges exceeded Rs 3 and Rs 4.8 respectively. A like margin in Jeth delivery when the closing rates were higher than Rs 127 for gold and Rs 213 for silver was also decided upon, with the difference that this margin was to be paid on net outstanding purchases instead of total purchases. Besides, the margin in Jeth was also to be independent of backwardation charges. The Board took these decisions on May 5. Government's sanction came on May 9. And the market took very little time to beat a retreat. A market rendered vulnerable by heavy short cover-

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ing (who could keep a short interest in face of strong bull manipulation?) responded quickly to bull liquidation. Spot prices simply tumbled down.

The Bullion Board and the State Government might take credit for arresting the upward trend in prices. But in view of the extremely precarious balance between the demand

and supply position of precious metals it would be rash to assume that the highest levels recorded last week will become tops for a long time. The slack season ahead is likely to encourage the hope that the upward trend has come to a halt. But if the floating stocks are what they are stated to be by the Bombay Bullion Association—merely 81 bars

of silver and 25,000 tolas of gold—it would be too much to expect that margins and other artificial measures will put a stop to the rising trend. It bears repetition that forward trading makes little sense when the floating stocks of a commodity are ridiculously small and there is no regular supply to feed the market with a steadily rising demand.

Company Notes

Stanvac in India

STANDARD-VACUUM has enthusiastically participated in the great adventure of the planned development of the Indian economy. And it won't quit. The second largest oil distribution and production network in the country, it has invested Rs 46 crores in its Indian operations during the last ten years. Of this amount Rs 16 crores has gone into refining, Rs 10 crores into marketing and more than Rs 5 crores into exploration which has proved wholly unsuccessful so far. The remaining Rs 14 crores consists of working capital. The lion's share, Rs 34 crores out of this investment of Rs 46 crores, has come from internal sources, of which Rs 14 crores has been contributed by depreciation alone. Borrowings from Indian sources have contributed nearly Rs 9 crores and the balance of Rs 3.5 crores is net foreign exchange invested by Stanvac. Total capital investment in Stanvac enterprises in India now aggregates Rs 39 crores. Its net income in 1959 represented 3 per cent of its total equity and borrowed capital, and 1.7 per cent of gross sales. In proportionate terms, these earning ratios are substantially lower than the past ten years' average of 7.5 per cent and 3 per cent, respectively. The decline is largely due to the lower 'pricing basis' announced by Government.

Stanvac was the first of the three oil companies to conclude negotiations with Government for building a large modern oil refinery costing Rs 12 crores. One of the inducements to the company in making this investment was that, under the then existing Indian laws, the excise duty on petroleum products was lower than the import duty. This difference is commonly called 'duty protection'. Government provided a further incentive beyond this statutory duty protection in the form of a two-anna per gallon duty protection on gasoline for a period of ten

years. The latter was voluntarily relinquished by Stanvac in October 1956 after two years of refining operations. This relinquishment and the adoption of new lower pricing basis for major petroleum products announced in November 1959 will fetch the Government Rs 5 crores per year from Stanvac alone without any corresponding relief to the consumer. Discussions with Government are still in progress regarding statutory duty protection.

Stanvac has been exploring for oil in the Bengal basin since 1949. For more than 5 years, this exploration programme was carried on by the company alone. In late 1953, Stanvac and the Government of India agreed to carry on the exploration jointly and established the Indo-Stanvac Project. One-fourth of the cost of this Project is borne by Government and the rest by Stanvac. No oil has been found as yet in the Bengal basin in spite of a total expenditure of more than Rs 7 crores but further drill is being continued.

After importing refined products for more than 60 years, Stanvac started building its own refinery at Trombay in 1952. It was completed in 1954 and since then nearly three-fourths of petroleum products sold by Stanvac in India has been refined here. The refinery cost Rs 12 crores to build, of which Stanvac advanced Rs 8 crores and Indian sources provided the balance. Since 1954 Stanvac has made additions totalling Rs 4 crores for plant expansion and improvement. The refinery now provides about 21 per cent of India's total demand for petroleum products.

Stanvac employs about 5,000 persons in India in its marketing organisation. They are helped by about 20,000 independent Indian businessmen throughout the country who act as agents, re-sellers and dealers. An increasing number of Indians is being employed in management positions. The number of Indian

managers in the marketing organisation has risen from 673 in 1955 to 897 in 1959 while the number of non-Indians has declined from 75 to 20. At the refinery, the number of Indian managers has risen from 72 to 113 between 1954 and 1959 while the number of non-Indians has dropped from 66 to 10. The number of Indians in management positions in the Indo-Stanvac exploration project was 30 last year.

Escorts Expands

AFTER completing nearly 15 years of eventful existence as a private limited company, Escorts converted itself into a public company towards the end of 1959. This is preliminary to a further expansion, part of which will be financed from an issue of share capital to the public. Escorts was established soon after the war by a group of enterprising young men of Lahore, almost fresh from college. It went into the import and contracting business with great enthusiasm and, simultaneously, ventured into several other fields like large scale farming and travel agency. Over these 15 years, it has become one of the leading import and agency houses in the country, representing such world famous firms as AEG and MAN; it was agent for Westinghouse also. The momentum of growth and the impact of import restrictions has now induced Escorts to go into manufacturing. It is manufacturing piston rings and x-ray equipment in collaboration with Goetze and Westinghouse, respectively. The company has also secured a licence from Government for the manufacture of pistons in collaboration with Mahle, a German firm. Towards the end of last year, it took over Sharpedge, a small concern manufacturing reazor blades.

Excluding the two subsidiaries, Goetze India Private Ltd and Sharpedge Private Ltd, sales and Commission earnings of Escorts during the year ended December 31, 1959

amounted to Rs 332 lakhs against Rs 246 lakhs in the previous year. Gross profit margin on sales declined from 8 per cent to 6.33 per cent, but net profit after tax recorded a handsome improvement from Rs 5.08 lakhs to Rs 6.97 lakhs. After making allowance for increase in share capital towards the end of 1959, net earning as percentage of net worth plus loans rose from 7.6 to 8.6; as a percentage of net worth alone, it went up from 18 per cent to 21.8 per cent. The preference dividend is covered 10 times against 8.6 times. Earning per equity share is Rs 3.76 against Rs 2.93. Dividend has gone up from Rs 1.80 net to Rs 2.60 gross (or Rs 1.82 net).

The company's total current assets are slightly in excess of total current liabilities including loans. Sales and commission earnings rose during the year by 25 per cent and net earnings by 33 per cent. Share capital was more than doubled to Rs 47 lakhs and is likely to increase to Rs 80 lakhs before the end of the current year. Apart from financing its manufacturing programmes, this increase in share capital would enable the company to reduce its borrowings.

Goetze's sales rose by 250 per cent during the year to Rs 27 lakhs. After providing Rs 4 lakhs for depreciation, net profit came to Rs 5.32 lakhs, which almost wiped out the preliminary expenses and losses. Sales of Sharpedge, the other subsidiary, during the year ended September 30, 1959, fetched Rs 2 lakhs against nil in the previous year. This company is still in the red to the tune of Rs 73,000. Efforts are being made to produce a superior quality blade with the help of a German expert.

Rs 14 Crore Polish Credit

An agreement for the utilisation of a Polish credit of Rs 14.3 crores to India was signed in New Delhi last week. Interest will be charged at 2½ per cent. The credit is repayable in rupees in eight annual instalments. The first instalment will fall due at the end of one year after the drawal of the credit for the last shipment of purchase for any specific project. All contracts for the supply of equipment will be concluded before June 30, 1962.

The credit will be used for the purchase of machinery and equipment from Poland for the construc-

tion of mutually agreed industrial plants. Payments relating to project work, technical and other services for setting up the plants, will, however, be made separately under the Trade and Payments Agreement between the two Governments in force at the time. Prices of goods to be bought and sold under the agreement will be based on world prices.

An Indian technical team is ex-

pected to visit Poland shortly to study the projects for which the credit will be utilised.

Money repaid by India will be used by Poland for buying Indian goods under the Trade and Payments Agreement. Payments made by India will be deposited in the Reserve Bank of India in a separate account, opened in the name of the Narodowy Bank Polski.



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CURRENT STATISTICS

BANKING RETURNS (Rs Crores)					INDEX NUMBER OF WHOLESALE PRICES				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago	(Base : 1952-53 = 100)				
1. Note Circulation	1904.49	1883.59	1896.77	1775.43	Week Ended	28-4-60	16-4-60	26-3-60	25-4-59
2. Rupee Coin	125.63	127.31	126.49	127.83	Group and sub-group				
3. Deposits					Food Articles	120.1	118.9	116.5	112.1
(a) Central Govt	60.30	50.58	62.33	53.01	Cereals	104.2	103.6	103.0	98.2
(b) Other Govts	18.90	45.28	5.57	13.17	Pulses	90.9	90.3	87.4	90.3
(c) Banks	88.42	97.64	86.59	74.02	Fruits & Vegetables	141.6	137.2	130.9	122.6
(d) Others	98.85	98.89	98.31	119.92	Milk and Ghee	116.5	116.1	110.5	113.0
4. Foreign Securities	163.01	163.01	163.01	178.01	Edible oils	140.0	138.0	136.4	127.3
5. Balances Abroad	15.67	17.60	24.57	19.91	Fish, Eggs & Meat	121.7	118.1	116.4	107.4
6. Rupee Securities	1511.43	1506.47	1501.91	1345.77	Sugar & Gur	139.8	139.9	140.6	128.1
7. Investments	217.38	232.38	208.45	298.32	Others	164.0	160.9	154.9	149.8
8. Loans and Advances to Govts	51.33	48.22	34.24	32.22	Liquor & Tobacco	109.0	100.9	97.1	97.5
9. Other Loans and Advances	117.52	114.53	112.01	63.20	Tobacco	107.5	98.9	94.9	95.8
Scheduled Banks					Fuel, Power, Light & Lubricants	118.7	118.8	117.3	115.7
1. Liabilities:					Industrial Raw Materials	135.8	134.6	132.0	117.7
2. Demand (net)	771.41	782.32	793.54	719.38	Fibres	132.9	130.5	125.2	108.7
3. Time (net)	1158.53	1154.16	1113.84	969.70	Oilseeds	142.4	141.9	140.4	129.8
4. Total	1929.94	1936.48	1907.38	1689.08	Minerals	98.2	98.2	98.2	101.4
5. Cash in hand	48.69	48.82	57.49	42.98	Others	131.3	130.9	131.7	112.8
6. Balances with Reserve Bank	91.40	93.86	79.57	81.10	Manufactures	118.0	117.2	116.7	108.2
7. (5) + (6) as % of (4)	7.26	7.37	7.19	7.35	Intermediate Products	123.9	122.7	121.3	107.9
8. Borrowings from Reserve Bank of which	43.85	32.34	68.30	29.11	Finished Products	117.0	116.3	116.0	108.3
Usance Bills	11.54	8.07	15.20	10.47	Textiles	117.0	116.0	115.2	103.1
9. Advances of which	954.89	945.04	949.46	872.06	Cotton	124.4	124.1	125.0	112.1
State Bank's	202.48	199.78	196.01	188.59	Jute	106.3	102.7	97.3	83.7
Bills Discounted:					Woollen	104.2	104.2	104.2	104.2
(a) Inland	128.50	133.08	132.08	112.25	Silk & Rayon	102.5	102.5	102.9	95.7
(b) Foreign	46.42	46.79	45.21	37.36	Metal Products	148.2	148.2	148.2	143.3
(c) Total	174.92	179.87	177.29	149.61	Chemicals	104.7	104.7	104.7	107.7
of which					Oil cakes	138.7	137.1	139.8	138.8
State Bank's	15.22	16.66	14.90	12.84	Machinery & Transport Equipment	108.6	108.6	108.6	106.1
11. Bank Credit (9+10c) as % of (4)	58.54	59.09	59.07	60.49	Others	114.6	114.8	114.7	112.8
12. Invest in Govt Sec of which	741.60	736.97	717.88	623.73	All Commodities	121.6	120.5	118.6	111.6
State Bank's	379.84	375.05	354.90	289.97					
13. (12) as % of (4)	38.43	38.06	37.64	36.93					
Cheque Clearance	196.93	211.50	257.70	179.07					

† For Reserve Bank Week ended 6-5-1960. For Scheduled Banks and Cheque Clearance week ended 29-4-1960.

Bombay Money Rates (% per annum)

(Selected Scheduled Banks other than State Bank)				
	29-4-1960	Week Ago	Month Ago	Year Ago
Call Money				
From Banks	3½-3¾	3½-3¾	3½-4	3½-3¾
Deposits				
Seven Days	3-3½	3½	3-3½	3½
Three Months	3-3½	3½	3-3½	4
Six Months	2½-3½	2½-3½	2½-3½	3½-4

Bombay Bullion (Rs and nP)

	12-5-1960	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	130.90	137.87	130.94	118.56
Forward	127.60	129.87	128.50	118.56
Silver (per 100 tolas)				
Spot	220.00	230.00	217.75	194.00
Forward	215.72	216.69	211.87	193.44

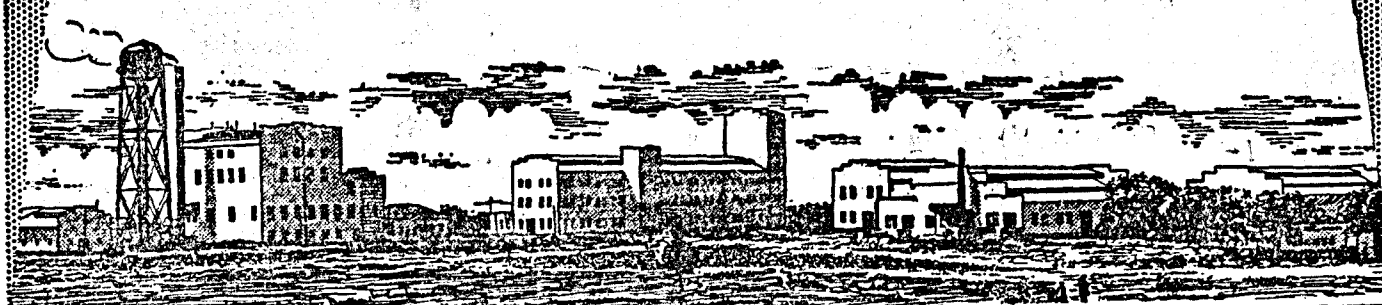
FOREIGN TRADE				
(Merchandise Value, Rs lakhs)				
Year/Month	Imports	Exports*	+ or -	
1956	808.73	613.46	-195.27	
1957	1,025.82	642.85	-382.97	
1958	872.81	585.05	-287.76	
1959	895.43	625.77	-269.66	
1958 Jan	66.05	55.27	-10.78	
Feb	66.21	54.44	-11.77	
Mar	70.56	46.73	-23.83	
Apr	60.00	41.73	-18.27	
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	65.60	47.03	-18.57	
April	80.40	45.14	-35.26	
May	66.12	45.49	-20.63	
June	77.18	43.54	-33.64	
July	63.11	51.46	-11.65	
Aug	58.37	58.52	+ 15	
Sept	69.42	60.22	- 9.20	
Oct	65.03	59.74	- 5.29	
Nov	69.99	61.76	- 8.23	
Dec	70.43	69.69	- 74	
1960 Jan	62.53	52.04	-10.49	
Feb	69.12	49.81	-19.31	
Mar	75.58	53.37	-22.21	

*Including re-exports

Source: D C I S, Calcutta

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The Summit of Failure

THE collapse of the Summit dashes the hopes that the whole of peace-loving mankind had been building steadily over the past three years. It will make cynics of many optimists. The common, uncommitted man will wonder if peace and co-existence will ever be a serious possibility in the nuclear age. He will wonder if any of the big powers is really interested in peace, or if it has any other interest than that of making peace itself a pawn in the cold war. This is a very unhappy time for mankind, for it marks a reversal in East-West relations (and in the chances of peace) at a stage where the two camps had reached their point of utmost cordiality. Where this reversal of a hopeful trend will lead is, of course, anybody's guess; but to many people the pious sentiments expressed in the funeral orations at the death of the Summit will seem to bear the full load of hypocrisy natural to such occasions.

The world has been told that the Summit has not failed; it has merely been postponed to a time when the climate for its convening becomes more suitable. It has even been suggested, with what must at this time seem foolhardy boldness, that the Summit might re-convene in eight or nine months' time. It will be astonishing if it does. The piety of the peace sentiments expressed in Paris notwithstanding, the signs are that East-West relations will worsen in the near future, and that they will not worsen in order to get better in a hurry. Mr Khrushchev has left Paris with the threat that he might conclude a separate peace treaty with East Germany, though happily he has not committed himself to doing so at once. The Western leaders return home with expressions of 'disgust' at the Soviet leader's behaviour. These are hardly the pointers to a rapprochement. They presage further threats, abuse and counter-threats and counter-abuse. The chances are that we are entering one of the most difficult periods in international relations. It is, of course, possible that the very grimness of the present situation will force the leaders of the two camps, under pressure from an agitated public opinion, to make a relatively quick return to the Summit; but the possibility for the moment is largely academic.

Who is to blame for the failure of the Summit? No question will be discussed more avidly in the coming months than this; and it will be surprising if, when the two sides of the question have been carefully weighed and examined, the blame is not fixed by public opinion on the United States. Mr Khrushchev, of course, has not lagged behind in playing his own part in the failure of the Summit, but it seems fairly plain that this part was almost written out for him by the Americans. That the Soviet Prime Minister played up the U-2 plane incident beyond all proportions is true; but the Americans rapidly brought the incident to the proportions Mr Khrushchev had specified.

As long as the incident itself was admitted by the United States, it was at least an act of honesty. It may even have been honest of the Americans to say that such espionage is common practice with them (though honesty is not always the best part of diplomacy). But the almost criminal foolishness of the United States lies in its having gone further from this point and made two statements which could only have had the effect they, in fact, did have on Moscow—the effect of adding

insult to injury. One of these statements was that the United States intended to continue with these flights of espionage; the other was made at the Summit itself, when President Eisenhower ruined his belated assurance about the permanent suspension of aerial espionage by adding that of course he did not know what his successor would decide. This was only another way of promising only a one-year suspension of the flights; and it had the very natural effect of making the Russians wonder if any commitments entered into by President Eisenhower at the Summit would outlive his term of office. That doubt in itself was enough to make the Summit pointless from the standpoint of the Soviet Union.

The United States was equally misguided in declaring that the spy flights would continue in the future and that they were undertaken with the knowledge and connivance of the President (even though he is not informed of each individual flight that takes place). Mr Khrushchev, in his speech to the Supreme Soviet immediately after the capture of Powers, had gone out of his way to stress that the President may not

have been personally involved in these spy flights. This was a deliberately suggested 'escape clause' which Mr Eisenhower could have used to arrive at the Summit without his moral stature in any way having diminished unduly in Russian eyes.

But the helping hand held out by Mr Khrushchev was contemptuously spurned; and Mr Eisenhower arrived in Paris after having exchanged his reputation as a crusader of peace for the infinitely less lustrous reputation of a man with a powerful aerial-spy system at his beck and call. If the President had regretted the plane incident and announced an immediate suspension of aerial spying into Soviet territory, the story of the Summit might have ended differently. And an expression of regret would have been no more than honest in the circumstances; for it is almost unthinkable that the Powers flight would have taken place on the eve of the Summit if Mr Eisenhower had had specific knowledge of it.

The plain fact is that the United States made it quite impossible for Mr Khrushchev to continue with

what some at least of his colleagues in the Kremlin and the Soviet Army doubtlessly consider to be peace-mongering. Washington had almost dared Moscow to do its worst, for come what may, the spy flights would continue. How else could have Moscow reacted to such a challenge except as it did? The only choice before Mr Khrushchev was either to warn the West against taking him for granted or to earn (possibly) dangerous unpopularity at home and dishonour abroad.

Among the many unfortunate repercussions of the monumental American bungling which caused the Summit to collapse will be the strengthening of the China Lobby in the Soviet Union, and a further toughening of the Chinese attitude itself. We in this country may have to bear some of the consequences of this. The seeds sown by the State Department may have to be reaped in the form of bitter fruit by us on our borders. To the world at large this may seem to be a matter of small account; but it isn't. The rise of China in the Councils of world communism is a danger to the entire cause of peace in our times.

Stock Exchange Boom

THE boom on the Stock Exchanges has not been curbed by the Reserve Bank's directives to scheduled banks which were aimed at arresting it. By one of the directives, scheduled banks were asked to raise the margin on advances against shares to 50 per cent; banks normally advance up to 60-70 per cent of the market value of the shares deposited as collateral. This was intended obviously to prevent speculative investors from holding on to shares with the help of the bank credit. The second directive was aimed specifically against forward trading and enjoined upon the banks to stop financing altogether *badla* or carry-forward transactions on the Stock Exchanges.

The immediate reaction of Stock Exchanges was one of uneasiness, even something of a panic, but it was short-lived. Stock Exchanges not only regained confidence in no time but have gone ahead since then to scale new peaks. The banks are not the only source of finance for carry-forward business, there is plenty of money available and the

interest earned on these transactions, which carry no risk in such a strong market, has attracted other financiers. In the event, therefore, neither speculative investors who carry shares with the help of bank finance nor operators in the forward market have had any occasion to reconsider and retrace their steps.

It is facile to suggest that a handful of care-free speculators are responsible for the present state of the Stock Exchange which is one of near-madness, judging from the wide gap between share values and their earnings. On the basis of yields at current prices, most shares are grossly over-valued and the degree of over-valuation is such that it cannot be justified by the prospects of increased earning capacity of companies for years to come. Yet, there must be some factor behind the boom, for speculation can push up share values for some time but it cannot feed upon itself indefinitely. What is that factor which has generated the boom and sustained it for so long?

True, the ranks of investors have

swelled over the last few years. Partly, this is due to the increase in money incomes and partly to the emergence of a new class of small investors consisting, among others, of business executives and people of similar status who did not take any interest in Stock Exchange previously. Another reason which may have made investment in shares more popular is the gradual shrinking of other investment opportunities, in real estate, for example, or in land. It is also possible, though supporting evidence may not be readily available, that the same forces which accelerate the pace of urbanisation also lead to transfer of resources from rural to urban areas, a part of which finds its way to Stock Exchanges. The subject of switch in investments needs to be watched carefully for there is some evidence that the switch is actually taking place.

Then there is the element of security imparted to Stock Exchange investments by rigid restrictions on imports and the industrial policy of the Government generally. Investors have come to realise that almost

every major industrial project is underwritten nowadays by Government policy on licensing of industries and licensing of imports. Foreign collaboration is another safety device which eliminates risk in the eyes of investors. The market for nearly every product has been expanding fairly rapidly and it is a sellers' market. There is no lurking apprehension any longer that a situation comparable to that of the years of the Great Depression or even the post-1946 slump is likely to recur. Granted all these, and the reluctance to sell in a rising market because of capital gains tax, even then, the increase in the flow of investment funds and the change in investment habits cannot by themselves explain the run-away boom.

Genuine investors realise that the dividend-paying capacity of companies will remain severely limited over the next few years. However large their earnings, development and expansion programmes will have a prior claim on them and the profits available for distribution will not be large. The net return to share-holders is curtailed further by the present scheme of tax deduction at source. Yet, even the genuine investors continue to invest. Why? Because of expectations of capital gains. Companies are expanding their assets rapidly. Prospects of their growth can justifiably be assessed as fairly high. Maybe, investors in their present mood tend to count the chickens before they are hatched, for it will take several years, before the companies are able to realise their growth potential. Over-optimistic assessment of such potential is naturally much greater in the case of new issues.

Companies enjoy a tax holiday of five years on their earnings from new plant and equipment up to 6 per cent of the capital employed. They get, in addition, a gift of 25 per cent of the value of such plant and equipment in the shape of development rebate. These concessions are over and above the depreciation allowances which continue to be liberal even after the withdrawal of extra depreciation (which was double of normal) from April 1959.

The Stock Exchange boom was greatly reinforced by the last budget and the Finance Minister's avowed intention to avoid any changes that might disturb investment in the private sector. If

the above analysis is correct, the development rebate and the other tax concessions to companies should have something to do with it. Planned development implies certain priorities and the case for restricting the development rebate and such other tax concessions only to the industries which are entitled to priority is strongly supported by the behaviour of Stock Exchange over the last two years. Directives by the Reserve Bank cannot put out the fire so long as Government keeps on supplying fuel to it.

Barely three years ago, the con-

sidered opinion of the Government seemed to be that Stock Exchanges did not matter. Shri T T Krishnamachari even went to the length of condemning them outright and threatened to disturb their working by presenting several budgets every year. The pendulum appears to have swung to the other extreme. The present Finance Minister judges the health of the economy from the strength and optimism of Stock Exchanges. Such encouragement to private investment of the wrong sort, if carried too far, will be at the cost of planned development.

Czechoslovakia: 15th Anniversary

HOW has the highly developed, completely western, industrialised and freetrading economy of Czechoslovakia shaped under the Communist regime? On the occasion of the 15th Anniversary of the establishment of the People's Democracy which was celebrated on the 9th of May, some of its achievements have been publicised, from which it is possible to answer this question in terms of economic statistics. The First Five-Year Plan, began in 1949, was directed towards long-term development, concentrating mainly on heavy industries and metallurgy. Simultaneously, 'capitalist anarchy' was ended and there was progressive concentration both in industry and agriculture. The number of industries or enterprises was brought down from 18,159 in 1948 to 2,804 in 1953 and to 2,256 in 1957, while the number of workers employed in these industries steadily increased from 1.37 million to 1.41 million and 1.55 million. The uneconomic enterprises were liquidated and small and medium enterprises were concentrated into bigger ones. Concentration was most extensive especially in engineering, chemical, metallurgical, food and building industries. In agriculture, there were 1.5 million small farms in 1948; at the end of 1959, there were 12,560 agricultural co-operatives with an average of nearly 1,000 acres of land. Simultaneously with this concentration, labour productivity both in agriculture and industry has gone up by leaps and bounds along with progress in specialisation. In agriculture, the output per worker in 1958 was 93 per cent higher than in 1936, while in industry, since 1948, labour productivity more than doubled; to 216

per cent in 1957. With increased productivity, the level of wages and of individual and social consumption has progressively improved.

It is the changes in the character and composition of Czechoslovakia's foreign trade during these years which are most interesting and significant. Despite her established position as an exporter, machinery accounted for only 6 per cent of the total export before the War, while consumer goods formed 40 per cent of it. In 1959, machinery exports accounted for 44 per cent of her total exports; this has been made possible by a five-fold increase in the production of machinery. Expanding exports of machinery and capital goods has greatly increased Czechoslovakia's demand for imports of raw materials like iron ore, rubber, cotton, hides, etc. Since her exports are mainly of capital goods for development and as she specialises in supply of complete equipment for factories and whole plants, this opens up enormous possibilities of expansion of trade with the under-developed countries which already account for 50 per cent of her exports.

Czechoslovakia's economic co-operation with India has been very substantial and she will be supplying — according to the agreements signed recently — machinery and full equipment for several projects of basic industry, first of all a huge foundry and forge plant at Ranchi, a heavy machine tool manufacturing plant, a heavy power equipment plant and further plants which can subsequently be agreed upon by both Governments within the limits of the credit of Rs 23.1 crores, offered by Czechoslovakia to the Government of India.

Weekly Notes

Follow-up to Rural Credit

THE worst suspicions about implementation of the Rural Credit Survey Committee's recommendations have been confirmed by the follow-up survey conducted by the Reserve Bank in 1956-57 which has now been published in a fat volume covering 740 pages, priced at Rs 9. The Survey has found that the most important features of the integrated scheme of rural credit were not fully implemented anywhere. Implementation of the scheme has not been uniform, and has not even been attempted in some cases. Credit requirements of farmers continue to be evaluated on the basis of land owned rather than the needs of cultivation and the security of crops. Societies with unlimited liability of members continue to be registered making it difficult for district central banks to fix credit limits for them. The central banks, in turn, have not, with some notable exceptions, received any clear directives on re-orientation of loan policies. Some of them are still dominated by urban interests and continue to engage in trading activity. Government participation in the movement in several States has taken the form of wooden supervision and audit rather than active help in the form of funds and trained personnel. While credit societies have expanded their business, co-operative marketing has made practically no progress except in a few cotton districts.

The follow-up survey is emphatic that large size societies covering several villages have done appreciably better than smaller societies which cover only one village or less, in spite of the fact that many so-called large societies never had a clean start because they inherited a legacy of unrecovered dues. The entire programme of re-organisation and re-orientation of the co-operative movement has, in the meanwhile, been upset by the Government fiat of 'one village, one society'. The enthusiasm aroused in some areas by new large size societies with substantial resources and trained staff has died down. Small societies continue to be ridden by factions, internal strife, inadequate resources and untrained part-time staff. In keeping with the recent tendency of

the Reserve Bank to be outspoken about its dissatisfaction with reshuffling of Government policies, the follow-up survey is quite frank in practically condemning the Government fiat which has undone the little that the integrated scheme of rural credit had been able to achieve.

The findings of the follow-up survey relate to a period nearly three years ago. There is little doubt, however, that its findings would apply to the present situation as well.

For Whom the Bell Tolls

THE Hooghly is rapidly silting up; the rate of flow through the Hooghly channel has fallen so much that the freshets are unable to carry the silt into the sea. The shipping and port authorities have been aware of this, in fact the Hooghly is well known to be a dangerous and capricious waterway with a tendency to silt up at its mouth, but the development of Indian ports has been notoriously slow, and although schemes were prepared none of them were fully implemented. However, three years ago the writing was on the wall, it was clear that the rate of siltation had increased, and the draughts available for ships were decreasing rapidly. Since then the position has deteriorated, with the result that whereas in 1953 it was possible for a 10,000 ton ship to sail with a full load and 27 draught, now the maximum she can sail with is 24 ft. draught and normally she will sail with 22 ft. which represents a loss of over 3,000 tons of carrying capacity per voyage.

Once again the official machinery considered schemes, they argued about the merits of building the Farraka Barrage where water could be stored and released at appropriate times to give the river sufficient force to carry the silt to the sea, but the project is a long term one and even if it is accepted and vigorously pursued, it will take years to complete.

The immediate need is to prevent the deterioration from increasing which means constant dredging, at a rate which is impossible with the pitifully inadequate fleet that the port maintains. The shipping companies and the port authorities have

repeatedly represented the need for more dredgers to the Ministry of Transport, but nothing has happened as yet. There is not enough foreign exchange to spend on dredgers, yet Government loans vast quantities of money and foreign exchange to shipping companies requesting them to expand. It is an interesting comment on our planning, that we increase our merchant navy and yet we allow the greatest port in Asia to deteriorate to such an extent, that there is a genuine fear that ocean going ships will stop coming in two years.

And this, despite the World Bank loan to the Port Commission for dredging and river training works to improve navigation on the most difficult stretch of the Hooghly River, among other purposes. The traffic through Calcutta port, when the World Bank studied the project, was about 9 million tons annually and accounted for nearly half the value of India's imports and exports other than petroleum. The rehabilitation undertaken with the assistance of the World Bank was expected not only to relieve congestion but also to enable the port to handle 2 million tons of additional traffic annually. Even while making this loan in the middle of 1958, the Port Commissioners and the World Bank were aware that this new capacity would be fully utilised by the end of the construction period in 1962.

The problem is urgent, Time and tide will stop for no man—nor will siltation. In a sense it is already too late. Some of the shipping companies have proposed to raise the freight rates from and to Calcutta, because it is becoming uneconomical to operate.

The place of Calcutta as a port in the national economy needs no emphasis; it handles more of the export trade of India than Bombay and Madras put together; it is the only port in the country which can handle any kind of cargo; in 1954 it unloaded 145 ton stayer for DVC which could not have been done anywhere else in India. It will indeed be an irony of fate if the neglect of the Hooghly river and human incompetence should toll the death knell of this very great port.

Rift in Maharashtra Samiti

THE resignation of Shri S M Joshi, the Praja Socialist Party leader of Maharashtra, from the Secretaryship of the Samyukta Maharashtra Samiti breaks up the four-year old alliance between the two irreconcilables in Maharashtra's politics, the Praja Socialists and the Communists. Shri S M Joshi moved the resolution in the General Council meeting of the Samiti intending to limit the work of the Samiti only to the solution of the Mysore-Bombay border dispute. Constituted by the opposition parties in Maharashtra to achieve the goal of Samyukta Maharashtra, the Samiti was composed of the Communists, Praja Socialists, Workers and Peasant Party, the Lal Nishan (a near Communist Group), the Hindu Sabha and dissident Congressmen who were opposed to the official policy of bilingual Bombay State. The Jan Sangh had also joined the Samiti, but left earlier. The dissident Congress group has returned the Congress fold.

The main alignment in the Samiti has been such as to isolate the Praja Socialists, while the Workers and Peasants Party, Lal Nishan and the Communists have always pulled together. For a brief period, this alliance of ideologically disparate parties and groups was a political necessity and thrived on the popular discontent over the linguistic issue. But all through its career, the two major constituents fought with each other over international issues such as the Imre Nagi episode, the Tibetan crisis and the violation of Indian border by China, both within the Samiti and openly in the elected bodies.

It was this ideological clash between the Praja Socialists and Communists which was mainly responsible for the administrative chaos that prevailed not only in the Bombay Municipal Corporation but also in many district, town and village local self-governing bodies wherever the Samiti was in power. In Bombay City, the Samiti failed to chalk out any civic programme in regard to education, housing, water supply, slum clearance, rehabilitation of hutment dwellers, etc. The Samiti administration of the Corporation was poor; its major failure was in dealing with the labour problem in Municipal establishments, Transport, Hospital and Primary Schools. As the Samiti rode to power on the wave of po-

pular hysteria, it was not prepared to raise more taxes and lose mass sympathy. It was natural that this would affect their efforts in improving or expanding civic amenities.

The Communists and their friends in the Samiti had been trying to transform the Samiti into a permanent political alliance of anti-Congress parties and the Praja Socialists had been feeling very restless, but the PSP with its divided leadership, they were unwilling to take the public odium of wrecking the Samiti, before the attainment of Samyukta Maharashtra. But all along, the P S P stubbornly opposed any move by the friends of the Communists to give a permanent organizational form to the Samiti. Now that the goal of Samyukta Maharashtra has been achieved, Shri S M Joshi appears to have rallied sufficient courage to oppose the move to exploit the border dispute with the Mysore State for continuing the alliance. The General Secretary of the P S P, Shri N G Gorey, is hopeful of forming some sort of alliance with the Chief Minister of Maharashtra for solving the border dispute, while Shri S M Joshi, believing in agitational methods, may call upon the members of his party to resign from the Assembly and seek entry into Mysore jails, leaving the Communists and near communist parties to serve as opposition in Maharashtra Assembly.

Second Largest Census

THOUGH the Indian census cannot claim to take the first place, now that China has also held its census, as the second largest census

in the world, it is going to be an undertaking of colossal magnitude with a million enumerators, 550 million census slips, 110 million household schedules and 22 million of house list forms—this is the print order for the census operations. It will keep the Government presses in Calcutta, Aligarh and Nasik busy for some time. The printing of all these is expected to be completed in another month's time, but the Registrar General will have to keep his fingers crossed and hope that the presses keep to the schedule, as the Census Superintendents have been promised delivery of the forms by September. Nearly all the forms, needless to say, will be in the regional languages, and only a small percentage will be printed in English.

A million enumerators will be engaged for taking the census. They will be paid a small honorarium, the total not exceeding Rs 160 lakhs which works out to 3½ nP per head counted. The unit cost looks modest enough, and with all the new statistical gadgets that are now employed, we may get an estimate of the price duly adjusted for quality. That is to say one may be able to figure out the price estimates for different degrees of actuaries.

The census will be taken next year from February 10 to March 3, but of the 22 days over which enumeration will be carried out, the last 3 will be devoted to revisional rounds. While on the subject of census, attention may as well be drawn to a serious slip made in these columns a month ago (The People of India, April 23). Among

Mid-Year Special Number June 1960

The Mid-Year Special Number of *The Economic Weekly* will be issued on June 11, 1960. It will contain a minimum of 150 pages bound neatly in art cover and will be priced at Rs 2.50 nP per copy. Registration and Postage charges will cost Re 1.

A special feature of the issue is a symposium on the preconditions of self-sustained growth of the Indian economy in which an economist, a sociologist, a political scientist and an engineer will participate. There will also be special articles of topical interest on current economic and political affairs.

For reservation of advertising space in the Special Number, please contact the undersigned. Material for advertisements booked should reach by 28th of May at the latest.

The Special Number will be supplied free to subscribers. Non-subscribers and agents are requested to order their copies well in advance.

A. FERNANDES
Business Manager.

the changes in the 1961 schedule it was mentioned that the temptation was finally resisted of finding out the principal input in agriculture, viz, the numbers engaged in cultivation of the household, those belonging to the family and those engaged on hire "working all the year round". This was a slip and an unpardonable one. After the pre-test, these two questions were not dropped from Part I—Household Schedule in the final form. They were shifted further down the schedule (1961 Census Schedule, D Natarajan, April 16, page 623). Actually, what has happened is that these two questions instead of being featured under 'Land' at the top in the first draft or under 'Cultivation' again on the top in the second draft, appears third in the list in the final form. Labour inputs have been combined under one composite head which covers both household cultivation and household industry as follows:

C. Workers at Cultivation or Household Industry

Members including Head of family working and hired workers, if any, kept wholetime during current or last working season.

- 1 Household Cultivation only
- 2 Household Industry only
- 3 Both in Household Cultivation & Household Industry

Answers to these questions are to be entered under the following heads: Members of family working—Head, Other males, Other females, Total. There is a separate column for information on hired workers kept wholetime during current or last working season.

No Pipes for Water

HOW can shortage of pipes possibly hold up the supply of drinking water to the villages? A correspondent has raised this very pertinent question and dismissed Health Minister Karmarkar's explanation in Lok Sabha as ridiculous. As has been very clearly brought out in the Estimates Committee's report on Public Health (Thirty Seventh Report, Second Lok Sabha, Ministry of Health, Public Health, Part I) the explanation is not as absurd as it may sound. Central assistance is limited to the supply of piped water for a village or group of villages and supply of pipes was inadequate. What is absurd and

offensive to reason and common-sense is that the Planning Commission should have in its wisdom thought of supplying tap water to the villagers! The Estimates Committee took the sensible view that it would be advisable to utilise the amount provided under the scheme for water supply for constructing surface wells, sinking tube wells, etc. rather than to allow the funds to lapse year after year. Priority, however, could continue to be given to piped water supply schemes whenever they could be readily implemented.

The Estimates Committee reported on 22nd December last, the Health Minister's explanation in Lok Sabha was given on April 6.

The Government has appointed an eight-man committee to assess the water supply requirements of the urban and rural areas in the country as also to suggest ways of financing water supply schemes effectively. The Estimates Committee had wanted a team of experts to carry out the survey; the committee that has been appointed is mixed; public health officials and politicians are in the proportion of 5:3. As 20 lakhs people die every year of cholera, typhoid, dysentery and other water borne diseases and one-seventh of the country's total population suffers from ailment caused by unhygienic water supply, it is indeed a sizeable problem. Dr. Sushila Nair was probably right in holding that if good water supply and sanitation were provided to all the people, more than 75 per cent of the diseases would disappear. This statement is subject to one proviso: adequate nutrition. People can hardly thrive on pure drinking water without enough food.

Now if one has stomach for statistics one can set about sizing up the problem even on the basis of such data as are readily available. The Institute of Engineers has estimated that 75 per cent of the urban population lack protected water supply while 85 per cent do not have the benefits of a sewage system. It is better not to play with the figure of costs of providing these minimum amenities. The World Health Mission which visited Calcutta in October to November last year estimated that metropolitan Calcutta alone would need Rs 100 crores for water supply and sewage.

Phased National Programme

THE Third Plan estimate for water supply was on a modest scale, viz Rs 300 crores for the whole of India, against Rs 88 crores provisionally allotted in the Plan. A research minded correspondent of a newspaper recalls that engineers had assessed the cost of urban water supply at Rs 900 crores and that of supply of water in rural areas at Rs 300 crores way back in 1948. When the First Plan ran into recession before it was half way through provision was made to supplement the Plan, an outcome of which was the Central Government sponsored programme of water supply and sanitation on a national basis in 1954. For this purpose Rs 12.72 crores was set aside for loans for urban water and sanitation schemes and Rs 6 crores for rural schemes. Assistance in this form has been continued during the Second Plan on 50 per cent grant-in-aid basis for rural and 100 per cent loan basis for urban and corporation schemes. But of the Plan provision of Rs 12.72 crores only Rs. 8.3 crores had actually been spent on urban schemes and in the rural sector, the percentage of actual expenditure was even smaller being only Rs 2.8 crores out of Rs 6 crores. It is while looking for reasons for this shortfall that shortage of galvanised iron pipes came into the centre of the picture.

This shortfall has continued in the subsequent years and the reason, according to the Health Ministry, "one of the major difficulties", at least in the case of rural water supply, has been "that the concurrence of the Planning Commission is not forthcoming to utilise the amount for constructing surface wells." Now the Estimates Committee wanted, and the eight-man committee just appointed will also want that "a target date should be fixed and the phased programme chalked out to tackle the problem on a national scale" and one must of course add that whatever the programme is, it is to be 'integrated', 'comprehensive', 'co-ordinated' and 'efficiently implemented'. When a Parliamentary Committee which is alert and sleuth-like in tracking down inefficiency and slack performance so readily succumbs to soporifics of fixing a target date, phased programme and tackling the problem on a national scale, one begins to wonder.

No Business for Refinance Corp

THE idea of a special financing agency to reimburse banks for their medium-term loans to medium-scale industries was conceived in 1957 when banks were rather over-extended and no increase in their resources was in sight. Between 1957 and the middle of 1958, when the Refinance Corporation for Industry was set up, the situation had changed. Banks had got over their liquidity problem, partly from restrictions on imports which curtailed the demand for credit but largely from the phenomenal influx of deposits. The Refinance Corporation started with an issued capital of Rs 12.5 crores and a loan limit of Rs 26 crores from Government out of PL 480 counterpart funds. So far, it has raised Rs 2.5 crores of paid up capital and drawn Rs 5 crores from the Government loan. During the 19 months of its working, it has sanctioned 19 loan applications for Rs 4 crores, out of which applications for Rs 38 lakhs have been subsequently withdrawn. Actual disbursement has been only Rs 85 lakhs. Surplus funds of the Corporation amounting to Rs 6.8 crores are lying with member-banks as short-term deposits.

The Corporation's performance to date has not only been disappointing, it has been such as to raise doubts whether the country really needed an institution of this type. Were the sponsors misled by the accepted dictum that commercial banking in this country being based on the British model dealt only with short term credit, that continuing loans of medium duration were beyond the scope of these banks and that a separate institution was needed for providing medium term loans? May be it is too early yet to draw conclusions. It is possible that when banks are less liquid, they will see the advantage of persuading their clients to convert some of their continuing over draft or cash credits into medium term bills and as this change takes place—it can only be a slow and gradual process as all institutional changes are bound to be—perhaps banks would be better placed to meet the specialised requirements of industry and industry will also come to discover the virtues, and advantages of medium term finance instead of banking on the possibility—uncertain in the long run, taking good times with bad—on continuing short term

loans. But it is not only rank outsiders not in the know of things who are afflicted by doubts, even the Governor of the Reserve Bank who is also the Chairman of the Refinance Corporation does not seem to be so sure of the future of this novel financial institution under his charge as it is constituted at present.

It has taken the authorities nearly two years to realise and to admit that the Corporation can hardly get any business. With belated candour, Shri H V R Ienger has said that few could be attracted by the kind of loans which the Corporation gives, when they can make more flexible and convenient credit arrangements with banks and other financial agencies on less onerous terms. Banks have found the Corporation superfluous, for they can rotate their short-term credits at 5 to 6 per cent over several years and regain their liquidity whenever necessary through short-term borrowings from the Reserve Bank.

To Get More Business

HAVING set up a Corporation with such large funds, the Reserve Bank has to make it work and get customers for it. It is now proposed, therefore, to extend re-financing facilities to non-member banks also and to leave it to the discretion of the banks concerned the rate of interest to be charged from the ultimate borrowers. This change would have to be approved by the Governments of India and the U S. In the meanwhile, the surplus funds now kept as deposits with member-banks would be withdrawn and invested in Government securities in order to induce member-banks to draw upon the Corporation's resources. Some consortium arrangements have also been concluded with lenders of foreign exchange like the ICICI, the International Finance Corporation and the Commonwealth Development Finance Company, under which the Refinance Corporation will provide rupee funds to those borrowers who secure foreign currency loans from these agencies. So far, however, no proposal has been received for such joint financing, despite the vigorous growth of industries in 1959.

These modifications in the Corporation's lending policies can hardly secure customers until demands on banks for credit outstrip their deposit resources. What is the possibility of such a situation

arising in the near future? The demand for bank credit from trade and industry has been increasing fairly rapidly, with rising production and building up of inventories. It is possible that Government companies may also turn to bank credit, from Government loans, for their inventory requirements in the Third Plan—a proposal to this effect has been mooted in the Planning Commission. If the Reserve Bank continues to impound the increases in deposits, it is not unlikely that banks might find themselves over-extended say, in the next busy season. In view of its higher lending rate, however, even in such a situation, it is unlikely that banks will approach the Corporation so long as they can borrow from the Reserve Bank against Government securities and short-term bills. Even on the most optimistic expectations, therefore, the Corporation is not likely to find an outlet for its large (potential) resources aggregating more than Rs 38 crores. The modifications contemplated are only marginal, they do not go far.

World's Largest Fan Factory

THE electric fan industry is one of the few in which Indian technicians and designers have made original contributions. In the early twenties, fan motor and blades were re-designed by an Indian, N C Bhattacharji. The leading manufacturer of electric fans today is Jay Engineering which turns out 6 lakh fans per year. Ten years ago, its output was only 12,000. All the operations of this company from design board to product designs, development and tooling, have been carried out by Indian technicians. Its new fan factory was completed without any interruption of normal working in 1957 within a period of 90 days and it is now the largest single fan factory in the world. The company has set a target of 1 million fans per year in the next two years.

In addition to dominating the home market, Jay Engineering's Usha fans are very popular in neighbouring countries and account for bulk of the fans exported from India. Egypt, Kuwait and Burma import over 70 per cent of their fans from India; the bulk of these are Usha fans. Iraq, Ceylon and Kuwait have accepted Usha fans against global tenders. Jay Engineering's export target for 1960 is 80,000 fans.

Failure of Housing Projects

A READY measure of the progress of a welfare State is its success in housing its people. Now not even the most progressive of States has satisfactorily housed all its people and the Government of India, counting it as a welfare State, has far from a complete housing scheme. The Government only knows that the task is stupendous.

Nevertheless, consistent with its five year plans, the Government has made many approaches to tackle the problem of the houseless and has undertaken a number of important schemes. They are mainly the Subsidised Industrial Housing Scheme, the Low Income Group Housing Scheme, the Slum Clearance Improvement Scheme, the Village Housing Project Scheme and the Scheme for House Building Advances to Central Government Servants. These schemes were started in the period 1952-57 and they still continue and provisions have been made for their working. For the Subsidised Industrial Housing Scheme, a total of Rs 35.34 crores had been sanctioned between 1952 and 1959 for the construction of a little over a lakh of houses; for the Low Income Group Housing Scheme Rs 29.72 crores has been advanced as loan to the various States, since the inception of the scheme in 1954 up to the end of 1959; the Slum Clearing Projects were allotted Rs 12.43 crores between 1956-60; about Rs 100 lakhs had been sanctioned as loan to villagers under the Village Housing Project Scheme; and under the scheme for Advances to Central Government Servants for house building, Rs 83.38 lakhs had been approved between 1956 and 1959.

An allocation of Rs 84 crores (revised) was made in the Second Plan and it is understood that about Rs 56 crores have been spent by the end of the financial year 1959-60. The balance has been set aside for the final year of the Plan.

All these schemes are at best only a token compared to the enormous demand for housing and even in their lethargic progress the schemes met with (and had to overcome) many difficulties and bottlenecks. From time to time the Government of India called meetings and con-

ferences to consider measures for overcoming the difficulties and took into confidence the State Government representatives, who are the final executors of the schemes.

The last meeting of importance was held towards the close of 1959 when the Housing Ministers of all the State Governments and a few others were invited to review the progress of the schemes vis-a-vis the targets under the current Plan. Three new schemes—Middle Income Group Housing Scheme, Rental Housing Scheme for State Government Employees, and a Land Acquisition and Development Scheme—were also introduced in 1959.

The Planning Commission set up a working group on housing and urban development and asked for an estimate of the outlay in the Third Five Year Plan. This group has now submitted its report.

The first point of the report is understood to be that nothing like an ambitious scheme for housing can be started in the Third Plan period for want of resources. The group has estimated the need for urban housing alone in the period at four million units. Even the construction of this number, says the group, will just arrest further deterioration of the "grave" housing shortage.

The group's modest scheme is to produce some 2.5 million urban houses in the Plan period, distributed equally between the public and the private sectors.

What it has failed to do in regard to housing proper, the group has apparently made up by calling attention to the number of practical difficulties primarily on account of which, it thinks, private house builders are not co-operating with the Government. The group has aimed at removing these obstacles and with their removal the group believes, there will be substantial private initiative and capital forthcoming.

Land, finance and building materials, in that order, are given to be the three major obstacles against house building activity. In regard to land, the group asks for a positive land policy, providing for speedy acquisition at reasonable

prices extending to control and even freezing of land.

To get over the difficulty of finance the group recommends the organisation of housing finance corporations for the States. These corporations should be given adequate powers to insure mortgage loans.

To ease the supply of building materials, the group has suggested allocation, specially for house building activity, of materials like steel and coal dust. These should be released to the State Governments for use in the private and public sectors for housing. No diversion of this quota to other purposes should be permissible.

The total allocation the group has suggested in the Third Five Year Plan is just Rs 120 crores. What has frightened the group to put its claim so low? Paucity of resources is a ready enough explanation, but in what field of activity have resources been overflowing? Another and not so readily admitted reason is that there has been nothing to inspire the group (in considering housing proposals) in view of the immediate history of two schemes at least. The Subsidised Industrial Housing Scheme which started with a bang in 1952 has so woefully fallen behind schedule that the scheme is as good as not working. This scheme was intended primarily to help private employers to house their labour properly with assistance and help from the Government. The total assistance between 1952 to 1959 handed over to them by the Government is a mere Rs 1.19 crores as loan, so poor was the demand for such assistance!

The plantation labour housing scheme, introduced in 1956, has had perhaps a worse fate. The Planters have apparently made out that they are unable to provide appropriate security to the State Governments for repayment of the housing loans since the plantation properties are already mortgaged to their bankers against amounts advanced for purposes of working expenses. Whatever the truth of this explanation be, the total number of houses sanctioned by the State Governments in the three years 1956 to 1959 is 281, out of which 213 have been completed. The total plantation labour is 10 lakhs.

Mr Chou's Visit—and After A Protest

I HAVE just seen your issue of April 30. It is a sad day for me, to whom *Economic Weekly* has so long been an escape from exasperation. After reading your editorial on "Mr Chou's Visit — and After" (pp 669-70), I have to throw in the sponge.

True, a journal of current affairs will, up to a point, provide a reflexion of the emotive issues that are, at the moment, agitating mass opinion, particularly when questions affecting the territorial sovereignty of the nation are involved. But one can at least hope that a weekly journal will weigh and assess some of these emotions in tranquillity, and, in recollecting them, shed those that are transparently banal. Let me state that I expect a weekly of *E W's* stature to contain an edited version of the daily opinions bandied by the newspapers. But apparently you have decided to try out-doing the daily papers in exhibiting runaway zealotry.

You are annoyed no end that the Indian and Chinese officials are to continue fact-finding consultations. Such consultations, in your opinion, "are an admirable arrangement when two neighbouring countries are conducting some sort of a friendly adjustment of a peaceful border, not when there has been active aggression from one side on the other." And you continue: "The second disadvantage from India's point of view, of this procedure, is that it implies that the Chinese might really have a case in the dispute which deserves to be seriously investigated with the help of proper documentation."

I hope you will not consider the following a grotesque presentation of your argument: they have aggressed; they have occupied territory which we regard as ours; since we regard the territory as ours it is ours; so why must we look into their documents; if we look into them, the Chinese and the other nations might think that we are weakening; let us therefore not talk with them any further.

Your logic is your responsibility, so have it your way. But assuming

that the Government of India heeds to *EW* and calls off the talks with the Chinese, where do we go from there? Your suggestion is that "we must chalk out a realistic and safe course for living with the border." In the first place, you say, "the country must be placed on an emergency footing for tackling its developmental programme." This is a cliché, so let us not for the present argue over it. Your second point is that the country must be kept in a state of military preparedness. It does not seem that you are suggesting that we try to evict the Chinese by force, since that is unlikely to be a "safe course." At the same time, however, you are explicit that the "one thing to have clearly in our mind is that the aggression must at any cost be vacated." (Emphasis supplied.) How do you define "at any cost"? Do you mean *even by war*? If you do not mean that, for whose benefit is the sabre-rattling?

Your final suggestion is for mounting diplomatic pressure on the Chinese. What is the modus operandi? It may be hoped that the Western nations would support our cause. Even this is extremely doubtful. There has of course been high glee in Western circles over our bickering with the Chinese. But, apart from voicing condemnation of the Chinese act of killing a dozen of our compatriots, not one of these countries has made any categorical statement on the merits of the border issue. The Americans, for example, cannot afford to offend Chiang Kai-Shek, whose claims with respect of our border are going to be as stiff as, if not stiffer than, Chou en-Lai's.

Let us suppose that, because of remonstrance on our part, the Western nations come off the fence, what sort of pressure could they apply to the Chinese, with whom they hold no dialogue at all? If the past is any guide, any "brink"-like statement by the U.S. Department of State on our behalf would merely harden Chinese attitude.

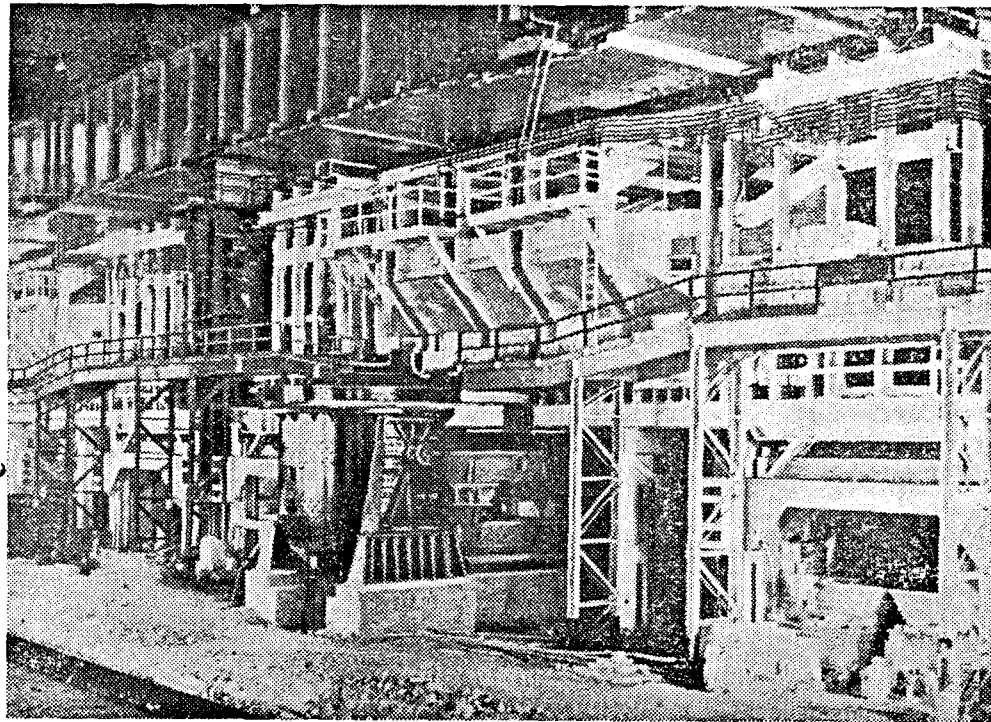
Or does your programme of diplomatic endeavour mean that we should appeal to the Soviet Union and the other Communist countries?

Do you think the Communist nations will flock to our support as against one of their own major partners, with whom we are not willing even to discuss the issues in dispute, and whom we are making the butt of our "military preparedness"?

Don't you think the most that Mr Khrushchev would suggest would be for us to sit together with the Chinese, discuss the details of the border trouble, and negotiate? Is it not that that would also be the suggestion of our "non-aligned" friends from the Afro-Asian bloc, including Messrs Nu, Nasser and Soekarno? The fact that some Indians have been killed does not clinch our case in the border dispute. Our friends can argue that, while the Chinese were wrong in shooting at the Indian patrol, they might still have some valid points to put forward with respect to the border delimitation, and we should therefore try to organise talks with them. If, then, we strike the attitude that we know we are right and the Chinese are murderers and aggressors and must give up their claims in entirety pardon me when I say that the response that we could expect from our erstwhile well-wishers would be to ask us — as the American expression goes — to get lost.

Let me now return to your plea for putting sharper emphasis on our economic development programme. This is a plea that always deserves support, whatever the context in which it is made. However, given the national reluctance to raise additional revenues for development (readers of *EW* may be referred to your excellent article on this year's budget, "Pretentious and Misleading," March 5, pp 401-2), the probability is that any increased effort to improve our "military preparedness" would impinge upon the resources set apart for development projects. In this connection, let me make a final point. It is now amply clear that India's economic breakthrough will hinge upon her ability to usher in a revolution in agricultural productivity. Despite generous American sympathy and help, despite PL 480 loans and ideas of

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Yesterday we surveyed, planned and built today results are being obtained. India's newest steelworks at Durgapur, which is being built by ISCON, is now in production under Hindusthan Steel Ltd.

No. 1 Blast Furnace is making iron while work goes on in the second stage, the completion of which will mark the beginning of making and shaping of steel at the steelworks.

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BRITISH COMPANIES WORKING FOR INDIA

"package deals," we perhaps could learn most in this field from a close study of recent Chinese developments. Only the Chinese have had to tackle the problem on the same gigantic scale as ours, and it will not do to put down their performance in the last few years as the result of application of coercive methods. Propaganda is something different from coercion, and the fruits of thoroughgoing organization can again be distinguished from the effects of pure propaganda. In the process, the structure of agriculture has been totally transformed in China, a transformation which has affected not only the unit of cultivation, but also methods of irrigation, fertilizing, seed-planting, harvesting, labour supply, and all that. Given the normal flow of communication and receptivity, we could have studied the innovations in Chinese agriculture, chosen for ourselves those that we considered good, ignoring those that would not be suitable

for our purpose and environment. The culminating tragedy of the present imbroglio is that we are going to shut ourselves away from learning from this great experiment now going on in China, thereby further inhibiting our own rate of economic growth.

YOUR VERY OCCASIONAL WASHINGTON CORRESPONDENT
May 8.

[If China had simply told that it did not accept the McMahon Line and had then offered to suggest adjustments by means of a documented discussion, then the objections raised by our correspondent would be valid. But, as it happens, China has chosen to upset the *status quo* on the border by unilateral action. Having done so, and having occupied large areas which India considers her own, it now cannot expect India to discuss maps with it as if nothing has happened.—Ed.]

The Indian Joint Family

Comment

MR F G BAILEY's framework for discussion on "The Joint-Family in India" in the issue of February 20, 1960 is very interesting and stimulating. I turn to congratulate the author for his earnest effort and also to give expression to some of my reactions on the analysis presented by him. I only wish to supplement the author's framework.

I think it is possible to arrive at some good results if the procedure of analysis proposed by Mr Bailey is accepted. The three groups of questions are convincingly correct and are likely to produce good results. The analysis of the structural form, then a dynamic analysis ('social circulation', or 'repetitive equilibrium') and finally questions of structural change—this is the line of enquiry according to Mr Bailey. The author develops his points so well that he himself says that he has ended up in oversimplification.

I think, however, that more precision should be given by the author to what he means by "incomplete" joint families, "overcomplete" families, and "full" joint family. As a matter of fact, even the term joint family lacks precision in the framework. The author, in my opinion, ought to have started with a section on definitions; this is the usual pro-

cedure in analytical studies. It is evidently difficult to start an enquiry before we are quite sure of the basic terms we are employing. This is more so when Mr Bailey has attempted to oversimplify certain portions. Perhaps the author overlooked it in the analysis of a framework.

It is also necessary to come to a conclusion whether the same procedure—accepting the mode of enquiry proposed by the author or a modified form of it—is to be adopted in the case of joint families all over India. Regional differences have also to be taken into account. I do not say that other tools of analysis have to be designed; far from it. But, I would say, in questions like partition and the relation between nuclear and joint families, a look into regional differences will facilitate a more concrete analysis and enable us to get more standardised results.

That the Indian joint family is disappearing is only a statement of fact. It does not follow from any analysis. We need no analysis to prove that it is disappearing. The author himself, however, is doubtful, for he says: "I hope I have not laboured this point too much" (p 351). The disadvantages of the joint family structure have worked

out in such a way that the whole superstructure has given in; the joint family is now crumbling. What we should do is to find out the ways of avoiding the evil consequences of its disappearance; if possible we should also take into account allied questions like the caste-system, the religions in India, etc. As the author has said in his concluding remarks: "Paradoxically our main focus must be not on the joint family but on the nuclear family". The analysis of the joint family must also include considerations of the ways and means of building up small family units instead of the present joint one with kith and kin and frequent feuds and useless ceremonies.

These casual observations are intended to supplement the brilliant analysis by the author with whom I basically agree.

KRISHNAN KUTTY

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Alwaye.
May 10.

Concept of Value Added Clarification

IN the issue of April 23, Statistician made some comments on my note "The Concept of Value Added" (EW, April 2) which call for clarification on my part.

First, I did not intend to imply that value added *cannot* be a negative figure. Of course, if the value of shipments does not exceed the sum of such items as cost of raw materials, fuel, purchased electric energy, containers and contract work, value added will inevitably show a negative sum. This contention, however, is predicated on the assumption that the prices of raw materials, etc, and the value of the finished products move in opposite directions. Such a pattern might exist for a firm at a given period of time when the price of manufactured goods hits the rock bottom (while the price paid by the manufacturer for raw materials was high), but it is rather unlikely, although not impossible, to happen to an industry as a whole.

Second, it is conceded that value added figure could be more meaningful when calculated at ex-factory net selling value, whether or not the product hits the market. There is, indeed, a difference between the

price of an automobile as it comes out of the assembly line as compared with the price at the time it ultimately reaches the consumer in the market, for the latter would be inclusive of several items such as freight cost, indirect business taxes, commissions of intermediaries, etc. (A student of marketing, however, may contend that time, place, and possession utilities are as important as form utility.) It is perhaps worthwhile to quote at length the methodology of computing value added as employed by the US Bureau of the Census:

"Value added by manufacture:

This measure is derived by subtracting the cost of materials, etc., from the value of shipments of manufacturing establishments in each geographic area. It avoids, therefore, the duplication in the value of shipments which results from the use of products of some establishments as materials by others. As such, it is the best measure available for comparing the relative economic importance of manufacturing among industries and geographic areas. "Value of shipments" used in this calculation includes the shipments of all products made in the manufacturing establishment, together with "miscellaneous receipts" for repair work, sales of scrap, installations of own products, and receipts for contract work; it excludes sales of products bought and resold in the same condition. "Cost of materials, etc." used in this calculation includes cost of materials, supplies, fuel, electric energy, and contract work; it excludes cost of products bought and resold in the same condition." (Bureau of the Census, US Department of Commerce, 1954 *Census of Manufactures*, March, 1957, Series MC-G-4.)

Third, it is agreed that money is not the best yardstick to measure value added in a certain industry, particularly in periods of price instability. An alternative may be found in constructing unit indices for both output and input, but this procedure is not free from statistical limitations either. Limitations and restrictions that confront computation of value added present very similar problems in calculation of productivity data.

Finally, of course, any generalizations based on coefficients and ratios calculated with value added as one

variable are subject to a large number of limitations and restrictions; but despite that, we do attempt to relate workers' wages to net national product over a period of time. At the same time, we compute productivity data in order to determine the share of labour in the increase in output. One may object to the choice of wages as a variable in relation to value added, but then is not labour manifest in almost all effort inputs (such as capital, supply of raw materials, etc.)?

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U S A.
May 6.

Assam's State Language Comment

SHRI K C CHAKRAVARTI exposes himself to strong criticism by his statements in "The State Language for Assam" (May 7, p 700). It is not easy to understand why at this late stage, he should start doubting whether Assamese should be the language of the state or not.

Perhaps he has had no time to study the problem: very likely it is

his first reaction to the state's effort in announcing the state language. I would however recommend for his kind perusal *The Place of Assam in the History and Civilisation of India* by Dr Suniti Kumar Chatterji, which contain the Banikanta Kakati Memorial Lectures, delivered by that great authority on languages and linguistics. The injustice to Assamese by making Bengali the second-language in administration and the schools in Assam under the British regime has been mentioned by Dr Chatterji on p 78 of the book. Similar injustice to Oriya is also mentioned.

When Dr Chatterji fully justifies the claim of Assamese as the state language, opposition to it from others sounds unreasonable and unjust. Is it not a fact that there are Bengali speaking minorities in Bihar, in Orissa and even in some of the bigger cities of UP? No one on that account has protested against the respective provinces declaring their particular state languages. Why single out Assam for attack and try to prop up an already weak case?

S R TIKEKAR

Saraswat Bank Building,
Bombay 4.
May 17.



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Letter from Moscow

No More Income Tax!

Samar Sen

May 10

THE sluggish voice of Khrushchev was on the air a pretty long time. I was absent-minded. Must be one of those innumerable receptions at the Kremlin to foreign dignitaries or delegations whose number since May Day knows no bounds. But in the evening the people out for a stroll in the brilliant sunshine after a spell of wet weather seemed agitated about something. Have the Russians fired a new rocket in preparation for the summit? Or have the ministerial changes a significance I failed to notice? Back home I took up the neglected *Pravda*.

Yes, something extraordinary is going to happen. The Soviet Government has decided to introduce a decree on the gradual abolition of income-tax on factory and office workers. From October 1, income-tax on those whose wage rates or salaries do not exceed 2,000 roubles a month will be abolished, wholly or partly at the State's expense. As a result, over 99 per cent of factory and office workers will have their pay raised by all or part of the sum of the tax they paid. Factory and office workers with monthly wages or salaries exceeding 2,000 will have their income-tax abolished, their wages or salaries being reduced by the total sum of the income-tax deducted from them.

Khrushchev said that with the abolition of income-tax cash earnings of 59.9 million people would increase by the total sum of the tax previously paid; the earnings of several million people would increase on the average by approximately half of the tax paid; the earnings of only an insignificant number of workers would remain unchanged.

It is also planned to abolish completely, at State expense, the tax on bachelors, single citizens and those with small families.

The abolition of income-tax will narrow the gap between the earnings of factory and office workers in the lower and higher income brackets. Khrushchev pointed out that after the Second World War there was a sharp gap between incomes and this had to be narrowed. 'We must', he said, 'continue to work in this direction. Lower income-groups must be

brought nearer the medium income-group and the medium up to the higher income-groups'. This, he said, was the right path. But nothing should be done to curb the incentive of qualified workers, engineers and scientists, to hamper socialist competition for higher production. Moral satisfaction for the fruits of labour was not enough. There must be higher pay for greater work.

Khrushchev said the decision to abolish income-tax by stages was not a sudden one. It had been the aim of the Soviet Government ever since it came into power. In the first years of Soviet rule, income-tax played an important part in the budget. Large sums were required to develop heavy industry to reconstruct national economy. But as national economy developed, the share of income-tax in budget revenue decreased. During the war the people had to pay a war-tax. It was abolished in 1945. As a result of a number of measures introduced after the war, taxes on the population had dropped by 13,000 million roubles a year. An indication of the greater affluence of the people was that, in the last two years, savings bank deposits have risen by 20,000 million roubles to more than 165,000 million roubles. Depositors numbered over 50 million.

With the abolition of taxes on the population, accumulations from socialist economy would become the sole source of State revenue. In 1960 the revenue from socialist economy would total 703,000 million roubles or 90.9 per cent of the total budget.

While in the current financial year, military expenditure in the Federal budget of the USA accounts for 58.3 per cent, such expenditure in the Soviet Union in 1960, Khrushchev said, accounted for 12.9 per cent as against 19.9 per cent in 1955. Almost 80 per cent of all expenditure was devoted to the expansion of the national economy, to raising the material and cultural standards of the people.

With the rise in real income, the demand for consumer goods would increase. A big increase in com-

modity resources would be necessary. The rate of increase in the output of consumer goods had exceeded the average annual targets set in the Seven Year Plan. Last year retail sales amounted to 709,600 million roubles and this year they would increase by nearly 56,000 million roubles. Overfulfilment of the Plan targets would make it possible to greatly increase capital investments for the expansion of several branches of the light and food industry.

Some people doubted whether the time was yet ripe to embark on the abolition of income-tax and to bring about a steep rise in consumer goods by devoting large sums to light industry. This might, they said, weaken heavy industry and thereby affect the defence potential. But Khrushchev said the Government had considered every aspect of the problem and come to the conclusion that the Soviet Union had now all the means to develop light industry and at the same time to push ahead with heavy industry. Heavy industry would continue to be the basis of Soviet economic growth.

From the beginning of 1961, it will be difficult for people to be called millionaires in the Soviet Union. The value of the rouble will be raised ten-fold. People will not disdain to pick up a Kopek from the pavement—it will mean a box of matches, now selling for 10 Kopeks. Money-bags, not in general use now, will come into vogue. We shan't have to carry portfolios to the office on pay day. The 'pay-load' will be much lighter. Since old money will have to be replaced, the Government will be able to assess how much money people possess.

The intrusion of the American 'bandit' plane on May 1 has had a disturbing effect. Alexis Surkov has written a poem on the incident. On the eve of the summit the Soviet people have been told to be alert. Prolonged applause greeted Khrushchev when he told the Supreme Soviet that the country had all the means to rebuff aggression, that adventurers should not play with Fire.

DALDA FORUM

Why do we cook our food?

NUTRITIONIST: There are many reasons why we need to cook our food. For one thing, cooking generally helps improve the appearance of food. For another, it develops new flavours in it. Even some animals prefer cooked foods when given a choice.

YOU: Is this why we cook our food?

NUTRITIONIST: More important, of course, is the way cooking helps to stimulate the flow of digestive juices during eating. And it destroys many dangerous germs and parasites. So cooking makes eating safer.

YOU: But doesn't all this destroy the goodness of what we eat?

NUTRITIONIST: On the contrary. Cooking is useful for practically all meats, vegetables and cereals—if only because it makes food more digestible.

YOU: How does it do this?

NUTRITIONIST: Let's start with vegetables. Raw vegetables contain indigestible starch and fibrous substances. Cooking softens the fibres and the starch, and makes them more easily digestible. This is roughly what happens when fruits ripen. Cooking, therefore, follows nature's way in vegetables.

YOU: But surely cooking also destroys some valuable substances in vegetables.

NUTRITIONIST: Yes, unfortunately. In vegetables, cooking can destroy some mineral substances and vitamins. But this can hardly be helped. On the other hand, cooking predigests foods—does not over-burden the digestive system.

YOU: Do we cook meat for the same reasons?

NUTRITIONIST: Generally speaking, yes. Heat softens the protein in meat and so makes it easier for assimilation. And meat has to be cooked to destroy dangerous germs which might lurk in meat that is not fresh or hygienically stored. Cooking also brings out the flavouring ingredients in meat—makes it taste much better.

WE: This is all very well. But sometimes, cooking makes food lose its flavour. . . .

NUTRITIONIST: True. A lot depends on *how* you cook. The way you cook can save or destroy the flavour of food.

YOU: Well, I know that.

WE: But if the food doesn't taste as it should—does not retain its natural flavour, then it is not only because of the way it is cooked, but *what* it is cooked with.

YOU: What do you mean—'what it is cooked with'?

WE: You see, the cooking fat you use is very important. Certain cooking fats and oils impose their own taste on foods. Others, like DALDA Vanaspati, help foods keep their natural flavours.

YOU: How does DALDA Vanaspati do that?

WE: To begin with, DALDA is a bland fat. That is, it is odourless and tasteless. So it adds no flavour of its own to the food.

YOU: Yes?

WE: DALDA is double-refined to a high degree of purity. It brings out all the delicate flavours of food. All it does is add energy and nourishment to your diet.

YOU: How is it nourishing?

WE: Seven hundred International Units of Vitamin A and 56 IU of Vitamin D are added to every ounce. These are the vitamins that protect the skin, bones, eyes and teeth and keep them healthy. And all the goodness in DALDA is retained because it comes to you in hygienically sealed tins . . .

YOU: In that case, we have chosen our cooking fat well. We use DALDA Vanaspati for all our cooking—we've done so for two decades, in fact.

WE: More and more people are taking to DALDA Vanaspati every day. Can you wonder why?

From the London End

Monetary Reserves and International Liquidity

NOT much is said these days about the shortage of international liquidity and about the lack of balance in the distribution of monetary reserves. This is doubtlessly the result of the historic change which has occurred in the US balance of payments and in the course of gold and dollar flows arising therefrom. In 1958 when the change first occurred, the main countries to benefit were West European, though the re-distribution was by no means general. West Germany was the principal beneficiary.

In 1959 further changes in the structure of world liquidity appears to have taken place. The growth in West Europe's monetary reserves continued to proceed steadily, though towards the end of last year this growth showed signs of slowing down. Next, gold outflows from the US have continued but the scale was considerably reduced. Finally, the foreign exchange position of most of the raw material producing and developing countries eased somewhat.

FRANCE RECOVERS

For the whole of West Europe the past year was one of further monetary and foreign exchange consolidation. It reflected the ending of the phase of reconstruction and rehabilitation; the European economy was now clearly on its own feet, competing effectively and in certain instances with devastating success in most markets of the world. While the period of reconstruction was marked mainly by West Germany's economic re-emergence, 1959 saw France achieve a remarkable restoration of its monetary health. It will be remembered that at the end of 1958 the French franc was devalued and simultaneously the new French regime (under the leadership of General de Gaulle) introduced a number of drastic economic reforms. These reforms for once held in check the chronic problem of French inflation and quickly restored confidence in the stability of the new franc. As a result the last year has seen a substantial improvement in France's foreign trade position.

The excess of imports in France's trade with countries outside the

French franc area declined from NF 3,593 million in 1958 to NF 114 million in 1959. There was equally a favourable movement in France's monetary reserves. In 1959 France achieved a net foreign exchange surplus on its international transactions amounting to \$1,679 million. In 1958, largely as a result of foreign borrowing, the foreign exchange surplus amounted to \$400 million. In the two preceding years there was an exchange deficit of \$1,267 million. From the 1959 exchange surplus, well over a \$1,000 million was used to repay foreign liabilities, in many cases long before the maturity date.

CONFIDENCE IN FRANC RESTORED

At the end of 1958 France's official gold and foreign exchange holdings covered only two-thirds of France's foreign exchange liabilities. By the end of last year such holdings exceeded the country's foreign liabilities by some \$490 million. There can be no doubt that France's achievements in 1959 were due to a restoration of international confidence in the French franc which led to the repatriation of funds hoarded abroad. It will be remembered that the Rueff Report which in 1958 recommended economic and monetary reforms had estimated that French private funds held abroad amounted to between \$9 to 10 billion. Some of these funds have now clearly returned home.

The restoration of France's economic and monetary health as suggested by these figures has had a considerable effect on French economic and indeed political policy. There can be no doubt that the confidence with which General de Gaulle pursues his tasks both at home and abroad arises from the economic stability which for once in France's post-war history is now an accomplished fact. There now exists less fears in France about the competitive ability of French exports in the European Common Market. And this is already shown by the remarkable increase in French exports to West Germany and the other six countries of the European Economic Community. It is France which now sets the pace for the acceleration of the economic integra-

tion proposals and for a liberalisation of its tariffs and quota restrictions in the Common Market region.

DOMESTIC STRAIN IN UK

The experience of the UK in the past year shows a certain contrast to this picture of health presented by France. Britain's monetary reserves increased steadily in the first nine months of 1959. By the last quarter of last year, however, the trends towards some domestic strain and the rebuilding of stocks of imported raw materials and foodstuffs led to an outflow of gold and foreign exchange. Indeed, these outflows were greater than the total gains achieved during the preceding nine months. Thus by the end of 1959 the UK's gold and foreign exchange holdings were some \$370 million less than at the beginning of the year. It should however be borne in mind that Britain had made a number of debt repayments and increased its contributions to the IMF.

The decline in the UK's gold and foreign exchange reserves in the last quarter of 1959 though mainly the result of higher imports was also due to short-term capital outflows. There was a rise in the trend of interest rates in New York. At the same time there was a tendency for most of the countries of Western Europe to harden their short-term rates. It was as result of these trends that Britain towards the end of January 1960 increased its Bank rate from 4 to 5 per cent. Already in the first quarter of 1960 the gold and foreign exchange outflows from the UK on capital account have been reduced.

PERSISTENT EXCHANGE SURPLUS

Among the West European countries the Federal Republic of Germany stands out as the most prolific absorber of monetary reserves in the past 10 years. In 1950 West Germany's gold and US dollar reserves amounted to \$274 million. By the end of 1958 it stood at \$6,321 million. No matter how much one may wish to be generous in interpreting this West German absorption, there can be no doubt that this country's persistent foreign exchange surplus has been an import-

ant factor in the world's monetary difficulties of the past 10 years.

In the first three quarters of 1959 West Germany substantially reduced its gold and foreign exchange holdings, largely to finance the accelerated outflow of long-term capital funds. In the final quarter of 1959 although long-term capital outflows continued, the surplus on the balance of transactions (goods and services) was so large as to enable Federal Germany to once again accumulate gold and dollars. In spite of the levels of long-term capital outflows, it must remain a problem of considerable anxiety to the rest of the world that West Germany should continue to maintain substantial surpluses in the current account of its balance of payments year in and year out. In 1959 West German current account surplus reached DM 8 billion.

GOLD OUTFLOW DECLINES

The outflow of gold from the US has eased. In 1958 it was exceptionally large i.e., \$2.3 billion. In 1959 the outflow amounted to \$1.1 billion. To only a relatively small extent can it be said that the decline in US gold losses was due to any improvement in that country's balance of payments situation. The Americans continue to experience a deficit in their payments transactions with the rest of the world, which according to provisional estimates amounted to \$3.6 billion in 1959. An important reason why the outflow of gold from the US was large last year compared to 1958 was that most of the foreign creditor nations maintained their dollar earnings as balances in the US and therefore refrained from converting them into gold. US short-term dollar liabilities to all foreign countries rose by over \$1.5 billion in 1959 compared to an increase of under \$1 billion in the previous year. This may no doubt be a reflection of the increasing international confidence in the ability of the US authorities to preserve the existing exchange and gold parities.

It must however be a matter of some concern to the American authorities that no basic change seems to be in the offing as to the course of the American balance of payments. No country can in practice allow for long the continuance of persistent deficits in its balance of international payments as the Americans have ex-

perienced since 1957. There have been some moves in American official quarters for an expansion of exports and for a re-invigoration of those agencies concerned with export credits. There does not, however, appear to be any improvement in the comparative strength of American exports and by all accounts American goods continue to suffer under a heavy price-disadvantage. One must therefore continue to look at the American dollar with some reserve.

IN UNDER-DEVELOPED COUNTRIES

The improvement in the reserves of the non-dollar industrial world was paralleled by some easing of foreign exchange pressures on the raw material producing and under-developed countries of the world. From the accompanying table it is apparent that the experiences of most of the raw material producing countries was by no means the same. For some of the countries concerned, reserves had increased but for others a further decline took place. On the whole, however, it is reasonable to suppose that the exchange position of these countries did not deteriorate any further. It is not too clear what the main reasons are for this easing. International commodity prices have not improved to a sufficient extent to make terms of trade responsible for this situation. What is more likely is that long-term capital flows have been larger and that this must have been extremely important to the under-developed parts of the world in 1959.

Gold and Foreign Exchange Holdings of Monetary Authorities (\$ million)		
	End of Period	
	1958	1959
United States	20,582	19,507
Latin America	3,085	2,955
Continental Europe	18,060	18,125
of which		
France	1,050	1,720
Germany	6,321	5,015
United Kingdom	3,105	2,750
Other Sterling Area	6,355	6,350*
Rest of World	3,885	4,155*

* figure for third quarter.

Source: *International Financial Statistics*, April 1960.

The improved distribution of the world stock of liquidity must in itself create the possibilities for an expand-

ed level of trade in 1960. The enlargement of the lending resources of the IMF makes this prospect of increased trade more firm. The great doubt which the present distribution of international reserves provides relates to US foreign trade policies. The strength of world trade must necessarily depend on how far the US is prepared to accept the present position.

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The Bonus Commission

S D Punekar

AN important announcement which vitally concerns labour was made by Shri Gulzarilal Nanda, the Union Minister of Labour, on 11th April, when the demand for grants for his Ministry came for consideration in the Lok Sabha. Shri Nanda declared the intention of the Labour Ministry to set up a commission to go into the question of bonus and to evolve norms for its payment. This statement produced the usual, expected reactions in employers' circles.

The Chairman of the Indian Cotton Mills Federation, for example, found it "surprising that, when the highest judicial body in the country, namely, the Supreme Court, has laid down, after great deal of consideration and after hearing both sides, some well-defined principles with regard to payment of bonus, the Labour Minister should think of setting up a commission to sit in judgment over the Supreme Court's pronouncements." Shri Nanda had to come out with an explanation to dispel the misconception regarding the decision.

In fact, the Commission is being appointed to implement in practice the suggestion made by the Supreme Court in a recent decision. The Court suggested the possibility "to have the question comprehensively considered by a high power commission which may be asked to examine the pros and cons of the problem in all its aspects by taking evidence from all industry and all bodies of workmen."

It is interesting to note how the concept of bonus has been changing from pure *ex-gratia* payment to the rightful claim in profits. In India, the bonus system had its origin in July 1917, when an increase of 10 per cent in wages was granted to textile workers in Bombay owing to post-war rise in prices. This 'war bonus' was increased to 15 per cent on 1st January 1918. On 22nd January 1919, it was further increased to 35 per cent and termed as "a special allowance on account of the high price of the foodstuffs." The textile workers in Bombay also received certain increases in pay and a 'bonus' of one month's pay, which was a sort of privilege leave.

The bonus system at this stage (in 1920-21) was a combination of wage increase, dearness allowance and privilege leave and had no legal basis. In fact, the Bombay Bonus Dispute Committee in 1924, after examining the nature and basis of the 'bonus', paid to the mill workers for five years since 1919, declared: "The mill workers have not established any enforceable claim, customary, legal and equitable, to the payment annually of a bonus, by which we see that in our opinion such a claim would not be upheld in a court of law."

We have come a long way since 1924. The *ex-gratia* payment theory has long been discredited and is being replaced by the double character theory, which considers bonus not only as an assertion of the worker's right to share in the profits, but also an attempt to shorten the gap between the living and real wages. The rise in prices and profits since 1940 added to the significance of the bonus problem. The adjudicators, Courts of Enquiry and Industrial Tribunals kept the problem burning. The Committee on Profit-sharing, with its dissenting members, merely brought to light the differences of opinions between employers' and workers' representatives.

The Industrial Truce Resolution of 1947 brought forth the need of having some well-defined principles regarding norms and standards of bonus and profit-sharing. However, in the absence of any statutory provisions or of any generally accepted principles, there has been lack of uniformity in the views on such problems as whether bonus is an

ex-gratia payment, whether bonus can be paid as a share of profits, relation of bonus to the living wage standard, employees' right to claim a share in the reserve funds and capital assets of an industrial unit, payment of profit bonus in State undertakings, the quantum of bonus, method of payment, qualifying conditions, etc.

The Labour Appellate Tribunal, with the 'full bench' formula, tried to have some order out of the confusion by stating: "The claim of employees for bonus would arise only if there should be a residue after making provision for

- (i) prior charges, and
- (ii) a fair return on paid-up capital and on reserves employed as working capital."

The prior charges relate to depreciation of the fixed block, reserves for rehabilitation and modernisation of that block and taxation. The Supreme Court suggested some modifications in this formula.

Though certain well-settled principles have thus been evolved, the bonus question still remains unsolved because of such factors as variations in the quantum, and lack of uniformity in interpreting the principles. The tripartite Standing Labour Committee discussed this problem in detail in March 1960 and recommended the appointment of a commission for examining the various aspects of the bonus issue. The proposed commission may discuss such issues as a bonus law, principles determining bonus, their practical application, relation of bonus to productivity etc.



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The Madras Land Reform Bill

A Critical Study

G Parthasarathy

THE bill has raised the following issues:

(1) Are the economic and social circumstances in the rural areas compelling enough to necessitate a 'revolutionary' measure like fixation of ceilings on landed wealth?

(2) Are the limit of ceiling, the amount of compensation, and the exemptions afforded etc, fair and equitable? Will the bill achieve its objectives of reducing the glaring inequalities in the ownership of agricultural land, and is the manner of disposal of surplus land fair? Is the policy towards tenancy in the best interest of agriculture?

(3) Is the character of administrative set-up conducive to quick and efficient implementation of land reform?

I

Status Quo Harmful

The first of these questions is only of academic interest as the political decision on ceilings was taken long ago, and the decision, as can be seen from the statements of those in authority, is final. Nevertheless it requires an answer in the context of vehement criticism made against the concept of ceiling both in the Madras Press and in the Legislature, particularly by some prominent public men in the Council.

We may start with a situation in which ceiling on land holdings would be unnecessary, viz, where land is in plenty and can also be made available by reclamation. But even under these circumstances ceiling on the extent of land to be allotted is not unknown. Ceilings are not necessary when the growth of economy is rapid enough to provide people who are dissatisfied with their lot in agriculture with jobs elsewhere. They are undesirable even in the context of large scale transfer of people from agriculture, when substitution of labour by machinery and large holdings are necessary for

The views expressed are those of the author and are not connected in any way with the position he holds in the Agricultural Economics Research Centre, University Centre, University of Madras.

successful operation of agriculture. Ceilings are again superfluous, and, if imposed, may hamper improvement of the situation, when the existing pattern of distribution of land holdings assures (a) fair and equitable rewards to factors (b) proper maintenance, improvement and accumulation of capital within agriculture and (c) growth of overall economy. Ceilings may be considered unnecessary if legislations regulating wages and rents have been or could be expected to be successful.

IN THE INDIAN CONTEXT

None of these conditions which would obviate the need for ceiling is, and cannot be, present in an economy which has been stagnant for long. Land is scarce, and increasing population pressure puts labour at a disadvantage against the owners of land. The tenants and labourers have no way out of their sorry plight for there are few jobs elsewhere to seek. Further, the law of accumulation is quite vicious and works unfavourably against the former. The fortunate few who initially manage to secure titles to vast areas of land can acquire more land: by (a) utilising their ever increasing rents for purchase of additional lands, (b) deriving greater differential surplus between produce and wage, and (c) outright purchase of land of the encumbered small peasant.

Under favourable conditions, this ability of a few to squeeze, expropriate and collect agricultural surplus, though brutal, could have been an effective method of promoting the growth of the economy. But the landlord in India, as his counterpart in many other countries, has not shown the necessary vitality and vigour, and has gone in for easy and quick means of accumulating wealth by purchasing land and renting it rather than by improving its productivity. Under conditions when wages are near the floor, but rents and interests have no ceiling (the self-employed can be squeezed much harder), the function of the rentier has been more attractive than that of the

entrepreneur. The landlord cannot be blamed for acting in the way he does, for market forces in a stagnant economy cannot produce any different behaviour.

LEGISLATIVE MEASURES NOT ENOUGH

Legislative measures for regulating rents, interests and to fix wages prove, and have been proved, unsuccessful, as the owners of scarce factors enjoy monopoly powers. One has only to go through the various studies on tenancy legislations to realise how ineffective these legislations have been. The monopoly power extends beyond the market. Even elections are sought to be controlled. Public institutions like panchayats and co-operative societies are dominated by landed interests. Agrarian crimes and disturbances become frequent resulting in social and economic crises in rural areas. The Madras Legislative Assembly debates bear ample evidence to the social crises brewing in rural areas particularly in Tanjore District. Disputes between landlords and tenants resulted in a large quantity of paddy lying idle on the threshing floor in some of the villages. Large scale eviction of tenants and agrarian troubles in Tanjore District in particular have been common.

The situation in rural areas is serious, and *status quo* is not desirable either from the point of view of distribution or of growth. It cannot be remedied by tenancy or wage regulations. The alternative is redistribution of landed wealth, which even the Americans were compelled to undertake during the post-war occupation in Japan.

SOCIALIST IDEAL

But why peg rural incomes alone? Other classes of people in cities also earn unearned incomes, e.g, shareholders in joint stock companies. Those who have large bank balances also live on unearned incomes. Even certain categories of professional people enjoy monopoly incomes. The distribution of incomes in urban areas is probably much more unequal than in rural

areas. The wealth and incomes of the rural rich compare quite miserably with those of the industrialists.

It may of course be argued that (a) bonds and shares help to promote real capital, (b) in the urban sector 'countervailing powers' against the wealth of the industrialist can be built up, (c) government can more effectively reduce the disparities in incomes without having recourse to ceiling on wealth, (d) the character of industrial enterprise is different in the sense that a larger unit of ownership is more efficient and more productive, while in agriculture a larger unit of ownership has not in most cases meant a larger unit of operation and led to adoption of better techniques. Nevertheless, it must be realised that ceilings on landholdings can be meaningful only against the background of our ideal of a socialistic pattern of society, and must form part of the general programme of more equal distribution of incomes in society.

II

Is the Ceiling Fair?

The ceilings in the Madras bill are fixed in terms of *standard* acres, lands paying land revenue of Rs 10 or above being chosen as the standard. The choice of land revenue for fixing the standard must have been made on pragmatic considerations. All other types of lands paying land revenue less than Rs 10 are expressed as multiples of the standard acre, the multiple going up to a maximum of four in the case of lands assessed at any rate below Re 1 and nP 25 per acre.

The ceiling is 30 standard acres in the case of every person or family consisting of not more than five members. There are provisions for allowing Stridhana land up to 10 standard acres. "Where the Stridhana land together with the other land held by the members of a family is in excess of thirty standard acres, the female member concerned may hold in addition to the ceiling area which the family is entitled to hold under this section. 'Stridhana land not exceeding ten standard acres'. The maximum that a family can hold including provision for additional members and Stridhana land is fixed at 60 standard acres. It shall be lawful for any person to hold or to acquire in addi-

tion to the ceiling area, land exclusively used for grazing and assessed to land revenue at Re 1 and nP 25 and below up to maximum of fifty acres.

EXEMPTIONS

Exemptions are granted to the following categories of land:

- (i) any land held by the central or state government;
- (ii) any land held by any university constituted by any law or any other educational institutions or by a trust for a public purpose of an educational nature;
- (iii) lands held by co-operative society;
- (iv) lands in any hill area;
- (v) all plantations in existence on the date of the commencement of the act;
- (vi) lands converted on or before the 1st day of July 1959 into orchards or topes or arecanut gardens;
- (vii) any land on which casuarina trees are standing on the date of commencement of the act;
- (viii) Gramdan land and land donated for purposes of Bhodan Yagna;
- (ix) land used for dairy farming and livestock breeding;
- (x) lands interspersed among plantations or contiguous to any plantation;
- (xi) any land awarded for gallantry in the First or Second World War; and
- (xii) any land used for the cultivation of sugarcane and in respect of which the Sugar Factory Board has granted permission under section 37.

The ceiling in the case of religious and charitable trusts is fixed at 200 standard acres.

Is the ceiling fair to the owner whose land is being requisitioned? Fairness can be judged from many angles:

- (a) Does the ceiling leave enough land for the owner to keep him and his family and at least a minimum and indivisible unit of capital busy?
- (b) Does the ceiling leave enough land to enable the family to secure a reasonable income?

These two questions must be kept separate. Before they are answered,

the precise level of ceiling must be made clear. A family of five or less will be allowed between 30 and 120 acres of ordinary land. But the provision of Stridhana will push the ceiling much higher. Then the ceiling will be either 40 acres of good land or 160 acres of inferior land.

CAN EMPLOY FAMILY LABOUR

There are about 5 million ownership holdings and 4.7 million cultivators' holdings in Madras State. The extent of mechanisation is negligible on farms. The total number of tractors, oil engines and electric pumps in Madras are 822, 29,761 and 23,968 only (see *Season and Crop Report*, 1956-57). Of the three types of implements, the latter two do not call for large size of holding. At the present level of technique, the holding required for full employment of the family (consistent with seasonal unemployment) is not likely to be large. This can be judged by indicating the size at which a family neither hires out its labour, nor hires in permanent farm servants.

In a wet village in Tanjore it has been found that at best a family can operate roughly 15 acres, and that too with abundant use of casual labour amounting to nearly two man-units, and with more than one pair of bullocks. In another wet village in Tanjore, where ownership holdings of more than 25 acres occupy more than 31.7 per cent of the owned area, there was not a single operating unit above 25 acres. In dry villages, where incomes per acre are much less, the position is not different. The family holding is only slightly larger than in wet villages, though a holding necessary for full use of a pair of bullocks will be larger.

Hence the ceiling of 30 to 40 acres of best and 120 to 160 acres of dry land cannot be objected to on the ground that such area cannot provide full employment to the family and its capital at the present level of technique. But on this ground there appears to be a case for exempting such of those holdings which are mechanised and have a high level of efficiency, and are under the personal supervision of the family. Such farms, besides being efficient, should provide fair wages and good service condition to workers. The case for exempting

compact units of well maintained farms for encouraging growth of real capital is strong especially when there are provisions for exempting other types of enterprises in agriculture. Alternatively, it is only fair that all categories of enterprises within agriculture should be brought under the provisions of ceilings.

REASONABLE INCOME

The question of reasonable income is relative. This can be judged by (a) relating the income that can be got from 30 *standard* acres to a norm of Rs 3,600 per annum set up by the Planning Commission, (b) relating it to the average income in rural and urban areas, and (c) by relating it to the income of comparable social groups in the urban areas. It may also be possible to judge the level from the point of view of possible increases in income by better methods of cultivation. The ceiling is not unfair to the landowners judged by standards (a) and (b). 30 standard acres would provide roughly Rs 4,500 annually even at the low level of present yields. The ceiling area is quite liberal by these two standards.

The critics of the bill are on much stronger grounds when they point out that the relative position of the landlords against comparable social groups in the urban areas will be worse off. This plea should not be an excuse for withdrawal of the ceiling bill or for raising the level of ceiling but points to the logic for extension of the principle of equal opportunities and more equal distribution of incomes in the society. This principle need not necessarily mean a pegging of wealth in all spheres though such pegging has become compelling and inevitable in the case of land.

UNFAIR TO RURAL PEOPLE

While the exemptions of certain types of enterprises within agriculture from the ceiling may be justified from the viewpoint of growth, the absence of distinction between agriculturists who depend entirely upon agriculture and are resident in the village, and urban dwellers for whom agriculture is only a milch cow is not fair. This distinction is of course made in the bill for the purpose of resumption of cultivation but not for the purpose of fixation of ceiling. Imagine a merchant, lawyer or an industrialist deriving a fat income being subject to the same level of ceiling as the

pure agriculturist! The provisions of Japanese Land Reform Law are quite illuminating in this context. The Japanese law made a distinction not only between resident and non-resident landlords but also between non-cultivating resident and cultivating resident. In the interests of fairness to agriculturists, such a differentiation between pure agriculturists and others is called for in the bill.

Further, the controversy on ceilings has brought to the fore some of the disabilities that rural people have been suffering as compared to the urban people. The disability in education is most prominent among them. In recent years high school education has come within the reach of rural people as more and more high schools are being located in the rural areas. But college education is comparatively more expensive for the rural people as colleges are situated in towns and rural students have to live in hostels and study. An assurance to the rural people in general, not only to the landowners who are affected by the ceiling, that favourable treatment will be given to students from rural areas is necessary.

LOWER CEILING?

In the preceding two paras, the level of ceiling is viewed from the point of view of the landlords who will be affected by it. There are two other interests involved in the issue. Any judgment arrived at by a consideration of the interests of the landowners alone is sure to be partial, and this is what is being done by most of the critics of the bill. The interests of those who have long suffered under the present pattern of distribution of land and who are determined to improve, and the interests of posterity which will be promoted only by such a distribution, control and organization of landed wealth which assure growth are equally important. A consideration of these two interests are relevant to the issue. There is a clear conflict between the interests of the latter two on the one hand and of those who are affected by the ceilings on the other.

The interests of labourers, tenants and dwarf holders demand a low ceiling, one that will get much more surplus to be distributed. The most well-known example of a low level of ceiling in the non-communist countries is that of Japan where non-

cultivating landlords were allowed only 2.5 acres and even cultivating owners were restricted to the best land of 7.5 acres. The government could purchase 80 per cent of the tenanted land by this method. Such a low level of ceiling did not have deleterious effect on the agrarian economy of Japan. According to Wolf. Ladejinsky: "The anti-reform spokesmen argued that landownership would be a poor exchange for the economic security offered by the landlord. Worse, they foresaw a serious economic and cultural deterioration throughout rural Japan if landlords were removed and tenants became small owners, all allegedly equally poor and with no interest in the general welfare of the community. In Japan a decade without landlord domination has not borne them out either in the economic or cultural field." (*Foreign Affairs*, October, 1959).

LAND FOR THE LAND-HUNGRY

It may be argued that conditions in Japan are different. Japanese yields per acre are far higher, and Japanese farmers have substantial non-farm incomes. Moreover, the position of tenancy at the time of reform was much worse than that prevailing now in India. In Japan, tenants and part-tenants comprised 70 per cent of the farm families and cultivated more than half the land. The political climate was no less significant. A military authority could achieve more sweeping reforms. Communist countries have also succeeded in fixing a low level of ceiling, and widespread distribution of land among the land-hungry. But ceilings and redistribution of land in the communist countries have been only preludes to fundamental changes from private ownership to co-operatives and collectives. They are the major tools in the hands of communists to secure peasant support for the ultimate change in the agrarian structure. The ground for effective implementation of ceiling is well prepared by successful mobilisation of poor peasants and agricultural workers. These steps form part of the general programme of socialisation of wealth.

The Madras State certainly cannot think of implementing such a low level of ceiling. Such a low level will no doubt please the agricultural labourers, tenants and dwarf holders. There will be more land for redistribution. But this category of

people, though conscious of their rights, are not so well organised as to constitute a fighting force. Politically, a level of ceiling that will restrict the holding only to a family holding will alienate the authorities from the support of powerful section of peasants in rural areas.

SMALL SURPLUS

Undoubtedly the ceiling bills in our country are in pursuance of an ideology dictated from the top and which did not seep to the bottom of the party in power. The measures are half hearted. Even on the admission of the Minister there is very little surplus above 30 standard acres. The guess is that the surplus land does not exceed 2 to 3 lakh acres out of 14 million acres of sown area. The data from Census of Land Holdings quoted in the Second Five Year Plan show that there were 44 thousand holdings owning 19 per cent of the total area of above 60 acres (wet lands have been converted into dry according to specified formulae). These holdings formed 0.9 per cent of the total number of holdings. Since the census was conducted there must have been *malafide* transfers of land, and such transfers must have considerably reduced the extent of surplus available. Let us look at the number of cultivators below 5 acres from the same data. These form 3.2 million. Besides these dwarf holders who include tenants there are landless labourers.

Obviously the ceiling bill will not satisfy their interests. The bill cannot but be an entirely unsatisfactory measure from their view point. Even among the tenants the bulk of them will have no prospects of getting benefits from the provisions in respect of ceiling. Some of our village studies reveal that the leased in land ranges between 10 to 20 per cent of the total cultivated area. This forms around 1.5 to 3 million acres of the cultivated area in Madras State. The proportion of tenancy is the highest in wet villages. But surplus land available for distribution will be only 10 per cent of the area under tenancy.

SECURITY OF TENURE

Hence the provisions of the bill relating to ceiling will not materially change the status of the tenants and it is only provisions relating to tenancy that must be of some bene-

fit to this class. Clause 58 in Chapter IX says:

"No person who is a tenant on the date of commencement of the Act and who is not assessed to any sales tax, profession tax or income tax under the respective laws relating to the levy of such taxes during 1956-57 or 1957-58 shall be evicted during his life time from his holding or any part thereof by or at the instance of his landowner whether in execution of a decree or order of a court or otherwise."

A distinction is made between tenants purely dependent on agriculture and those who derive incomes from non-agriculture, and the former are given security during life time. But this is subject to the right of any landowner, who is not assessed to any sales tax, profession tax or income-tax under the respective laws relating to the levy of such taxes during 1956-57 or 1957-58 provided the total holding of the landowner including the land resumable shall not exceed five standard acres. Thus small holders purely dependent on agriculture are given the right to resume cultivation. This is of course intended to benefit the small holders who for some reason or other are not able to personally cultivate the lands and the provision cannot be objected to. But it is only fair that the claims of small tenants to retain at least a part of the land must have been recognised too.

FAIR RENT ?

Security of tenure for life is no doubt desirable. But this will be more a burden than a blessing if the rents are not fair, and if the tenant cannot be assured of the benefits of incremental efforts on land. We may study the bill from these angles. The fair rent under the bill will vary from 33-1/3 of the normal gross produce or its value in money to 40 per cent of the normal gross produce or its value in money. These rents are of course lower than the effective rents prevailing in Madras State, which are usually at the older levels in spite of the Madras Cultivating Tenants (Payment of Fair Rent) Act, 1956.

It may be noted that the fair rents fixed are not very fair to the tenants who are expected to perform all the entrepreneurial functions. The Planning Commission has sug-

gested only 25 per cent of the gross produce as fair rent. We may look at provisions with regard to rent in other countries also. The Japanese law provided for cash rentals not exceeding 25 per cent of the value of the crop and for written contracts specifying the rent, and other terms of the agreement. Article 3 of the Egyptian Land Reform Law decreed that the rent of agricultural land may not exceed seven times the basic land tax. Further, the Madras bill tolerates the continuance of share cropping. This is not in the best interests of the tenants, or even of society. We see that in wet areas where there is more or less a certainty of crop there is a gradual change from *Varam* (share) to *Kuthagai* (fixed). A rent fixed either in kind or cash will assure all the benefits of technical progress while under share-cropping the tenant loses part of the benefits of his extra effort to the landlord. Fair rents may be fixed in terms of kind, not being share, or cash at least in wet areas. There is also another reason why share-cropping is not desirable. It leads to endless disputes between the landlord and the tenants on the quantum of the produce.

AREA UNDER TENANCY

We may raise the question whether the continuance of tenancy over area ranging from 10 to 20 per cent is in the best interest of the society. In a rapidly growing society tenancy has a genuine function. It is either a step in the ladder to ownership or a convenient arrangement for enabling the sons of farmers to get possession of the land until they move into industries. But this vast area under tenancy in our country is bound to result in endless disputes which consume the energies of the cultivators. A large proportion of the area under tenancy belongs to non-resident owners, and the degree of tenancy is the highest in the richest lands. In all probability the owners of these leased out lands fall below the limit of ceiling though a good many of them may be earning fat non-agricultural incomes. A policy for considering all the lands of non-resident owners as surplus, and for reducing the level of ceiling in the case of at least those with substantial non-agricultural incomes is fair and has good precedents. Such of those as minor officials in the government can be given favourable treatment for pur-

poses of compensation. This procedure will achieve the objectives of the bill better than the existing arrangement in the bill which leaves the area under tenancy little affected.

Chapter VII of the bill deals with provisions relating to land held by religious or charitable trusts. A trust may hold land not exceeding two hundred standard acres and the excess land held by the trust shall be deemed to be the surplus land of the trust. Madras State has quite a few temples owning vast territories of land. Now these temple lands are cultivated by tenants, and the unit of operation is small. The present occasion provides a wonderful opportunity to the government to bring the temple lands under a better system of farming. It should have been possible to set up at least minimum standards of cultivation on these temple lands. The experiment of co-operative farming can start with temple lands.

COMPENSATION ADEQUATE

We may make a passing reference to the provisions regarding compensation. The compensation provided for in the bill is in terms of multiples of fair rent minus land revenue, land revenue here being taken to include cesses etc. The multiples range from 9 times where the net annual income from the land exceeds Rs 15,000 to 12 times in cases where it is Rs 5,000 or below. This has been subjected to much criticism. It is argued that lands yield less than 6 per cent income on their values, and on this basis, the compensation must be at least 16 times of the fair rent. But this argument ignores the fact that land values reflect the capitalisation of the unjust and exorbitant rents in the rural areas, and accepting the market values as the basis for compensation is only to accept the exorbitant rents which we seek to reduce. In no country where land reforms have been implemented have owners of land been compensated at market values. In Madras it should be noted that the fair rents are fixed at much higher levels than what the Planning Commission suggested, and if the rate of compensation proposed in the bill is to be judged in terms of Planning Commission's proposal it would work out to more than 16 times.

The manner of disposal of land acquired by the Government under this Act is likely to be academic as there will be very little left for distribution. The indications are that tenants on the surplus lands will get the first preference. The rules are yet to be framed, and it may be worthwhile to discuss the criteria for determining the manner of disposal of surplus land.

CRITERIA FOR DISPOSAL

The criteria for the disposal of surplus land may be put down as follows: (1) social justice, (2) political expediency, and (3) economic efficiency, this being judged by productivity and growth. Social justice demands that landless agricultural workers should get top priority. Even among the landless agricultural workers certain classes of people have prior claims. Landless tenants who are at present in occupation of the lands and permanent farm servants who have been regularly working on the lands of owners of surplus land belong to this category. Casual labourers come next in importance. Owner cultivators come next, the rank varying inversely with the size of land owned. Even political expediency will demand the same order of priority, for all these years the landless people have been promised land. The Bhoodan movement also strengthened the hopes of this class of people.

It is these criteria that were important in the land reform acts of most of the non-communist countries. In Italy tenants cultivating expropriated land with no land of their own have been given top priority. Landless agricultural labourers similarly employed were next. In no case land could be given to any one who has enough land to live on or who does not habitually cultivate some land. In Egypt the general rule was that all former tenants receive land with the exception of those who own more than 5 acres (there are few). Permanent labourers usually received land. Not all casual labourers, however, were given land. There were a minimum and a maximum on the size of holding to be received by a family, 2 and 5 acres respectively. In Japan tenants were given priority of purchase. Even in communist countries priority was given to the landless.

In India there is a body of opinion which maintains that the surplus land should be (a) distributed among the small owners so that the holding of the owner can be economic, and (b) the distribution should be made conditional on the small holder joining the co-operative society. This is a plea made entirely on grounds of economic efficiency. It is hoped that this will ensure more land for co-operative farms and at the same time prevent underutilisation of capital. Would this, however, be politically acceptable and fair to the vast majority who have so long been lured with hopes of land? Moreover, most of the scheduled caste population whose condition we seek to ameliorate are among the landless category. The denial of land to the landless agricultural workers without any guarantees for adequate employment and incomes will only sharpen the class divisions in the rural areas. Landless workers must get priority so long as these guarantees are not provided. And if, on Egyptian lines it is made conditional on them to join the co-operative society, it will in a way satisfy the criterion of economic efficiency.

III

Implementation

The bill provides for organisation to implement the land reform programme. Land Board, Land Tribunal and Sugar Factory Board are the bodies set up for this purpose. The constitution of the Boards leaves much to be desired. The Boards are likely to be entirely bureaucratic in character. The records of rights of tenants are inadequate and unsatisfactory. Further in a programme of this character speed, efficiency and justice are essential. The constitution of the boards, and the background of the members are things that matter very much. The dissenting note of Shri P R Madhavan Pillai to the Report of Select Committee on the Kerala Agrarian Relations Bill, 1957 and the bill as reported by the committee is relevant in this context:

"The most important aspect of an Agrarian Legislation is the question of implementation. The purpose of the legislation to confer more rights and benefits to the peasants will be defeated if the machinery for implementing the same is bureaucratic. The RDO

having a wide territorial jurisdiction will never be able to get at the truth of all questions of facts presented before him and will be incapable of preventing the accumulation of undecided cases. I am of the opinion that a democratic body with peoples' participation and with limited territorial jurisdiction and which is easily accessible to the peasants should be tribunal. I therefore propose the constitution of a *Nyaya Panchayat* for one or more panchayats to be notified by the government for discharging all the functions of the tribunal."

Conclusions

The bill will not achieve the objective of reducing the glaring inequalities of land ownership. It will leave the organisation of agriculture unaffected and the area under tenancy will remain unaltered. It is not in the best interests of agriculture to leave such vast area under tenants if we can succeed in making them life tenants.

The level of ceiling can be lowered at least in the case of those owners who have substantial non-agricultural incomes. A provision for purchasing the land of all non-resident owners will help to get much more surplus.

The rates of fair rents must be fixed at still lower levels and they must be either in kind, not being share, or cash with suitable adjustments for price changes at least in the case of wet lands.

The impact of the bill on agricultural finance needs study. The ceiling bill, it must be realised, does not tackle the problems of productivity and growth. Its effects on redistribution of incomes will also be negligible.

Record Sugar Output

SUGAR production during the current year has gone up to 23.50 lakh tons, as on May 7, 1960. This is 4.62 lakh tons more than the production at this time last year which was 18.88 lakh tons. The output during the whole of last 'sugar year' (November to October) was 19.19 lakh tons.

The increase is due to better cane production, higher recovery of sugar and the various incentives offered by

the Government to raise sugar output, viz:

(i) Concession of 31 nP per maund for early start of factories in U P and North Bihar,

(ii) 50 per cent rebate in the basic excise duty on sugar produced in excess of the average production of the previous two seasons, and

(iii) raising of the minimum price of sugarcane.

The State Governments of Uttar Pradesh and Punjab took certain administrative measures to ensure adequate supply of cane to sugar mills throughout the season and also encouraged power crushers and Khandsari units to operate away from factory areas.



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Company Notes

SINCE the beginning of the Second Plan, there has been common agreement between Government, management and labour that modernisation of equipment may be effected in cotton mills even at the cost of retrenchment, provided compensation is paid to labour and a few other conditions, not so innocuous, are satisfied. The actual extent of modernisation that has been achieved in Bombay mills since 1950, for which year comprehensive data on age and condition of machinery were given in the Textile Working Party Report, is not known. The rough estimate is that the proportion of old and obsolete machinery has declined from about two-thirds to three-fourths in 1950 to about one-third by now. The progress in modernisation of different kinds of equipment is also difficult to assess but it appears that the bigger units have been able to modernise their spinning and preparatory equipment, and to install combers and allied equipment necessary for spinning finer yarn.

The crisis of 1957 and 1958 affected the mills producing coarse and medium counts more than the others. They are now facing acute shortage of domestic cotton. This has encouraged several well-known mills which had so far concentrated on production of coarse and medium fabrics, to change their pattern of production and go in for finer goods and printed fabrics. The Tata Mills, which had produced coarse and medium counts ever since their inception, have taken up the manufacture of finer goods. They are now being followed by Kohinoor, one of the largest and oldest groups of mills in Bombay.

Kohinoor has passed through very difficult times of late, but it is now undergoing a transformation with a new manager and Rs 87 lakhs worth of new machinery. On the managerial and technical side, Kohinoor has benefited from the help rendered by senior executives of the Mafatlal Group. This is perhaps the first time in the history of the managing agency system in India that one group of managing agents has helped out another in the technical and managerial fields without acquiring any financial interest in the process. As a matter of fact, the Mafatlal

Modernisation in Kohinoor

director actually withdrew from the Board of Kohinoor soon after the assistance was completed.

Kohinoor has nearly completed modernising its spinning equipment. It has also installed combers and automatic pirn winders. On the weaving side, the mills have been allotted only 48 automatic looms for replacement against their application for 300. The only other improvement in the weaving section is the introduction of four looms in place of two per weaver. This has resulted in the retrenchment of about 600 workers. This figure would have been substantially higher but

for the absorption of a fairly large number of surplus hands in second shift and expansion of other activities.

The Chairman, Shri A N Haksar hopes that 1960 would be a turning point in the history of the company. He looks forward to Kohinoor regaining the glory it enjoyed at one time at home and abroad. Apart from modernisation of equipment, the steps taken by the management to achieve this end include greater attention to exports of finished goods which would help to utilise the bleaching and finishing capacity of the mills to the fullest extent.

Bombay Dyeing

THE leading and well known exporter of cotton textiles, Bombay Dyeing and Manufacturing, had a sales turnover of Rs 999 lakhs during the year ended December 31, 1959 against Rs 906 lakhs in the previous year. Gross profit margin improved slightly from 6 per cent to 6.6 per cent. In spite of lower rates of company taxation, tax provision absorbed 30 per cent of profits before tax, against only 18 per cent in the previous year, leaving a net profit of Rs 30 lakhs against Rs 28 lakhs. Net earning on capital invested remained practically unchanged at 4 per cent, but improved slightly as proportion of net worth from 4.7 per cent to 5 per cent. Net earning per equity share recorded a small rise from Rs 2.79 to Rs 2.99. Dividend has been reduced from Rs 2.50 net to Rs 3.50 gross or Rs 2.45 net.

Bombay Dyeing exceeded all its previous records by exporting 63 million yards of cloth during the year; these fetched Rs 5.65 crores of foreign exchange, which is nearly 1 per cent of India's total foreign exchange earnings. Exports could be stepped up substantially during the latter half of the year due to incentives provided under the export promotion scheme for the import of foreign cotton, dyes and chemicals. This scheme enabled the company to reduce its prices and increase its volume of exports to meet severe competition from other exporting countries.

While appreciating the benefits of the export incentive scheme, the

company has reiterated that mills can increase their competitive power in export markets only by reducing their costs of production through rationalisation and installation of new automatic machinery.

On its own part, Bombay Dyeing spent Rs 35 lakhs during the year on installation of new machinery. Steps were also taken to improve efficiency by modernisation, renovation and reorganisation. Orders have been placed for further new machinery for nearly all departments to have the most modern equipment. Incidentally, its entire complement of nearly 1,800 automatic looms is of Swiss manufacture.

Kothari Mills

A long strike of bleachers and processors reduced the sales revenue of Kothari Textiles during the year ended December 31, 1959 to Rs 142 lakhs from Rs 159 lakhs in the previous year. Gross profit margin, however, improved strikingly from 3.4 per cent to 17 per cent. Net earning amounted to Rs 16.52 lakhs against practically nil in the previous year. This represents a net earning of 8.6 per cent on capital invested and of 15 per cent on net worth. Net earning per equity share is Rs 2.23 and dividend is Re 1.00 gross against nil in the previous year.

This improvement in results has been achieved despite considerable increase in costs and difficulties in securing adequate power for operating two shifts. The company exports nearly three-fourths of its

total production. Its products are "well received" at remunerative prices in foreign markets.

The new Kothari mill in Andhra, Adoni Spinning & Weaving, is out of the woods now. During the fifth year of its working, it made a net profit of Rs 5.5 lakhs against practically nil in the previous year. Its sales fetched Rs 72 lakhs at a gross profit margin of nearly 12 per cent. It has yet to pay a dividend, however.

Century Mills

CLOTH and rayon sales of Century during the year ended December 31, 1959 rose from Rs 10.31 crores to Rs 11.67 crores, but gross profit margin on them declined slightly from 11 per cent to 10.6 per cent. Tax provision absorbed 46 per cent of profits against a bare 4 per cent in the previous year, leaving a net profit of Rs 54 lakhs against Rs 76 lakhs. The decline in profits is more apparent than real since the company has made an additional provision of Rs 20 lakhs for depreciation during 1959.

The profit represents a net earning of 7 per cent on capital invested and of 9 per cent on net worth. Preference dividend is covered 5 times over. Net earning per equity share is Rs 35.00 and dividend is Rs 31.50 gross or Rs 22.05 net, which is fractionally higher than in the previous year. At the current price of Rs 470 x d, Century gives a net yield of 4.7 per cent.

Both internal and external demand for the company's products recorded a satisfactory improvement during the year but this was practically offset by continuing increase in costs of labour and raw materials. Orders for plant and machinery for further expansion of the rayon factory to 18½ tons per day and for the installation of a tyre cord manufacturing plant of the capacity of 6 1/4 tons per day are still under negotiation, but are expected to be finalised in the next few months.

Shivrajpur Syndicate

THE U S recession in 1958 and the steel strike that followed it have affected the working of Shivrajpur Syndicate adversely. Its sales turnover during the year ended November 30, 1959 declined to Rs 86 lakhs from Rs 134 lakhs in the previous year. Gross profit margin came down even more steep-

ly to 6.3 per cent from 22.3 per cent. Net earnings have come down from Rs 12 lakhs to Rs 3 lakhs. Consequently, earning on capital invested is lower at 3 per cent against 13 per cent, and on net worth 4 per cent against 16 per cent. Following the increase in share capital during the year, net earning per equity share of Rs 10 is Rs 3.03 only against Rs 16.74. Dividend is Rs 5 gross against Rs 8.00 net.

The dividend has been paid by drawing upon the dividend equalisation reserve, the staff welfare fund and the retiring gratuities reserve; even last year, a withdrawal from mine development and pros-

pecting reserve was found necessary to pay the dividend owing to write-offs and appropriation for development rebate.

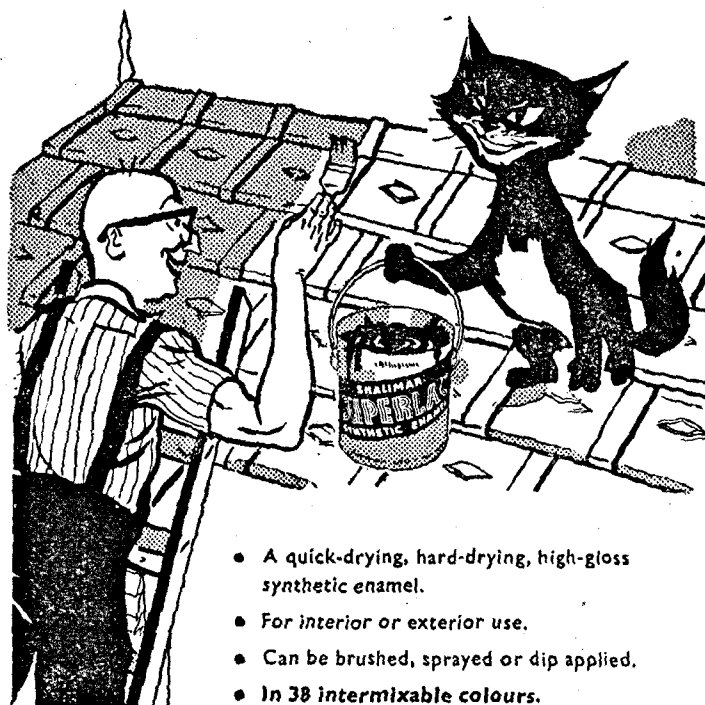
Continued weakness in the manganese ore market necessitated curtailment of output from 91,000 tons to 70,000 tons during the year. Shipments were even lower at 61,000 tons. The railways have granted freight rebate on despatches of medium and low grade ores with effect from September 1, 1959. The company hopes that the recent Indo-U S barter deal of manganese for wheat concluded by the State Trading Corporation will stimulate manganese exports.

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JWTS PW 553

Around Bombay Markets

Equities Rise Further

Thursday, Morning

DALAL STREET scaled yet a new peak last week. But the journey was by no means smooth. The weather was rough in that the market had to push its way through high carry forward charges, rumours of further credit curbs and the breakdown of summit talks in Paris. The market had quite a few slips during the week but at no time did it appear to have lost its balance. On May 17 Century shot up from Rs 493 to Rs 503 but were down again at Rs 492 in the same session. Bombay Burmah which had risen from Rs 582.50 to Rs 597 in two days took no more time to slip back to Rs 583. Fluctuations in the other popular counters were almost equally erratic.

Last week several counters made new high marks, the highest in the major uptrend. Standard Mills, National Rayon, Century, Indian Iron, ACC, Hindustan Motors, Indian Dye-stuff and Hindustan Aluminium were among the star performers. Some counters rose on bull manipulation and others on short covering. But there were not a few, particularly in the cash section, which improved merely due to scarcity of offerings.

Against the post-Budget high of 171.9 the Reserve Bank's index for variable dividend securities for Bombay stood at 173.7 in the week ended May 7 and prices have risen still further since then. Apparently various measures to control credit — some were aimed directly against the stock exchange — have proved of no avail. Of course it is arguable that the rise might have been much steeper if the authorities had not taken any action at all.

CASE FOR TIGHTER MARGINS

If the rise in equities in March had been a cause for considerable anxiety to the Reserve Bank, the authorities must be feeling still more uneasy now that the market has scaled higher peaks. Credit has not perhaps played any significant part in stimulating the boom in equities but there is reason to think that speculative activity has assumed large proportions. Inquiries with stockbrokers indicate that only half a dozen speculators account for the bulk of business which again is con-

centrated in the hands of a dozen big firms. Margins imposed by the stock exchange authorities have failed to have any restraining effect on activity but this is because margin is being evaded on a large scale. It is time that the Directorate of Stock Exchanges took timely steps to tighten margin rules with a view to preventing unhealthy speculation. The easiest way to do this is to impose margin on gross sales and purchases at the close of business each day. This could be reinforced through tighter margin on certain counters which are very popular with speculators.

A feeling of uneasiness seemed to prevail in the market at the weekend. This was partly due to fears that margins might be tightened and partly to varying assessments of the implications of the failure of summit talks. Increased world tension, it is being argued, might affect the flow of plant and machinery to India thereby retarding industrial expansion. It could if the international political situation were to deteriorate considerably.

Oilseeds

EXPORTS PICK UP

THE uncertainty about bulk freight for oil to the US has ended, but only in a way because the Conference Lines have fixed the freight at 25 dollars only up to the end of June. Though until recently freight could be had at around 20 dollars few shippers have anything to complain about the revised freight rate which merely restores the situation prevailing before January 23 and compares very favourably with the freight to the UK and Continental ports. But the trade is critical of the fact that the freight has been fixed only up to the end of June. This will naturally make business for deliveries after June hazardous and therefore difficult. It passes one's understanding why the Conference Lines should not be able to take firm decisions for a sufficiently long period of time to enable exporters take a long term view of the prospects for the commodity. Export business in oils cannot be conducted on a month to month basis. It has to be planned over a period of time. When export promotion is

the pressing need of the hour the Government must prevail on the shipping lines not to take any action which affects the stability of exports. The Freight Investigation Bureau must take up the matter with the Conference Lines at the earliest.

Export houses reported fairly good business last week comprising nearly 2,500 tons of castor oil, 12,000 tons of groundnut extractions, 1,500 tons of linseed oil and a few hundred tons of linseed cake. Prices realised were also said to be higher than in the preceding week. The UK paid up to £129 per ton for castor oil BSS and the US took Commercial at around 15.25 cents per pound. In groundnut extractions Poland was the chief buyer and traders reported fairly keen inquiries from East Germany. The UK buyers also evinced good interest though no important business was said to have materialised. Linseed oil was sold mainly to the UK at around £112 per ton. More could perhaps have been sold but for the difficulty of securing adequate freight for prompt shipments to London and Hull ports.

CASTOR OIL OUTLOOK

Castor futures displayed remarkable strength during the week. The September contract was marked up from Rs 175.37 to Rs 181.50 per candy and the week-end quotation was only a little lower at Rs 180.87. The maturing contract rose from Rs 167.37 to 173.87. The strength in castor reflected the optimistic assessment of shippers of the outlook for castor oil. And shippers' confidence seems amply justified. Shipments of castor oil from Bombay up to May 12 are placed at 19,364 tons against a mere 3,924 tons in the corresponding period last year. About 3,000 tons have been shipped from other ports and sales outstanding up to June end are estimated around 7,000 tons. In 1959 and 1958 exports totalled 35,156 tons and 20,250 tons respectively.

Communist countries are again in the market and they have still to take about 3,000/4,000 tons to make up their normal annual off-take. Inquiries from the US have also been broadening recently and prospects of business seem bright. The stock of castor oil in the US at the end of March

stood at 26.6 million lbs against 35 million lbs at the end of December and 31.3 million lbs at the end of February. Meanwhile consumption in March rose to 10.1 million lbs against 9.6 million lbs in February and 8.4 million lbs in December 1959. With stocks down and consumption rising most shippers here seem convinced that America will not be able to keep off the Indian market any longer, particularly because Brazil is unlikely to be in a position to offer castor oil before August due to the delay in its crop movement on account of floods some months ago. The likely increase in world political tension because of the failure of the Summit meeting might also help increase the demand for castor oil.

The rise in linseed September from Rs 33.69 to Rs 34.78 was also caused by sustained support from shippers. The marked recovery in linseed oil prices abroad has encouraged the hope that India will be able to sell fair quantity of linseed oil in the near future. The Communist bloc is mentioned as an important prospective customer. Offerings from the Argentine have been reported to be

on the low side in recent weeks. Linseed cake were rather inactive.

Trading in groundnut was generally a dull affair. Tight supply position discouraged selling, particularly in the maturing contract because of the spot premiums. But speculators seemed reluctant to support the distant contract because of the monsoon period ahead. Good monsoon can have a perceptible influence on market psychology, notwithstanding the tight supply this season. Export business in oilcakes is again beginning to pick up. Whether India will be able to repeat last year's excellent performance depends mainly on the weather conditions on the Continent and UK in coming weeks. Increased tension in world political situation might also result in larger demand for Indian oilcakes.

Cotton

NEW CONTROL ORDER SALES of cotton after August 1

shall have to be made only to mills nominated for this purpose by the Textile Commissioner. The purchaser mills will have to pay the ceiling price and the quality will be certified by the appropriate committees. This

is the Government's latest order issued on May 17. The trade's reaction has been quick and sharp. The Cotton Merchants and Muccadams Association, Bombay, decided on May 18 to keep the spot market closed for three days to register their protest. The trade has had an extremely difficult time this season. Almost right from the start of the season spot cotton prices have been commanding substantial premiums averaging about Rs 100 per candy for most varieties. This rendered honest business virtually impossible. Indeed many traders had to incur huge losses to meet their commitments entered into below the ceiling rates very early in the season. The latest order seeks virtually to eliminate the middle man. Traders argue that the new order might as well have been made effective from the start of the next season, that is after August 31. But this is a minor point.

Apparently the Government has taken the step to ensure that ceilings are respected and the transactions are genuine as regards quality, weight and price of cotton. That

cotton control has been a complete failure this season is not secret. Instances have been heard when disputes about price and quality were referred to the authorities—the Textile Commissioner—the parties concerned were merely asked to settle their affair anyhow. How the administration of control will be made effective now, is difficult to imagine.

There is no denying, however, that the shortage of indigenous cotton will persist during the next season also, no matter how good the crop is. This is because of the heavy drain on the carry over this season. In any case scarcity will be acutely felt between August and November even if the crop is normal because the crop movement gets into swing only in November. It is this fear of acute shortage which has compelled the Government to take precautionary measures. One might, however, have expected an early decision on the trade's plea for higher ceiling prices because the timely announcement of higher ceiling prices—assuming that the ceilings will be revised upward—might have helped larger sowings. The announcement of higher ceilings after the sowings have been nearly completed would have different implications.

It is understood that the East India Cotton Association has sought the Government's approval for revising the basis of the hedge contract to 13/16" instead of the existing Moglai fine 25/32". One only hopes that the Association does not change its mind again because the existing hedge contract is merely an instrument of speculation. As a hedge contract it is utterly useless. Very little cotton is grown in the country which can be said to conform to the basic Moglai fine 25/32". The contract needs to be revised both in respect of staple and grade in the larger interests of the cotton trade.

The spot cotton market held fairly firm with moderate turnover as mills seemed anxious to cover their requirements. Vijay and Digvijay cottons were particularly firm. There have been reports recently that many mills which have received allocations out of the recent import quota of 1.5 lakh bales are contemplating to surrender them on account of the prohibitive premiums they are called upon to pay. The futures market had a very dull time, with the August contract moving erratically between

Rs 775 and Rs 771 most of the time. It closed unchanged over the week at Rs 773.

Bullion

BY-LAWS AMENDED

BY-LAWS of the Bombay Bullion Association have been amended from time to time to discourage bull manipulation through stiffer margins. Yet another by-law has now been added—33(i)—by which the Maharashtra Government has assumed powers to enforce margins on any contracts in gold and silver without consulting the market authorities. The new by-law reads: "If in the opinion of Government the conditions in the market are unhealthy for normal trading and are likely to involve members in great risk the Government shall direct that such special margins, not exceeding those as laid down in sub-clause (3) of by-law 33-A, as shall be indicated by the Government shall be made applicable to any particular settlement or settlements."

The Government's decision is intended to save time in the implementation of its directive concerning margin. Prior to this any proposal for margin had to be approved by the Bullion Board. The simple truth about the bullion market is that the bullion market is always functioning under very abnormal circumstances because there is no regular source of supply to feed the ever growing demand. Floating stocks have continued to shrink which has encouraged powerful bulls to exploit the situation. Can they be blamed for that? According to the Bombay Bullion Association floating stocks of gold and silver on May 14 totalled 30,000 tolas and 100 bars respectively. Around their current levels they are worth no more than Rs 46 lakhs. Can these stocks provide a basis for healthy trading in future? Is it not time that the Government made up its mind on this fundamental issue?

The Government's decision to assume wide powers for enforcing margins at any time had caused some misgivings among the members of the Association and the speculating community. One might have thought that this was what the Government, had intended to achieve. The fear that the Government might take any action any time could have some restraining effect on bullish fervour. In the circumstances it is

surprising that the Government director on the Bullion Board should have taken pains to assure his other colleagues and the trade that the powers which the Government had assumed under by-law 33(i) will not be misused and that action under it will be taken only in exceptional cases and that too after giving a fair opportunity to the Board to take action under by-law 33-A(3).

Trading in bullion futures last week was quite an unexciting affair, with activity predominantly professional. Margins are too heavy to attract outside interest. Prices which had suffered a substantial decline in the preceding week staged a moderate recovery last week.



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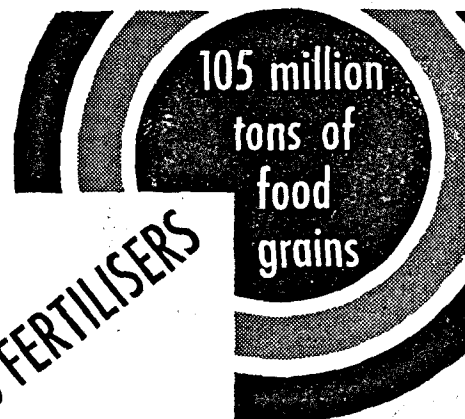
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CURRENT STATISTICS

BANKING RETURNS (Rs Crores)				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note Circulation	1901.43	1904.49	1902.24	1765.98
2. Rupee Coin	124.66	125.63	126.50	129.40
3. Deposits				
(a) Central Govt	51.89	60.30	75.08	52.97
(b) Other Govts	25.92	18.90	6.01	9.73
(c) Banks	99.08	88.42	92.35	72.32
(d) Others	98.09	98.84	98.66	118.72
4. Foreign Securities	163.01	163.01	163.01	178.01
5. Balances Abroad	13.77	15.67	20.83	24.61
6. Rupee Securities	1511.41	1511.43	1506.75	1360.77
7. Investments	217.27	217.38	203.39	244.83
8. Loans and Advances to Govts	53.01	51.33	44.32	43.52
9. Other Loans and Advances	119.32	117.51	114.99	74.79
Scheduled Banks				
1. Liabilities:				
2. Demand (net)	770.54	771.42	791.18	708.88
3. Time (net)	1160.11	1158.53	1139.78	972.13
4. Total	1930.65	1929.95	1930.96	1681.01
5. Cash in hand	49.70	48.69	51.86	41.86
6. Balances with Reserve Bank	85.01	91.40	86.34	67.33
7. (5) + (6) as % of (4)	6.98	7.26	7.16	6.50
8. Borrowings from Reserve Bank of which	47.66	43.85	41.31	40.54
9. Advances of which				
Usance Bills	12.74	11.54	12.24	12.25
Advances	965.53	954.89	951.12	879.64
10. Bills Discounted: of which				
State Bank's	202.89	202.48	198.03	185.38
(a) Inland	127.80	128.50	134.22	113.21
(b) Foreign	46.29	46.42	45.02	35.06
(c) Total	174.09	174.92	179.24	148.27
11. Bank Credit (9+10c) as % of (4)	59.03	58.54	58.54	61.15
12. Invest in Govt Sec. 746.32 of which				
State Bank's	384.32	379.84	354.98	160.81
(12) as % of (4)	38.66	38.43	37.16	37.70
Cheque Clearance	198.22	196.93	221.23	166.64

† For Reserve Bank Week ended 13.5.1960. For Scheduled Banks and Cheque Clearance week ended 6.5.1960.

Bombay Money Rates (% per annum)				
(Selected Scheduled Banks other than State Bank)				
Call Money	6-5-1960	Week Ago	Month Ago	Year Ago
From Banks	3½-3¾	3½-3¾	3½-4	3½-3¾
Deposits				
Seven Days	3-3½	3½	3-3½	3½
Three Months	3-3½	3½	3-3½	4
Six Months	2½-3½	2½-3½	2½-3½	3½-4

Bombay Bullion (Rs and nP)				
	19-5-1960	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	131.80	130.19	135.00	120.75
Forward	127.62	127.50	128.44	120.69
Silver (per 100 tolas)				
Spot	219.50	220.00	221.19	195.19
Forward	216.81	215.72	215.44	195.56

COTTON				
(1959-60)				
MILL CONSUMPTION				
(in '000 bales of 392 lbs each)				
Description:	February	January	December	Sept to Feb
Indian	369.2	392.7	408.1	2,345.4
Foreign	45.4	42.8	40.8	248.0
of which				
American*	8.95	9.60	8.70	52.43
Egyptian	14.66	11.57	8.23	50.26
E. African	10.49	8.58	9.56	63.98
Sudan†	10.57	12.47	13.71	77.73
Total	414.6	435.5	448.9	2,593.4
Consumption in corresponding period a year ago:				
Indian	376.1	413.2	419.7	2,349.8
Foreign	31.6	34.4	39.3	224.8
Total	407.7	447.6	459.0	2,574.6

*Includes United States and Mexican cotton.
†Includes both Sudan Egyptian and Sudan American.

MILL STOCKS				
(in bales of 392 lbs each)				
Description:	Feb	Jan	Dec	Nov
Indian	967.1	993.3	1,047.0	1,003.5
1959-60	967.1	993.3	1,047.0	1,003.5
1958-59	1,005.6	850.2	772.1	752.8
Foreign				
1959-60	194.5	168.3	150.8	135.4
1958-59	67.6	69.4	87.8	98.0

IMPORTS				
(in bales of 400 lbs each)				
From September 1 to April 28				
Description:	1959-60	1958-59	1957-58	1956-57
American	52,022	26,653	85,305	229,309
Sudan	51,057	34,409	46,047	31,717
Egyptian	98,781	25,656	24,580	27,903
East African	52,892	100,899	47,729	69,261
Pakistani	23,400	—	—	—
Other Varieties	14,298	1,182	—	3,422
Total	292,450	188,799	203,661	361,612

EXPORTS†				
(in bales of 400 lbs each)				
From September 1 to April 28				
Destination:	1959-60	1958-59	1957-58	1956-57
U. K.	1,563	6,781	5,449	19,612
Continent	9,124	19,248	10,445	19,722
Hong Kong	5,090	34,932	3,319	29,064
China	—	6,886	—	3,437
Japan	103,624	152,196	71,713	117,970
USA	7,403	4,850	5,629	2,324
Other Countries	993	1,965	741	811
Total	127,797	226,858	97,296	192,940

†Excluding Zoda and other yellow pickings.
Source: East African Cotton Association.

STOCKS OF CLOTH AND YARN					INDEX NUMBER OF WHOLESALE PRICES					
		Cloth		Yarn		(Base: 1952-53 = 100)				
		(bales of 1,500 yds each)		(bales of 400 lbs each)		Monthly Average				
						April 1960	March 1960	Feb 1960	April 1959	
End of month:	Sold	Unsold	Total	Unsold						
1956 : June	nil	132,460	132,460	22,959		Group and sub-group				
Sept	81,822	201,431	283,253	16,282		Food Articles	118.6	117.0	118.8	
Dec	225,996	271,098	497,094	26,861		Cereals	103.8	103.2	104.4	
1957 : Jan	239,592	274,596	514,188	27,445		Pulses	89.3	89.9	95.1	
Mar	243,468	300,238	543,706	45,724		Fruits* and Vegetables	136.7	126.0	113.1	
June	209,485	297,277	506,764	51,945		Milk and Ghee	114.7	110.7	111.5	
Sept	216,049	356,114	572,163	75,667		Edible oils	138.2	136.6	137.8	
Dec	209,186	450,699	659,885	108,455		Fish, Eggs & Meat	118.2	114.5	110.5	
1958 : Jan	210,500	372,500	583,000	89,200		Sugar & Gur	139.7	140.7	145.2	
Mar	198,600	344,800	543,400	111,800		Others	159.9	158.8	168.6	
June	223,600	341,000	565,200	105,700		Liquor and Tobacco	103.1	96.4	96.0	
Sept	248,300	344,500	592,800	81,900		Tobacco	101.2	94.1	94.2	
Oct	237,600	364,200	601,800	88,200		Fuel, Power, Light & Lubricants	118.6	117.0	117.4	
Nov	251,500	328,300	579,800	73,700		Industrial Raw				
Dec	252,800	329,600	582,400	64,100		Materials	134.0	131.9	131.6	
1959 : Jan	246,800	288,500	535,300	63,900		Fibres	130.0	124.9	123.0	
Feb	223,300	271,600	494,900	53,900		Oilseeds	141.2	140.5	140.8	
Mar	221,600	267,400	489,000	54,700		Minerals	98.2	96.5	95.2	
April	199,500	239,700	439,200	50,900		Others	130.7	131.6	133.2	
May	179,000	199,200	378,200	46,500		Manufactures	117.6	116.6	116.2	
June	195,000	204,000	399,000	47,400		Intermediate Products	123.2	121.3	120.5	
July	205,000	207,000	412,000	38,700		Finished Products	116.6	115.9	115.6	
Aug	196,000	187,000	383,000	30,200		Textiles	116.3	115.1	115.1	
Sept	191,900	180,700	372,600	29,400		Cotton	124.6	124.7	125.2	
Oct	178,600	155,700	334,300	27,000		Jute	103.0	97.5	96.4	
Nov	160,600	147,500	308,100	23,100		Woollen	104.2	104.2	104.2	
Dec	155,700	118,000	273,700	21,100		Silk and Rayon	102.5	102.8	103.4	
1960 : Jan	151,200	117,700	268,900	22,800		Metal Products	143.2	147.7	145.2	
Feb	119,600	140,200	259,800	28,900		Chemicals	104.7	105.0	105.8	
Mar	130,300	156,000	286,000	30,500		Oil cakes	139.1	140.7	144.6	
April	146,000	128,000	274,000	31,600		Machinery & Transport equipment	108.6	108.6	106.1	
						Others	114.7	114.0	112.7	
						All Commodities	120.4	118.8	119.5	

Source: Textile Commissioner.

CLOTH AND YARN PRODUCTION

Monthly Average or Calendar Months
Cloth (000 yds)

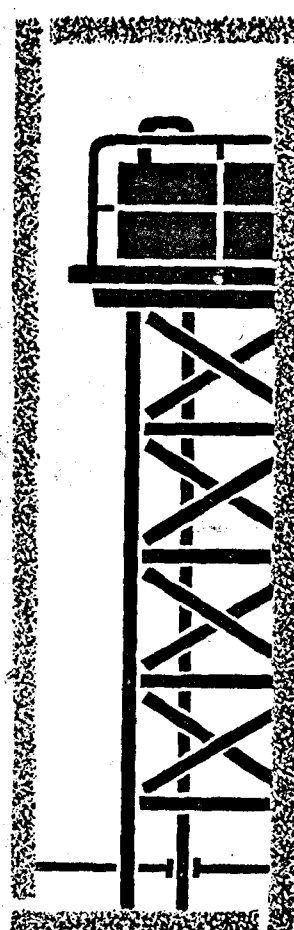
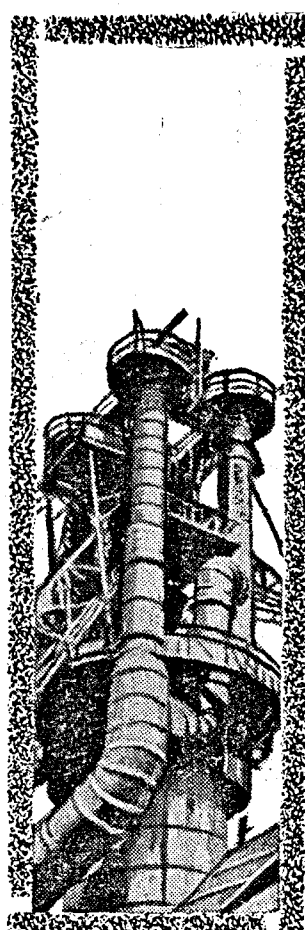
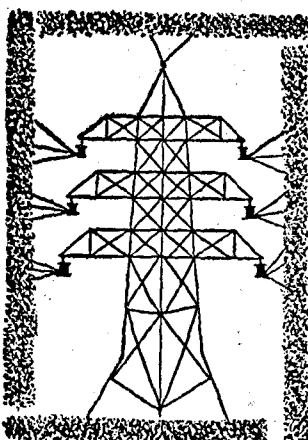
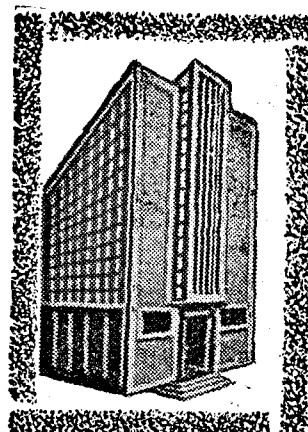
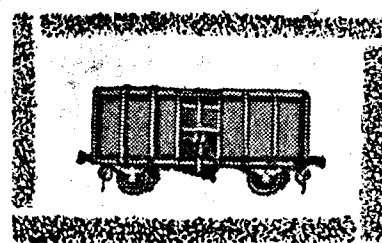
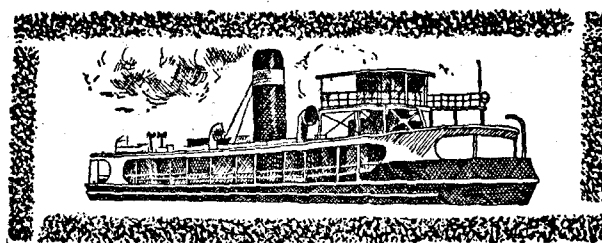
	Yarn (000 lbs)	Coarse	Medium	Fine	Superfine	Total
1956	139,267	59,887	316,384	37,003	28,941	442,215
1957	148,341	96,976	291,909	31,923	22,310	443,118
1958	140,448	80,830	282,984	25,255	21,511	410,580
1959	143,567	74,337	145,166	20,162	24,252	410,452
1958 : Jan	148,702	86,361	299,881	28,760	21,524	436,526
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	22,975	23,737	421,517
Nov	134,245	73,194	263,322	20,180	20,680	377,377
Dec	156,027	86,017	307,427	21,578	23,414	438,506
1959 : Jan	150,548	83,944	302,805	20,247	23,096	430,092
Feb	136,663	71,854	280,241	18,817	20,840	391,753
Mar	141,463	69,757	292,830	21,301	21,887	405,775
April	139,855	67,861	295,193	21,115	22,694	406,864
May	136,532	66,571	294,681	21,486	22,552	405,290
June	135,659	69,815	290,058	21,686	23,533	405,092
July	146,257	80,060	297,662	22,599	25,232	425,553
Aug	143,953	81,426	275,269	20,657	26,313	403,665
Sept	148,114	80,578	283,574	19,629	28,209	411,990
Oct	147,634	77,520	290,528	18,726	27,511	414,285
Nov	141,486	71,514	278,312	18,078	23,623	390,539
Dec	154,642	71,147	319,255	18,032	23,521	434,531
1960 : Jan	144,193	56,319	318,212	17,737	25,525	417,793
Feb	137,975	—	—	—	—	401,873

— = Not available

Source: Textile Commissioner, Bombay.

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Crisis in Japan

THE tragic thing, from America's point of view, about the Japanese storm over the Security Treaty is that immediately, at least, the right lessons from it have not been learnt. The cancellation of the invitation ('postponement' is really a rather meaningless euphemism) to President Eisenhower must have understandably enough piqued him personally, apart from being a national humiliation to the United States. All the same his mild outbursts — with pretensions to being an 'interpretation' of the events in Tokyo — will not be helpful in the formulation of a new American policy towards, not only Japan, but the whole of the Far East.

Mr Eisenhower has tried to take comfort from two delusions. One is that the entire storm against the Treaty as well as against Mr Kishi and his conservative coalition was Communist-engineered; the second is that only a voluble 'minority' was associated with the long and sustained demonstrations which culminated — if they have culminated at all — in Mr Hagerty being rescued by helicopter. Actually, the degree of Communist influence in this more or less spontaneous explosion against the Kishi regime is negligible; and many of the Socialists and Social Democrats involved have an intolerance of Communists which is as lively as their hatred for Mr Kishi. Whether or not the people whose protests and demonstrations succeeded in turning the U S President from the very threshold of Tokyo are a 'minority' of the population is, strictly speaking, an unprofitable argument. The material point is that they only too obviously represent a considerable section of articulate Japanese opinion, which cannot safely be disregarded either as belonging to a minority or to agents of Communism.

The fact is that the factors which underlie the crisis in Japanese-American relations are very much the same as those which the U S policy of trying to fit democratic policies and practices into the needs of its own anti-Communist military alliances has engendered in several other countries. (Mr Eisenhower might have suffered equal humiliation in Seoul during his recent tour if Dr Rhee had not fallen already.) There is a dangerous impression at large, as a political commentator points out in a British weekly, that 'the West is prepared to forgo its own political principles in placing all its confidence in parties or regimes that chiefly serve its military convenience. This has played a major part in the Japanese crisis.

The Treaty itself has, of course, been a genuine cause of concern and worry to many thinking Japanese. The essential point of the issue has been neatly brought out by cartoonists who have shown Mr Eisenhower as sponsoring the Treaty in the determined spirit of 'Never again a Pearl Harbour!', and the Japanese resisting it with the resolve that never again would there be another Hiroshima. The U-2 incident has not failed to play its part in the building of this resistance. The Japanese have learnt from this that the existence of U S bases in Japan could easily embroil Tokyo in a nuclear war, and the fear of such an eventuality is understandably acute. It has been further sharpened by Mr Khrushchev's warning that Russia would take retaliatory action against any country which lent its bases to American aerial adventures.

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It cannot be long now before Mr Kishi resigns and the country will have sooner rather than later to go to the polls. That will be the time to find out if Japan's recent demonstration against Mr Eisenhower was the result of minority pressures. If Mr Kishi and his supporters re-emerge as victors, the treaty is safe for the rest of its ten-year tenure; but if, as is likelier, the coalition loses ground, the forced passage of the Treaty through the Diet will not save it from returning to the melting pot. The Japanese Socialists have, of course, their own considerable

weaknesses; and it can by no means be taken for granted that Kishi's fall will mean a Socialist Government in the saddle. Nevertheless Kishi's fall will be enough to alter the course of political history in Japan, and we might see the greatest American ally in Asia veer steadily towards neutrality. If that sounds like being the defeat of present American policies in their narrowest sense, the impression is not far wrong; but in the larger sense, they need not mean such thing at all. Washington itself has had sufficient evidence by now of the fact that

anti-Communist military alliances which necessitate the artificial bolstering of regimes which are democratic only in a cynical sense are not the best basis for resisting international Communism. What requires to be done is to give these countries a personal stake in peace rather than in the fight against Communism. That in itself should ensure (certainly more effectively than the present U S policies are doing) that the countries concerned will remain aloof from active Communist alliances.

Time to Get Cracking

IN the procedure that has come to be established in India for the formulation of development plans, consideration of draft plans by the Union Cabinet serves a double purpose. First of these, and the more important one, is the endowment of formal political status on the Planning Commission's draft. Approval by the Cabinet implies that the basic objectives and policies recommended by the Commission have the concurrence of the supreme executive organ of Government in the country and the Government is willing to shoulder the responsibility of implementing the Plan. The second purpose served by this procedure is the ironing out of any differences there might be between the Planning Commission and Ministries in respect of allocations and schemes suggested for the five-year period. This provides an opportunity both for adjustments in the light of latest developments and for a bit of horse-trading.

As it happens, the political aspect of this procedure usually receives little public attention. This is because the most influential members of the Cabinet, including the Prime Minister, are also on the Planning Commission, and consequently the draft plan is unlikely to reach the Cabinet unless its political acceptability to the party in power is already assured. This time, however, since the Prime Minister was away on tour when the last frenzied touches were being given to the draft of the Third Plan, there was a slight possibility of more than normal adjustments being suggested by the Cabinet. But it was no more than a slight possibility, considering the

blessing which the preliminary outline of the draft had already received from the Prime Minister and the National Development Council.

In the event, the deliberations of the Cabinet have resulted in only minor modifications to the programme set out by the Planning Commission. Much the most important of these is the inclusion of the Bokaro Steel Plant project in the public sector's programme—at least in terms of the public interest it has evoked. With an estimated outlay of about Rs 250 crores for this project, the size of investment outlay in the Plan goes up from Rs 9,950 crores to Rs 10,200 crores. Besides the new steel plant, some other items have also been added and some of the allocations have been reshuffled. It is not very clear what these are: but it has been emphasised in the press reports that, by and large, these adjustments do not make any significant difference to the size of the Plan. Apparently, the more clamant elements have succeeded in obtaining marginal increments in their share of the total outlay. With 17 million tons of PL 480 grain in his bag, the Food Minister has probably had no difficulty in trading a portion of the former allocation to some of the agricultural schemes for a much larger programme for food storage and ware-housing.

This would inevitably warrant consequential adjustments in the provision of port and transport facilities, and in the accounting of inventories in the Plan statements. Like the Food Minister, the Health and Education Ministers, the Atomic Energy Department and, indeed anybody else who had reasonable blue prints

and a measure of persistence have obtained a supplemental allotment or the promise of one. The Planning Commission, having taken the precaution of setting apart a sizable sum for inventories in the public sector, must have found all this more interesting than troublesome.

Apart from the Bokaro Steel Plant, to which we return later, these additions to, and subtractions from, sector totals have little effect on the broad pattern of investment outlay in the Third Plan. If they indicate anything at all, it is that in respect of its real content, the Plan has not yet been cast in firm lines and will remain so for some time to come. This is further underlined by the tentative agreement of the Planning Commission to incorporate new schemes—involving an aggregate outlay of over Rs 500 crores—in the Plan should additional resources be forthcoming. Whether this indicates growing confidence in the possibility of mobilising more resources or is merely a convenient eye-wash, nobody can judge. Perhaps, it is a combination of both, and the Planning Commission may feel that nothing is lost by agreeing to enlarge the Plan if things turn out better than expected. This is indeed as it should be. But the danger is that schemes accepted on such a contingent basis are likely to remain items in an appendix rather than carefully worked-out projects, with consequential difficulties of phasing them properly. At least in the formulation of adequate blue prints, the conditional approval of schemes should not constitute an argument for vagueness or laxity.

This is a point worth making because it is not certain that all the

operational details have been worked out in respect of the schemes already included in the Plan. Whether this is a reflection of inadequate technical staff in the Ministries or of a natural tendency not to bother about a project unless its inclusion in the Plan is a certainty, the result of such procrastination is bound to be the emergence of hold-ups and bottlenecks at a later stage. There have been so many instances of such maladjustments in the Second Plan projects arising from delay in preparatory work that one would normally have expected the lessons to have been learnt by now. But the available evidence is to the contrary, and the dominant feature of the method of work in most agencies concerned with planned programmes seems to be that of last-minute arrangements.

It is essential that this way of doing things should change if the large projects scheduled for implementation in the public sector are to go through smoothly. The inclusion of the Bokaro Steel Plant in the Third Plan provides an excellent opportunity to demonstrate the relevance of all this. Quite clearly, all that has been decided so far is that the new plant should be located at Bokaro and that it should initially have a capacity of one million tons of ingot steel. Everything else is still in the air and cannot be left so for long. Before the first clod of earth is turned at the plant site, an enormous amount of technical work will have to be done on the project; and an army of experts has to set about it without delay. The specific products to be manufactured, their magnitude and sequence are to be decided upon. And, above all, the exact manner in which it dovetails into the expansion programme of the existing steel plants has to be worked out. This is of particular importance in judging whether the Bokaro plant can draw upon some of the technical expertise from the other plants or whether like them, it will have to start from scratch in every respect. Besides all this, there is the question of financing to be settled—involving, as it does, canvassing on a global basis and protracted negotiations with whoever ultimately decides to participate in it. The list can be enlarged endlessly; but it is evident that even if nothing else were necessary, the successful execution of the project could depend on the Steel

Ministry and many others getting cracking about it right away.

With all possible speed, the new steel plant will probably start producing only by the end of the Third Plan. It is indeed a project that has to do more with the Fourth than with the Third Plan; and for that

reason, it is open to the danger of being put, so to speak, in the second place logistically. If this happens to a project which has been considered important enough for a Cabinet decision, it will become a monument not to planning but to the lack of it.



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Weekly Notes

Small Industry Loans

TO the many facilities already given to small-scale industries, Government is adding a new one from July 1, 1960. On that day, the scheme for guaranteeing loans to small-scale industrial establishments comes into operation—initially on an experimental basis, for two years. The scheme is restricted for the present to 22 districts spread over fifteen States and the Union territory of Delhi, and it applies to industrial establishments which satisfy the Government definition of a small-scale industrial unit, that is to say, a unit with an investment of not more than Rs 5 lakhs in fixed capital assets.

The professed objective of the scheme is to enlarge institutional lending to small industries 'by granting a degree of protection to the lending institutions against possible losses in respect of such advances'. Curiously enough, the press communique does not give any details about the manner in which the losses are to be shared between lending institutions and the Government of India. Apparently, the Reserve Bank—which, by the way, is to administer the scheme as agent of Government—has decided that since the guarantee is envisaged as an incentive to lending institutions, it is a matter which others need not be concerned with. This unnecessary secrecy makes it difficult to compare the present scheme with similar arrangements existing in, say, Japan, or to form any opinion on the adequacy of the guarantee in the current state of institutional financing of small industries. The scheme provides for a sharing rather than a transfer of risks; and the decision to accede to or reject a particular loan will still have to be made by the lending institution. Whether in that context the incentive provided is a reasonable one or not is a matter on which the public cannot form a judgment, thanks to the secrecy about the terms and conditions of the guarantee.

The scheme is open not to all lenders but only to specified institutions. The institutions selected are: the State Bank of India and its subsidiaries; 49 Commercial Banks;

22 State Co-operative Banks; all State Financial Corporations and the Madras Industrial Investment Corporation Ltd. For those that have been left out, the sop of deriving benefits through a participation loan is offered. They can obtain the guarantee if a 'selected credit institution' participates in the loan to the extent of not less than 25 per cent of the loan amount; and in such cases, the guarantee organisation will deal only with the selected institution. With the system of branch-banking we have in India, participation loans hold no attraction to the larger institutions—save that of a covert increase in their lending rates. But that is unlikely to offset the distrust that exists between big and small banks. Like the inclusion, in the scheme, of Co-operative Banks—which have done, and are likely to do, precious little in respect of industrial financing—the incorporation of the American type of participation loans can only be viewed as a device for softening the lines of discrimination. What benefits an 'experimental' scheme can derive from such frills is again a matter that passes understanding.

All this notwithstanding, the guarantee scheme represents a worthwhile innovation. It marks a departure from the tendency to treat small industries as relief rather than business propositions. On the one hand, it provides an opportunity to these industries to reduce their dependence on money-lenders, traders and so forth; and, on the other, it makes it possible for credit institutions to attach less weight to the traditional considerations of security than to the operational efficiency and growth prospects of small enterprises. If these opportunities are grasped, the sector of small industries will not be the only one to benefit.

Banking Trends in 1959

BANKING, as has been pointed out in this journal on previous occasions, is far from being integrated into the structure of planning, to which the Indian economy is committed. On the threshold of the Third Plan, under which banks will have to play a greater part as purveyors of credit to sustain the

envisaged industrial upsurge, it is gratifying to note that the Reserve Bank has asked them to set up a study group to assess 'their specific role for a successful implementation of the Plan'. In the recently published 'Trend and Progress of Banking in India', the Reserve Bank has offered the necessary co-operation and help towards establishing such a study group. It is to be hoped that the banks will respond to the gesture in earnestness and endeavour to integrate bank credit into the planning structure.

With the removal of certain rigidities in the working of the Refinance Corporation, which largely accounted for the reluctance of banks to take advantage of refinance facilities, the stage is now set for integrated industrial advance. Of the total increase of Rs. 104 crores in bank credit in the year ended October 1959, a sum of Rs 61 crores was extended to commerce and Rs 20 crores to industries. As a percentage of the total amount, industrial advances declined to 45 per cent in 1959 from 48 per cent in 1958 while commercial advances, on the other hand, increased to 40 per cent from 38 per cent in the previous year. The Report does not envisage any continued uptrend in the proportion of industrial advance in the next few years. It says, "As industries develop and start production, the marketing of their products also creates a demand for credit from the commercial sector". The truth of the statement is, of course, evident but the conclusion that industrial advances will not experience an upward trend appears to be rather doubtful in a market almost insulated by tight import control. In the face of near-scarcity conditions in respect of many manufactured commodities due to import restrictions, a decline in the stock with industries and a simultaneous rise in commercial stock piling do not point to healthy economic development. On the contrary, they betray a strong speculative tendency. It is rather strange to find the Reserve Bank providing theoretical justification for contrary trends in industrial and commercial advances of banks in-

stead of probing deeper into the matter and putting a curb on the speculative tendency, particularly in the industrial raw material sector.

An improvement in the state of the capital market is often referred to as an explanation for a decline in bank advances to the industrial sector. The phenomenal success of some floatations by well-known houses, however, cannot fully explain the decline in industrial advances. It should, therefore, be regarded more as an expression of the habitual preference of banks to commercial advances as compared with industrial advances. The attitude of banks in this matter thus requires re-orientation, and the study group proposed by the Reserve Bank could be helpful in this direction.

In spite of a large increase in the advances of banks, their earnings during the year recorded but a slight improvement over those of the previous year. Under the income-tax procedures introduced in the 1959-60 budget, the amount of tax retained at the source as interest on Government securities was higher than in the previous year. This partly explains the comparatively small rise in the earnings of banks during the year. As against a rise of Rs 9.8 crores in 1958, 25 large Indian Scheduled Banks, with deposits of Rs 5 crores and over, improved their earnings on account of interest and discount only by Rs 6.4 crores. At the same time, however, their expenses on account of interest on deposits and borrowings increased by Rs 3.8 crores only in the year as compared with Rs 7.5 crores in 1958. This improvement was undoubtedly due to the proper functioning of the Inter-Bank Agreement. Establishment expenses increased by Rs. 2.8 crores as against Rs. 2.9 crores in the previous year. Figures in the report cast doubt on the assertion made by various Chairmen that the banks could not show better results because of rapidly increasing wage bills. It was a decline in income rather than any rise in expenses which kept the net profit down.

The Report contains a valuable summary of the conclusions reached, and suggestions made, at the Seminar on the Financing of Small-Scale Industries in July 1959. The consensus of opinion at the Seminar was 'that the main emphasis in Government assistance should be on non-official assistance in the form of

technical advice, managerial training, raw material procurement, equity control etc. In so far as financial assistance is concerned, the role of Government should be largely supplementary in nature'. With a view to increasing the advances of commercial banks to small-scale industries, the Seminar recommended a system of guarantees, the guaranteeing authority being the State Government or a central institution linked with, or operated through, the Reserve Bank of India.

The Seventh Report

THE Seventh Evaluation Report of Project Evaluation Organisation, published last week, will probably be known more for the fire it drew at the Srinagar Conference than for its contribution towards a realistic appraisal of the working of community development and allied programmes. In what was clearly an attempt to forestall public criticism, the powers behind the programme sought frantically to malign the Report as the handiwork of a thoroughly prejudiced and extremely incompetent organisation. And having done so, they resorted to the Parkinsonian remedy of appointing a committee to evaluate the Evaluation Organisation, and blissfully proceeded to enjoy the beauties of Kashmir. Unfortunately, the PEO, by basing its Report on a sample of 18 of the 3,000 Blocks, selected not on any principles of statistical sampling, but by the dictates of expediency and convenience, has exposed itself to the charge of treating the problem in a slipshod manner. The conclusions of a scientifically designed study with an enlarged coverage may not necessarily have been different; but then, such a study would have had the stamp of authenticity which unfortunately the present Report lacks. Thereby also, the PEO could have protected itself against many of the criticisms levelled against it at Srinagar.

This defect of design and coverage apart, the Seventh Report provides much food for thought to those who are engaged and genuinely interested in the development of our rural areas. True, the general part of the Report does not break any new ground as compared with the earlier Reports. That the tempo of developmental activities in the post-intensive phase is markedly in decline; that the programme has failed in the essential aspect of

rousing popular enthusiasm and inculcating a sense of self-reliance among the rural population; that the arrangements for the distribution of essential agricultural requirements such as improved seeds and implements, fertilisers, insecticides etc. are far from satisfactory; that most of the CD Blocks are inadequately staffed and ill-equipped—these and many other such conclusions have long ceased to be revelations. Their reiteration in the Report merely shows that there are as yet no signs of a change for the better.

'Case-Studies'

WHAT, however, is really significant is the 'case-studies' part. The evaluation of the Rabi crop campaign in the Punjab, U P, and Rajasthan reveals that it has achieved substantial success in organising the necessary supplies. The point is, however, made that if this initial success is to be fully integrated and exploited, the present *ad-hoc* arrangements will have to be converted into permanent features, and that for a rapid increase in agricultural output, greater reliance will have to be placed on institutional agencies for the distribution of improved seeds, fertilisers, implements, finance etc. Though the impact of the campaign was found uneven as between different parts of each State, it has apparently reached all categories of cultivators—an achievement which is indicative more of the receptiveness of farmers to new ideas than of organisational efficiency or of non-official support to the programme.

The case studies of successful Panchayats and co-operatives are even more revealing. The successful working of selected Panchayats has been attributed to their favourable location in respect of communication facilities, their contact with urban centres, the general prosperous condition of the village population and, above all, to a core of helpful leadership. Similarly, the success of selected co-operatives has been ascribed to their location, economic resources and commercial operations. The study also concludes that the co-operative movement would have better chances of success if it was linked up explicitly with the programmes for the overall development of the areas concerned. But there is, in respect of these bodies, an inner conflict.

Though energetic leadership forms the basis of success for these insti-

tutions, there is also the danger of such leadership stifling popular initiative and effort. A sort of inverse relationship is thus revealed between the leadership and members: the stronger the leadership, the weaker tends to be the sense of responsibility among the members. The success of the co-operatives, in other words, does not necessarily mean that the idea of co-operation has taken firm root.

Finally, the P E O's analysis of some aspects of rural unemployment would make uncomfortable reading to complacent panacea-peddlers. Here again, technical defects mar the reliability of the Report's quantitative estimates. Even so, there is enough material in the Report to warrant, if not prove, the statement that 'chronic or perennial unemployment is twice as large in magnitude as the extra seasonal unemployment among cultivators and agricultural labourers and three times or so among artisans'. Quite obviously, encouragement and revival of village arts and crafts is no remedy at all to the problem of rural unemployment. True enough, the dignitaries who conferred in Srinagar were not dealing with this question explicitly. But that does not mean that they can afford to ignore it and still expect the community development programme to revolutionise rural India.

Gas for Bombay City

REGULATION of public utilities ought, ideally, to serve the purpose of preventing the abuses of private monopoly powers and ensuring to the private operator a reasonable return, with the help of which he can expand production and satisfy an increase in demand. When either of these purposes is not served, it is the consumers who suffer, as demonstrated by the Chairman of the Bombay Gas Company in his address to shareholders, published elsewhere in this issue. The privileged few in the city, who have gas laid on for domestic or industrial use, continue to benefit from the pegging of the selling price of gas at a rate lower than that of 1926. Though increase in the scale of operations since then has tended to bring down overhead and distribution costs, the consistent increases in labour and raw material costs have more than offset this advantage. In consequence the Bombay Gas Company has been unable to satisfy the increasing demand for cheap fuel gas in the rapidly-

expanding metropolis. Even though gas production in 1959 was 57 per cent higher than in 1946, thanks to the installation of additional equipment in 1955, only 2,364 new gas connections could be given in 1959.

Sewage gas, produced by the Municipality, does not suffice even to meet its own needs. The bulk of the city's population depends upon kerosene while 33,000 prosperous consumers have turned to oil refinery gas which costs twice as much as coal gas. Both these, being oil products, make a draft on foreign exchange and accentuate the imbalance between the production and demand patterns of petroleum products. The pegging of gas prices can, moreover, hardly be justified on the ground of controlling the cost of living of low-income groups. They just do not consume gas and will not be able to do so as long as the Bombay Gas Company is obliged to supply cheap gas in limited quantities. Four successive Gas Advisory Committees have reported on the problem but failed to appreciate that pegging of the selling price while the costs are rising has not merely affected the financial position of the Company but also imposed an unnecessary burden on fuel consumers—as well as on foreign exchange resources. A reasonable adjustment in gas prices may make the privileged few grumble, but it will be a small price to pay for the benefits that they, along with new consumers, will be able to derive from the facility.

Letter to the Editor

Assam's State Language

A REPLY

SHRI S R Tikekar's criticism (in the issue of May 21) of my article *The State Language of Assam* is beside the point and, therefore, unfair. I expressed no opinion regarding Assamese language and literature. I agree that Assamese is a sweet language and Assamese literature is a fairly well-developed one. I also agree that if English, Hindi, Bengali or any other language is used as a second language for administration and education in Assam, the Assamese language cannot flourish. I expressed the opinion clearly that if the Ahamiyas insist that without Ahamiya as the language of the Government, they cannot develop themselves, they are certainly entitled to have it. These, therefore, are not the points of controversy.

The issue is different. If Ahamiya becomes the exclusive State language, what will the non-Ahamiyas in Assam do? The non-Ahamiyas of Assam are not birds of passage. They have not migrated and settled in historical times in Assam like "the Bengali-speaking minorities in Bihar, in Orissa and even in some of the bigger cities of U P". I fail to understand how a people, who constitute a little more than one third of the population in a State, living in six districts out of eleven, can claim to have their language as the State language without doing injustice to the other linguistic groups who form a little less than two thirds of the population living in five districts out of eleven.

Not to speak of the Bengalis of Cachar and Goalpara, there are the hill tribes like the Khasis, Garos, etc. Are they like the Bengali-speaking minorities of Bihar, Orissa or cities of U P? Will it be wise to brush aside their sentiments? If a linguistic group is allowed to form a separate State of its own, with its language as the State language, the Ahamiyas of Assam are certainly entitled to it. But in that case, are not the non-Ahamiyas equally entitled to have the State and the language of their choice? This is the problem which has to be faced and there is no escape from it.

Lastly, I did not try "to prop up an already weak case". I wanted to support the bold and statesman-like stand taken by Shri B P Chaliha, the Chief Minister. His contention is that unless the non-Ahamiyas demand to have Assamese as the State language, for benefits which the non-Ahamiyas expect to enjoy by making Assamese the State language, the adoption of Assamese will be unwise.

K C CHAKRAVARTI

Gurucharan College,
Silchar.
June 3.

Errata

Inequality of Indian Incomes

IN the above article by H F Lydall which appeared in the Special Number, a few mistakes crept in inadvertently. The figures in the last paragraph on page 873, instead of being Rs 990 and Rs 1,000 crores (in the first sentence) and Rs 980 crores (in the second sentence) should be Rs 9,900 and Rs 10,000 crores and Rs 9,800 crores respectively — *Ed.*

Our Delhi Letter

Third Plan Outline

THE Third Five-Year Plan is ready for its debut. The Cabinet has approved the draft, which has been sent to the Secretariat for a phraseological face-lift. By the time these lines appear in print, the draft will perhaps have been published for comment and criticism.

The pattern of development proposed under the Plan assumes graded priority, and the allocations support this. Proposals under different heads, in broad outline are:

Head of development	Allocations proposed for Third Plan (Rs. Crores)
Agriculture and community development	1,000
Irrigation	650
Power	900
Village and small industries	250
Industry and minerals	1,550
Transport and communications	1,450
Social Services and allied heads	1,250
Inventories	200
Total	7,250

First priority has been accorded to agriculture, and the injunction is that agricultural production must be increased to the highest level possible. Virtual self-sufficiency in foodgrains is visualised by 1965-66.

Distribution of outlay, especially in respect of agriculture, community development, irrigation etc., will be finalised only after details of the plans drawn up by the States have been examined by the Planning Commission in consultation with them. Provisional distribution has, nevertheless, been made so as to help the States to formulate their own plans. (Table 1, P 1016)

Programmes for the private sector are being drawn up over a wide field in consultation with Development Councils and similar organisations. Some of the major targets now proposed are shown in Table II. (P 1016)

Some other targets are: production of inorganic fertilisers to increase from 210,000 tons in terms of nitrogen at the end of the Second Plan to 1 million tons at the end of the Third Plan; coal from the

target of 60 million tons set for the Second Plan to 95 million tons; mineral oil on the basis of the present proved reserves in the Naharkatiya area, to account for 2.75 million tons of crude oil; power from 5.8 million kw. at the end of the Second Plan to 11.8 million kw. It is expected that 15,000 additional towns and villages will be electrified in the Third Plan period, bringing the total to 34,000.

The foreign exchange requirements of investment under different heads of development along with the amounts of investment proposed (public and private sectors together) are as shown in Table III. (P 1016)

Of the total investment of Rs 10,200 crores envisaged in the Plan, Rs 6,200 crores will be allocated to the public sector and Rs 4,000 crores to the private sector. Thus, investment under this Plan represents an increase of about 47 per cent over that of the Second Plan, the increase in the public sector being of the order of 66 per cent. Under the Second Plan, investment in the private sector had been initially placed at Rs 2,400 crores; this estimate was subsequently revised to Rs 3,300 crores. Against this, investment under the Third Plan in the private sector represents an increase of 27 per cent.

Total export earnings over the Third Plan period are estimated at Rs 3,450 crores, giving an average of Rs 690 crores a year as compared with Rs 576 crores in 1958-59 and Rs 645 crores in 1959-60. Exports in the first year of the Third Plan

are estimated at Rs 651 crores. With the increase in levels of production expected in the Third Plan and the continued effort to step up exports, it should be possible to look forward to a steady rise so that export earnings reach Rs 737 crores by the end of the Third Plan period. In fact, the aim should be to reach even higher levels of export. Repayments to be made in the Third Plan period against obligations incurred by the end of the Second Plan will come to about Rs 420 crores. Besides, some repayments may fall due in respect of loans to be obtained under the Third Plan. Taking into account other capital transactions, mainly on private account, net disbursements may be taken at Rs 506 crores on capital account.

Deducting disbursements on capital account just mentioned from the earnings on exports and invisibles, the balance left for financing imports will be Rs 3,070 crores. Against this, the inescapable imports of raw materials, intermediate products, foodgrains in the course of normal marketing, capital goods for replacement etc. will amount to Rs 3,570 crores. This means that there will be a deficit of Rs 500 crores, which is about equal to the repayment of loans to be met before considering requirements of the Plan itself.

The gap in the initial years is expected to be particularly large because of heavy repayments falling due. The gap should narrow thereafter as larger outputs from projects in hand, such as those relating

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to iron and steel, machine building, drugs and chemicals etc. become available. It should not be forgotten, on the other hand, that in the import saving that takes place, the economy or saving will be offset in part by the increased need for new types of import as the economy develops.

Internal resources available for financing the Plan outlay in the public sector, as now thought of, is shown in Table IV. (The anticipated contribution of each source towards the financing of the Second Plan is also indicated for purposes of comparison).

If anyone thought that attempts at planning, like accidents, affected only other people, here is evidence that it is not so: there is provision for additional taxation of the order of Rs 1,650 crores in the next few years.

Rural Electrification

BY the end of the Second Plan, 17,400 villages and small towns, with a population of less than 10,000, will have been electrified. During the Third Plan, another 15,000 villages and towns are expected to be electrified. In 1955-56, only 7,400 villages and small towns had electricity.

The bulk of the 8,873 villages and towns electrified up to March 31, 1959 get their supply from grid mains. The remaining centres are supplied with power, mostly by individual small diesel stations. In hilly areas hydro-stations of capacities of 25 to 50 kw have been planned. These isolated small generating plants would also serve as pilot stations for building up load in the area.

Most of the materials required for rural electrification, such as insulators, conductors, distribution transformers, are being manufactured in the country. Only switchgears and lightning arrestors are at present imported. The Heavy Electrical Plant at Bhopal, which will go into production in the Third Plan period, will make the country self-sufficient in these items.

For line supports, efforts are being made to procure, treat and utilise wood poles. Wherever these facilities are not available, concrete poles, manufactured in the country, are being used.

Table I

	Total	Rs. Crores Centre	States
Agriculture and community development	1,000	150	850
Irrigation	650	5	645
Power	900	100	800
Village and small industries	250	100	150
Industries and minerals	1,550	1,520	30
Transport and communications	1,450	1,225	225
Social services	1,250	300	950
Inventories	200	200	—
Total	7,250	3,600	3,650

Table II

	Annual Production	
	1960-61	1965-66
Aluminium ('000 tons)	17.0	75.0
Cement (million tons)	8.8	13.0
Paper ('000 tons)	320	700
Sulphuric acid ('000 tons)	400	1,250
Caustic soda ('000 tons)	125	340
Sugar (million tons)	2.25	3.0
Cotton textile (mill cloth million yds)	5,000	5,800
Bicycles (organised sector '000 nos.)	1,050	2,000
Sewing Machines ('000 nos.)	300	450
Automobiles (nos.)	53,500	100,000

Table III

	Rs crores	
	Investment	Foreign exchange requirements
Head of development		
Agriculture and community development	1,450	35
Irrigation	640	45
Power	950	260
Village and small-scale industries	435	40
Industry and minerals	2,550	1,360
Transport and communications	1,650	310
Social services (including construction)	1,725	100
Inventories	800	—
Total	10,200	2,150

Table IV

	Rs crores	
	Second Plan	Third Plan
Balance from revenues on the basis of existing taxation	—100	200
Contribution of the Railways on the existing basis	150	150
Surpluses from other public enterprises on the existing basis	(included in 1 above)	470
Loans from the public	800	850
Small savings	380	550
Provident funds, betterment levies, steel equalisation fund and miscellaneous capital receipts	213	380
Additional taxation, including measures to increase the surpluses of public enterprises	1,000	1,650
Budgetary receipts corresponding to external assistance	982	2,200
Deficit financing	1,175	550
Total	4,600	7,000

Letter from Tokyo

Demonstrations in Japan

William H Newell

June 12

THE Japanese language has a remarkable facility for incorporating words from other languages into its own common usage. One of these words is *demo*, from the English word 'demonstration.' To make a demonstration is a recognised method of behaviour in Japanese society. Associated with demonstrations are also traditional symbols such as wearing a white cloth around one's head, a custom adopted from samurai times to signify unshaken determination.

The demonstrations recently held in the main towns of Japan and especially in Tokyo have, however, been on a wider scale than any which have been held in Japan since before the war. They have been marked by snake dancing, long columns of demonstrators passing from side to side of the road so as to completely block the traffic, excellent organisation and, for the most part, an absence of violence by the majority of participants. It is true that some who belong to a special section of the Zengakuren Students' self government associations are especially concerned in violently opposing the police and the government but they have, for the most part, failed to take the majority of people with them.

VISIT NOT PURELY FRIENDLY

Yesterday (June 10th), Mr Hagerly, press secretary to President Eisenhower, was completely besieged by groups of demonstrators on his way from the airport so that his car was unable to proceed and he had to travel the last part of the route by autogyro. No damage was done to either American ambassador MacArthur or to Hagerly but the latter's car was slightly damaged. But this is not to say that at any moment violent anti-American demonstrations may not break out. A very small minority of Fascist-like right-wing groups are providing themselves with sticks and knives. On one occasion they deliberately rushed their car into the midst of demonstrators in a very ugly way. It would only require a small spark to ignite a violent anti-American demonstration.

The opponents of Mr Kishi are very numerous at the present time. The majority of them have expressed their opposition to the arrival of President Eisenhower at this time on the grounds that the method used by Prime Minister Kishi to ratify the Security Pact was extreme. They believe it wrong to use President Eisenhower as a political tool to support the present Japanese government. It was unreasonable to claim that his visit to Japan was purely friendly when the day he will arrive in Tokyo, the 19th June, is also the day that the Mutual Security Treaty becomes binding.

ZAIBATSU VS SMALL BUSINESS

This is not to say that many, if not most, of the present opponents of Mr Kishi are not also opposed to the Treaty. But this issue of undemocratic procedure has succeeded in uniting a much wider group than would be possible under almost any other slogan. Some of those opposed to the ratification of the Treaty at this time include some members of the Liberal Democratic Party itself. Within the ruling Party the division to some extent runs along economic lines. The principal supporters of the Prime Minister are the big *zaibatsu* (although this as a generalisation is not entirely true as several have withdrawn financial support in the last few weeks). The *zaibatsu* consist of the large traditional houses dealing with large scale industry. Much of their product is sold to the United States and they would have a great deal to lose if there were greater customs discrimination against Japanese goods in the United States. The principal opponents of the Prime Minister within the Liberal Democratic Party are those small businesses and groups who are unable to sell their goods to the United States through lack of resources and who hope that if Japan becomes closer to the Peoples' Republic of China it will open new marketing opportunities.

Since the War there has been a widening gap between these two groups of Liberal Democratic supporters. Incidentally, the very low

wages supposed to be typical of Japanese industry are found almost entirely in this second group of more inefficient industries. The large *zaibatsu* industries have wages and working conditions comparable to other fully industrialised nations. It is among this group that the principal supporters of the Prime Minister are to be found.

NOT FOR NEUTRALISM

It would be a mistake therefore to think that the present anti-Kishi demonstrations are in any respect a demonstration by Japanese to become neutralists in the Indian sense of the word. What is desired is friendship with whatever block can offer them the most at the moment and by tying themselves firmly and irrevocably to the American block, they will lose this power of manoeuvrability. The Presidentship of the Japan-America Society is held by Mr Yoshida, ex-Prime Minister, just as the Presidentship of the Soviet-Japanese Friendship Society is also held by another important member of the Liberal Democratic Party. As the wind blows so may one or the other attain a priority in control. But there is absolutely no feeling in Japan for neutralism as a policy.

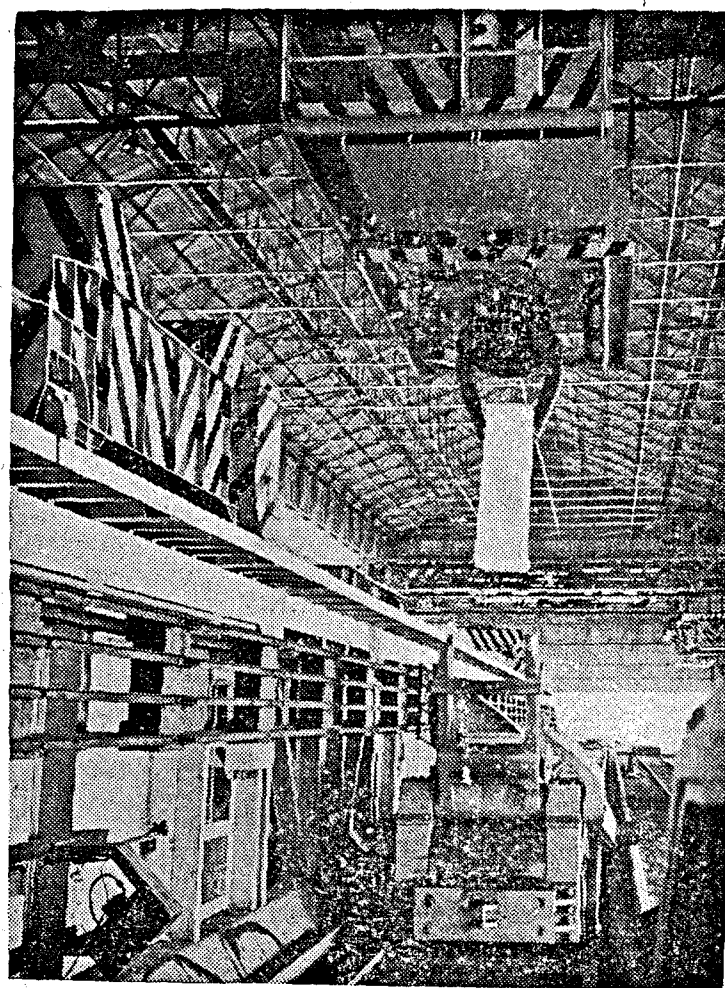
During the course of the next week, demonstrations will continue. It would be disastrous if the extreme left and right were able to use the genuine feeling of many groups against the Government of Prime Minister Kishi into a violent anti-American demonstration, a demonstration which I am quite sure does not represent the true feeling of the country at large.

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Letter from Moscow

A New Approach

Samar Sen

June 11

THE scars of Paris are healing. The post mortem on the abortive Summit is almost over. The plan for disarmament with control now occupies newspaper columns. The refrain is: Soviet Russia has time and again proved her bonafides, it is for the West to act. Foreign reactions to the disarmament plan are featured on the front-page. There is no attempt to soft-pedal the difficulties ahead. A new approach to international affairs is evident in the Soviet press. Before May 16, Soviet newspapers seldom carried comments critical of, or lukewarm to, Russian policies. But the other day long extracts from the Indian press were published. Some of these did not go in for outright condemnation of the USA for the Summit breakdown, and one, referring to the announcement that the Russian Rocket Force has been asked to hit back if Soviet air space is violated, even described it as a 'threat to peace.' Another declared that, until the two armed giants met on equal terms and with anxious intentions to settle their disputes, the world would have no respite from tension. All these were published without comment.

The U S Senate inquiry into the U-2 and the Summit collapse was carried in detail. The Russian reader had no doubt that the State Department had engineered an atmosphere to sabotage the Summit. But at the same time, another aspect of the American scene became clear: In that land of monopoly and warmongers, an inquest can be held into governmental policies, masks can be torn off and the most important findings made public.

Debates on foreign policy are not unknown in the Soviet Union. But these take place in the Council of Ministers. Once the policy is laid down and announced, no criticism, I mean no public criticism, is ever heard. There is only a chorus of approval. To each people their own system. And the monolithic system pays.

A few days after his death, I came to know that Pasternak is no more. A Russian friend who attended his funeral said many friends and

admirers were present. And a large number of journalists. So many cameras clicked that people felt uncomfortable. *Pravda* or *Izvestia*, so far as I know, did not carry anything about Pasternak. A very short news-item appeared in the *Literary Gazette*. This lack of charity was painful.

One of the last things that Pasternak did was to translate a poem from 'Khanika'. Contrary to earlier reports, he had agreed to translate some five hundred lines from the earlier lyrics of Tagore. But time ran out. The play which he was writing and which would have been staged in Moscow remained unfinished. This play might have retrieved his position and secured him an obituary in the more important Soviet papers. But he will live in the memory of his close friends as a lonely, bitter eagle in his later days, as a brilliant translator and a poet who did not care to be understood by the people. Most of the front-rank intellectuals made peace with the Revolution; Pasternak made peace and then broke it. But he was loyal at least to his concept of the Russian people.

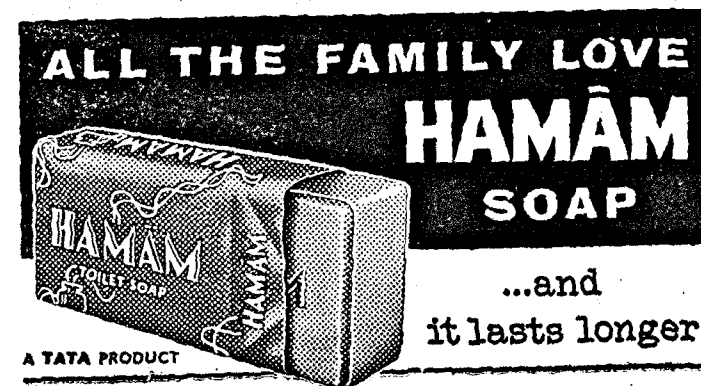
I am reminded of a Russian priest who, after twenty-five years of dedication to God and the Church, gave up his unworthy vocation a few days ago and published a longish statement explaining his decision. He is parallel to Pasternak in reverse. He had renounced the Revolution for Religion under the influence of his up-bringing. But as the years passed, he realised that he was not need-

ed by the workers and builders of a new way of life. Every man, at a certain moment in his life, he says, comes face to face with himself and asks himself what he is living for. He asked himself and there was no answer. The isolation from the swift current of Soviet life was unbearable and he decided to break with the Church. He says he has now come to the people.

From June 1 all foreign planes are landing at Sheremetyova. It's a pity. The road from Bnukova to Moscow — fields stretching to the horizon, forests and then, all of a sudden the spectacular sight of a great city building in earnest — gained the Russians a propaganda victory. The first impressions of a traveller count a great deal. The new airport building is smaller and congested; at least it used to be like that until the end of February. The approach to the city has little enchantment. But air traffic at Bnukova has increased so much that the Russians had to divert some of it.

This year, as part of the drive for greater trade contacts with foreign countries, about 30 foreign exhibitions will be held in various towns of the USSR. The Japan Export Trade Research Organisation is arranging one — the first Japanese exhibition in the Soviet Union. There will also be a British Trade and Industrial Exhibition. A British Plastics Exhibition is already on.

The Russians hope there won't be another U-2 'exhibition'.



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CHILDREN'S SPECIAL

London - Bombay - Calcutta: Sunday, 24th July 1960

Calcutta - Bombay - London: Monday, 12th September 1960



AIR-INDIA

Britain and Europe

End of Another Round

THE search for a *modus vivendi* between West Europe's two trade blocs has ended abruptly. Nothing of substance has come out of the much publicized 20-nation trade committee which met in Paris last week. The background to this abortive search presents an illuminating study of the problems which continue to remain, the prejudices that exist and despite these, the refusal of Britain to countenance its isolation in Europe.

The events leading up to the Paris meeting of the 20-nation trade committee gave the impression that for once there existed a meeting of minds between the two trade groups, the European Economic Community (EEC) and the British led, European Free Trade Association (EFTA). Both groups had their Ministerial Council meetings (in April and May) and both issued declarations which suggested an apparent willingness to negotiate a settlement. What form that settlement was to take was never made clear. There were various rumours and press comments, most of which were conflicting in content. There was talk of Britain's entry in the European Coal and Steel Community and the European Atomic Energy Community. The possibilities of a customs union between the two trade groups was widely canvassed in the press. The wreckage of the Summit was seen as favouring a settlement in West Europe and reports from Washington suggested that the U S Government was no longer hostile to the search for a solution.

REAPPRAISAL IN GERMANY AND IN BRITAIN

Out of all these comments and declarations, two trends were clearly perceivable which in themselves suggested that something like a new situation conducive to a settlement had come into existence. In the first case, it had become evident that the countries of the EEC had gone some way towards creating the Common Market and their customs union and were seriously directing their efforts towards accelerating the pace of the economic integration of the Six countries. In the process,

they came up against certain difficulties which may very well suggest the emergence of a certain conflict of interests within the EEC. For once the West German authorities, new supported significantly by the bankers, are concerned about the future of their exports to the markets of the non-Six region of Western Europe. Further, the West Germans were beginning to see considerable disadvantages in any policy which isolated Britain further at a time when East-West relations were in a state of disarray. The dangers of a British inspired movement towards a *detente* with the Soviet Union have always worried the Bonn Government.

The other trend was the reappraisal of policy in Britain. This was evident in the statements made by Government officials and Ministers. There was earnest talk of a possible British accession to some of the West European communities, that the problem of Commonwealth tariff preferences "though formidable was not insoluble," that the EFTA was not critical to Britain's policy and that it could be expended should negotiations with the EEC begin. Mr Antony Nutting, the ex-Minister, had published a book on European integration and had shown the alleged folly of British policy in withdrawing itself from Europe. The favourable reception given to this book clearly indicated the movement towards a revised policy. For the first time a customs union solution was openly canvassed by British official spokesmen and there were reports that Britain's negotiating team at the Treasury and the Foreign Office had been replaced by officials more amenable to the idea of European co-operation and integration.

LISBON MEETING

These trends were quickly reflected in the rapid agreement among the two groups to meet. A 'declaration of intent' to negotiate was made by the Council of Ministers of the EEC on April 29. The Ministers of the EFTA meeting in Lisbon 10 days later accepted the invitation to negotiate without any conditions

attached. A meeting was agreed through the 20-nation trade committee — the re-formed OEEC — with US participation in Paris early in June.

The Lisbon meeting of the EFTA Council of Ministers strongly suggested that Britain's policy was in the process of revision and that the climate, was fast changing. It was held after the decision of the EEC to postpone the implementation of its acceleration plans and after the Commonwealth Prime Ministers' Conference and the abortive Summit. The British Prime Minister, alluding to the Summit, informed the House of Commons that "the prospective negotiations between the two groups have become more urgent but perhaps less difficult because of the Summit failure." The significance of the Lisbon meeting lay in the fact that for the first time at official level the possibility of a customs union association with the EEC was discussed and given wide currency. This fact revealed at the same time that what Britain was now hoping for was a major confrontation of all outstanding issues that separated the two trade groups and negotiation of a settlement on what the Lisbon meeting called "long-term problems". This latter point appears important when related to the outcome of the meeting of the 20-nation trade committee last week.

TO POSTPONE ACCELERATION

The more one examines the content and meaning of a *customs union* the more is one driven to the view that the British authorities are merely employing this concept to prise open the EEC and to enter into long-drawn negotiations to postpone the final implementation of the EEC's acceleration proposals. A customs union while limited by definition to the removal of internal tariffs and the erection of a common tariff system on trade with the outside world, does presuppose a logical movement towards an economic union i.e. a willingness for integration in various fields, especially in economic and financial policy. This presupposition was at the heart

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of the Rome Treaty and hence the immediate acceptance by the members of the EEC of the revolutionary aim of economic integration.

For Britain, however, any consideration of association with West Europe is being limited to a customs union. But even here the difficulties are so great that the idea of customs union is not seriously held by the authorities in Whitehall. What are these difficulties?

First, the adoption of a unified external tariff *ipso facto* involves a dismantling of Commonwealth preferences unless the Commonwealth is to be brought into the customs union and this is hardly likely.

Secondly, is Britain prepared to go beyond industrial products and into customs union involving agricultural products as well? The *Times* has commented recently (May 30): "From the British Government's point of view, any settlement with the Six must be fraught with political difficulties. There are questions here that touch on fundamental national interests and a multiplicity of smaller national interests. All British governments since the end of the war have entered fully into European organisations only on the basis that it involved no surrender of sovereignty and this is going to be the sticking point for any government we are likely to have."

When it comes to these questions, no answers are forthcoming from British spokesmen and where they speak with some authority, the answers inevitably are framed in terms of maintaining the cohesion of Commonwealth preferences.

CONDITIONS OF SETTLEMENT

The impression is obtained that with the EFTA now firmly 'around Britain's neck', the possibility of a customs union association with the EEC is feasible only on three conditions for Britain:

- That if there were a customs union, the external tariff level must not only be low enough to match the low tariff levels of the Scandinavian countries, but also that provision be made to safeguard the right of Commonwealth exports to enter freely into the U.K.
- That while the political designs of the Six are recognised, the customs union must not involve integration in non-

tariff fields and there should be no surrender of any sovereignty.

- That the United States and GATT do not object to this type of customs union arrangement.

There is additionally the problem (for Britain) of including the trade in agricultural products, in the customs union.

'FORMIDABLE DIFFICULTIES'

With regard to the first of the three problems, mention has already been made that the Conservative Government is most unlikely to allow any association with the Six which *ipso facto* involves a dismantling of the Commonwealth imperial tariff preference system. It is true that British civil servants (working on this problem) are showing some inclination towards such an association but at the political level the direction of policy is one which Mr Macmillan has pronounced. For this reason then, there has been much inspired comment in the British press that "the Six have shown a slight easing of their position on Commonwealth free entry and Commonwealth preference". (*Times*, May 27) This is, of course, wishful thinking.

With regard to the second, no departure of policy involving a surrender over sovereignty in economic policy is in fact being contemplated. As Mr ACL Day has noted recently,

"to the Seven, consideration of a customs union seems an immense concession. But it is quite clear that for the Six even a full customs union would not be enough; for Britain to hope so would be to continue in the old British misconception that the Six are primarily a trading bloc . . . to reach agreement we shall have to agree to economic integration with Europe".

And this is definitely not contemplated for as the British Minister, Mr Maudling stated, "the formidable difficulties we see in a customs union remain unchanged".

U S REACTION

The question of U.S. reaction to a customs union even involving the Commonwealth is highly relevant. The U.S. does not and will not tolerate a vast area of discrimination against U.S. exports. Neither does the U.S. accept the often-expressed British view that the trade conflict

in West Europe will lead to a political undermining of the Western political and military system. Mr Douglas Dillon has pointedly declared that "we (in the U.S.) do not share the belief of some of the Seven that the mere creation of the Common Market would inevitably cause such trade difficulties that Europe will be split in two."

Hence, the dominant impression one obtains is that while the motions of a policy reappraisal were visible in Whitehall, the use of the term 'customs union' had been part of a kite-flying technique aimed at committing the Six to another round of negotiations on the long-term problems created by the Common Market. And this, as the Paris meeting of June 10 suggests, did not work.

TRADE DIVISION

As for the EEC their intention in calling for renewed negotiations becomes clear from the problems of West Germany. For what basically moved the EEC Council of Ministers in April to postpone the acceleration plan and to issue a declaration of intent to negotiate was the West German plea that the coming into force of the first 20 per cent cut in tariffs among the participants in the EFTA would deflect trade in West Europe to the disadvantage of West Germany and that this should be avoided.

West Germany exports as much to the EFTA region as she exports to the rest of the EEC. What is now likely to take place with the internal tariff reductions in the EFTA is an appreciable diversion of demand in Scandinavian countries from West German sources to Swiss, Swedish and British sources. For example, within the group of industrial products of machinery and transport equipment, there is a chance of trade diversion in favour of Britain taking place. In the chemical group, Britain and West Germany are on broadly equal terms in Scandinavian markets, so Britain should have good hopes of trade diversion here as well.

To overcome this trade diversion has become a primary occupation of the West German authorities and they have secured the support of the EEC Council of Ministers.

What now appears to be the issue over which the EEC has decided to negotiate is this 'trade deflection.' Already in November 1959, the EEC offered to negotiate this question,

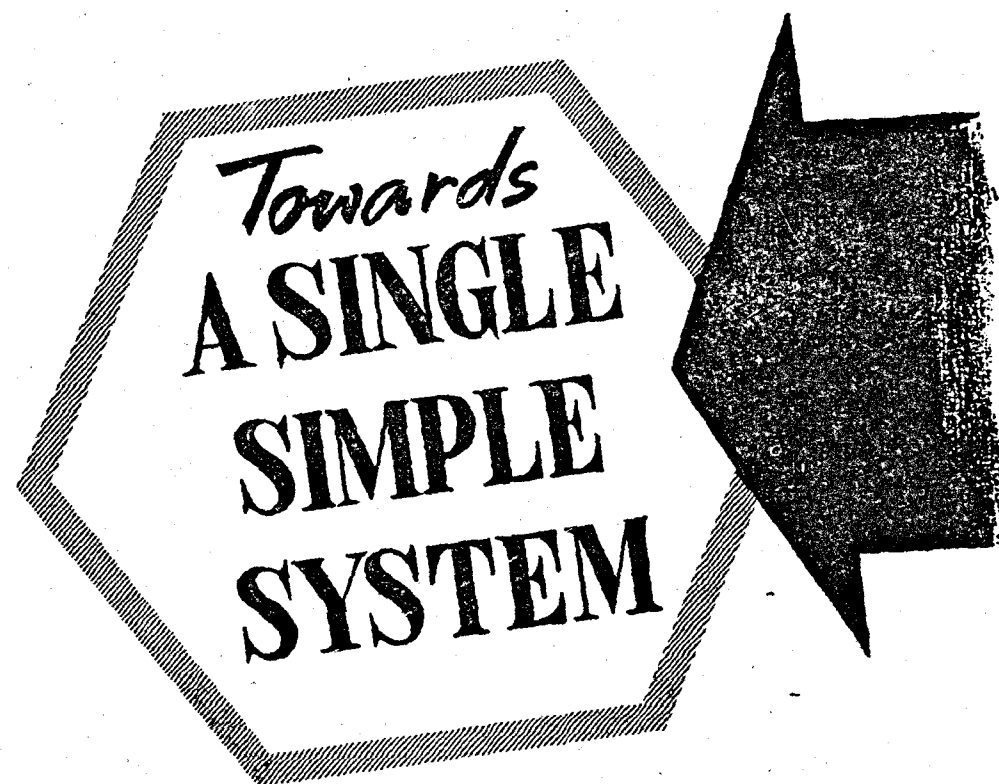
Then the proposal was that the two organisations should study and list those commodities which "habitually enter into each of their trade" and to negotiate tariff concessions for precisely those goods so that there is no danger of trade deflection occurring.

The most important implication of any such negotiations is that the EEC is in fact prepared to work

for a free trade area for those particular products which have traditionally entered the trade of the Six and Seven and no more. For Britain this is not enough. The Paris meeting reflected this in no uncertain manner. The EEC acting as a group rebutted Britain's overtures for a long-term solution by suggesting that a study group should examine the tariff changes in West

Europe with a view to negotiations within the framework of GATT.

And so another round in the extremely complicated economic struggle in West Europe has come to an end. What this round has shown is that while Britain is moving towards a more flexible policy, she has not reconciled herself to the fundamentally integrationist aims of the EEC.

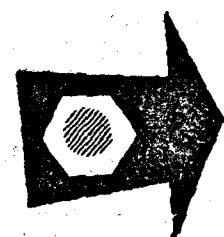


Another major step has been taken towards the goal of establishing a single, simple system of weights and measures in the country.

On October 1, 1958, Metric Weights were permitted in selected areas of the States and Union Territories. In these areas, only Metric Weights will be legal from October this year.

From April 1960, Metric Weights are allowed also in the rest of the country excepting Jammu and Kashmir.

Metric Weights will become compulsory throughout the country by April 1962.



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Book Review

International Conflict and Peace

Basanti Mitra

International Law and the United Nations by Quincy Wright. Under the auspices of the Indian School of International Studies, Asia Publishing House, New Delhi, 1960. Pp 134. Price Rs 11.25.

THE role of international law is one of moderation according to principles accepted by State practice—of the free inter-play of power rivalry inherent in the State system. The United Nations, and the League of Nations before it, have had to contend with policies of States over which they have had little control, exercising at the same time a restraining influence on the strength of the principles enshrined in the Charter and the Covenant. To effect a balance between politics and the rule of law is to maintain peace, but both organisations have been seriously limited by the structure of relationships amongst the Great Powers on which hinge their strength and weakness. In *International Law and the United Nations*, Professor Quincy Wright recognizes, in the first instance, that avoidance of war rests not on the strength of the United Nations, but rather on mutual fears.

The author considers that a political interpretation of the Charter as in a constitution is not necessarily harmful, for the United Nations is a social institution and must have ample room for development. The Charter is not the United Nations but only its fundamental document. As regards interpretation, he observes, "Judicial interpretation, because of its authority, its precision and the rationalisation inherent in the judicial process, closes the door to future development more than does political interpretation." (p 37) He thus leaves the door wide open for a broad acceptance of the principles of natural law and the development of the General Assembly when the Security Council is hamstrung by the veto, for a strict legal interpretation of the Charter may have limited flexibility in procedures and reduced the United Nations to ineffectiveness.

Apart from the fact that the United Nations Charter creates pledges which go beyond the bounds of traditional international law, the modern trend in the law of nations is a widening of horizons towards the rights of individuals and strengthen-

ing of the international community. For both purposes international law enters the domain of domestic jurisdiction jealously guarded as being within the sovereignty of States.

The very wide obligations in respect of human rights and social welfare in the Charter enables the General Assembly to criticise actions of States which it regards to be in contravention of the Charter; but since the scope of the General Assembly is limited to the power of recommendation, the principles embodied may only serve as an international standard till States have implemented them by legislation.

Of great importance is the right given to all members of the United Nations to foster, as a sacred trust of civilisation, the well-being of inhabitants of non-self governing territories. The General Assembly is thus given the power to criticise the metropolitan country for lack of progress, including promotion of self-government, in dependent areas. The colonial problem, long considered a domestic matter, is now within the sphere of international law, creating rights and obligations. The League had made no reference either to racial equality or self-determination in the text of the Covenant; and the mandates system, which broke new ground in dependency administration, applied exclusively to former colonies of Germany and Turkey.

In considering the trusteeship system and its advanced methods of supervision relatively to that of areas under the mandate, one notes with interest the right given to individuals, the inhabitants of trust territories, to petition the United Nations.

It is clear that the field of domestic jurisdiction is likely to change with the development of international law and the environment in which additional international obligations are accepted; therefore, in interpreting a member's rights in a dispute, the author would like the International Court of Justice to be the final arbiter. In the case of a civil conflict threatening international peace and security, the political organ

should be given the power of decision in accordance with present practice.

But the task of international organisation is not merely the promotion of rights, but the prevention of war. Since the time of Hugo Grotius there has been speculation on the question of a just and unjust war, but the United Nations Charter itself makes no effort to define aggression. An attempt was made at the time of the League of Nations, in the Geneva Protocol in the direction of prohibiting the use of force. Over every possible dispute, States were to be under an obligation to use procedures of pacific settlement and in the event of a State resorting to hostilities without arbitration, it was to be designated the aggressor. The Protocol was never accepted by members of the League.

The Charter leaves the Security Council to decide whether a threat to peace, a breach of peace or an act of aggression has occurred. Professor Wright would like to see in the Charter a more definite commitment, and he advances the view that a State which has refused to comply with provisional measures, such as a cease-fire order, may be regarded as the aggressor. A clarification may always appear helpful, but unless the United Nations or its members are prepared to use force, a recommendation by the General Assembly would merely amount to recording the fact. The General Assembly declared the Soviet Union an aggressor in Hungary in 1956, but could do little about it.

Another difficulty, an increasing concern of mutual assistance pacts, is subversive action by a State in the territory of another, generally known as 'indirect aggression'. In such a case the inherent right of individual and collective self-defence (Article 51) is said to operate although the Charter presumes that such right prevails only when there is an armed attack. One would have liked a further clarification of this controversial Article on the lines of the author's note on United States' Intervention in the Lebanon, in the

American Journal of International Law, 1959, for Article 51 may turn out to be a serious poser in the Charter. Professor Wright deplors the exaggerated development of NATO and the Warsaw Pact, prompted in large measure by General MacArthur's attempt to cross the thirty-eighth parallel in Korea in 1950, which ranged the Communist forces against the United Nations.

The impetus towards regional pacts sprang from failure of the collective security system under the Charter, for the condition regarding the concurrence of the Big Five, essential to the system, is not likely to be fulfilled. The Uniting for Peace resolution permits such action by the General Assembly. But it was initially opposed by the Soviet Union though later it accepted the principles underlying the resolution in the Suez crisis of 1956 and the Lebanon emergency of 1958.

In his concluding chapter, Professor Wright points out the dangers and benefits of a review conference. The stress of international tension and the temptation to yield to propaganda moves have to be weighed against the educative value of such a conference. The role of the United Nations in world affairs can be effective only if pressure is exercised by

public opinion in each country to strengthen the legal framework of the organisation. One is somewhat puzzled to find that the author has very little to say on the acceptance of compulsory jurisdiction by the International Court or the reservations made in regard to the optional clause. In view of the India-Portugal case on rights of passage, his opinion on reservations to the optional clause might have been enlightening.

Without formal amendment, the United Nations has developed procedures to mitigate the power of the veto. The use of mediators and commissions of conciliation, the development of the Central Assembly and the increasing use of Article 51 have had their impact in the direction of effectiveness rather than of inaction. At the same time, the author warns against the opinion entertained by some non-official groups in the United States that it would be better to strengthen the United Nations even at the risk of withdrawal of the Soviet group of States, for such policy would be against the nature of the concert inherent in the United Nations system.

In tracing broadly the fundamentals of the United Nations and its development for the Indian

reader, the author emphasises aspects of an international organisation not often taught or appreciated in India. However, Professor Wright is at his best in a close analysis of specific problems, and those who are familiar with his ideas on the status of Communist China, intervention and the right of self-defence, where he illumines with the light of reason, may miss such keenness of perception in the present volume.

The book may be heavy going for those unfamiliar with the texts of the Covenant and the Charter, but with a companion such as *The United Nations: the First Ten years* (ed A B Wortley, University of Manchester, Manchester, 1957), it may be easier to appreciate the values of the United Nations. To the Indian reader, texts of United Nations resolutions, such as the one on Uniting for Peace, may be helpful. Writers in the United States like Quincy Wright, Grayson Kirk and Leland Goodrich, among others, in their efforts to foster a United Nations viewpoint, create the atmosphere of Woodrow Wilson's idealism. But, unhappily, till the United Nations means something to the peoples of the world, the balance will be held by realists trying to maintain peace with justice.

The Unhappy Utopia

—J P in Wonderland

W H Morris-Jones

IT is nearly a year since J P Narain made available for discussion his paper "A Plea for Reconstruction of Indian Polity". I do not know how he feels about the reception accorded to this document, but if I were in his place I think I should be a little disappointed.

Discussion of a kind has no doubt taken place — in conference rooms, drawing rooms and common rooms, in London and Oxford, Bombay and Delhi. It may even be true, as Delhi rumour had it, that some of J P's suggestions were being sympathetically entertained among highly placed officials of certain Ministries. On the other hand, various parts of his argument have been subjected to rough handling in the informal debates.

SYSTEMATIC SOCIAL THEORY

The one thing that seems not to have happened is a serious examination of his ideas as a whole;* it is this which I feel is a little hard on J P. For what he seeks to put forward is nothing less than a comprehensive social philosophy. His own title is, if anything, on the modest side: even more than 'polity' alone is at issue here. One only has to look at the range of authors from whom he quotes — economists, psychologists and political scientists as well as general publicists. And if it be said — as indeed it is not unfair to say — that J P has borrowed heavily from others, many replies can be given. One is that his debts are honest ones, openly acknowledged. Further, who among us anyway does his work without borrowing? J P certainly makes a selection that is all his own and it is, moreover, a selection which he has digested and made coherent. This, it seems to me, is already more than anyone else has done in this field in post-independence India.

Here, then, is a systematic piece of social theory. We should be grateful for something so precious and rare and the most fitting way

to express this gratitude is by taking its claim seriously and giving it careful examination. That is a task beyond a short article, but I should like to make a beginning here — and to do so by discussing two of the key notions in J P's thesis: 'participation' and 'consensus'.

PROPHET BLINDED BY HIS LIGHT

First, however, I must draw attention to an interesting general aspect of J P's thesis. J P's modesty and humility as a person are well-known and find expression when he engages in conversation about his thesis: he wants to know what others think and he invites criticism. We find this stated in the Preface to his thesis: "the ideas and proposals herein expressed are in the nature of tentative suggestions to serve as a basis for discussion". At the same time those who have talked with J P often have the impression that his mind is not as open to change as this way of putting things implies. Criticism in practice does not seem to have any marked positive or constructive effect. The critic retires feeling that his points have not only not been met but have scarcely been received, and he wonders whether J P is not, despite all the modesty of manner, a prophet blinded by his light rather than a seeker who genuinely welcomes co-operation.

I leave the psychology of this on one side, but it is possible that the puzzle is solved if we take note of another feature of J P's approach: his emphasis on the importance of being 'scientific'. Now 'scientific' can refer to an attitude which comes very close to that which is associated with modesty by temperament: an engerness to throw one's hypotheses open to questioning and correction, a willingness to believe one is mistaken. This is indeed the method and mood of science. But 'scientific' can also be used in a way which has a contrary tendency: to set a seal of sanctity on a particular view, to emphasise its unchallengeability, to confer the status of Truth, and to exorcise doubt.

SCIENTIFIC?

There is something of the latter in J P. It probably derives in part

from his Marxist past which in so many interesting and important ways remains with him still. For Marx certainly used 'scientific' in an imprecise way and for prestige effect. He, the first scientist of society, had thereby uncovered The Truth and others were so evidently in error. In Marx Science is turned neatly into its opposite — Dogma. J P has something of this tendency — as when he claims for his ideal polity that it is "not only most suited to us but also most rational and scientific".

That J P uses 'scientific' to endorse one particular view rather than to mean a mood in which many views are examined is also indicated by his pronouncement that 'Western polity' is contrary to "the scientific organisation of society". (What does that mean?) It also seems that J P is still holding on to Marx's hand when he finds it possible to talk of the principles which he advocates as (a) "in line with the natural course of social evolution" (who tells J P which course is 'natural'?) and (b) "more valid from the point of view of social science" (what makes J P so sure that there is a single body of knowledge called social science that can, as it were, award marks to various sets of principles — and put his own top of the class?)

TRUE DEMOCRACY

But Marx is not alone to blame. In some measure J P is merely sharing the modern Indian worship of modernity. It is one of the important features of contemporary Indian thought that it seeks to combine a sentimental attachment to the supposed character of ancient Indian polity with an equally sentimental worship of all that is 'advanced' and 'scientific'. The day before yesterday and the day after tomorrow are full of wonder and joy; only today is vile. J P is very much a spokesman for his people in all this. What could be finer than to link the envied science of the West with India's glorious past? (Actually J P goes one better: in the name of respected 'science' he is able to expose the actual Western world as an unworthy failure and



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*An exception is the able little article by C R M Rao in the *Hindustan Times* of March 6.

"When I was
very young...
good-looking
and adventurous..."



It was the 1880s—the place was Assam.

At that time these strange creatures, human beings, were all over the place here busily unearthing some black stone they called "coal". They started putting mile after mile of iron rails on the ground just to carry these ugly looking rocks. Left to me, I would have carried them on my back—that's self reliance! All the same, I used to help them build the railway.

One day, on my day off from work I took a stroll into the forest. I remember splashing through some dark sticky fluid during my walk and when I got back I got quite a reception!

It seems that I had discovered something they called OIL. From that minute on there was no peace, and for the past 70 years the pace has been hectic here at Digboi: they have drilled about 1,000 oil wells in this time.

I casually asked one of the AOC workers why they are so interested in oil. He told me that *oil is vital to Indian Industries*, and that Digboi is the first commercially producing oil field in the country.

ASSAM OIL

Serves the nation

traitor to the science cause.) Along this road too we reach Science as God-like dictator, not Science the questioner. J P is only one of the more distinguished victims of the paradox of Science as magic-maker.

When J P discusses democracy he expresses ideas that will be readily endorsed in India. This is part of the importance of J P: he puts explicitly and more or less systematically notions that are widely held or at least felt among his fellows. One of the most powerful of these is the idea that a true democracy is one in which the degree of citizen participation in the political process is so great that men can really be said to be "governing themselves." This idea has an interesting pedigree in the history of political thought and an obvious immediate appeal. Nevertheless, I would suggest that experience has shown its limitations.

POLITY OF FRUSTRATION

It is to be noted that historically this idea has gained prominence when there has been in a society some element of political frustration. Usually a new social class, seeking its due place in the political sunshine, has raised the slogan of participation of all in order to justify its own claims to be heard. Modern India is a polity of frustration. It might be supposed that this would be because submerged layers of Indian society are coming up to the surface and meeting obstacles on their way. This is indeed happening but that frustration expresses itself not so much as an element in the general malaise but rather in the kind of support which the Communist Party is able to secure in certain areas such as Kerala.

The more general kind of frustration seems related above all to two things. First, it is yet another consequence of the long years of nationalist struggle. The important feature of those years was that there was room for everyone on that wagon. Participation in government was very difficult indeed but participation in the movement was open to all, and psychologically this was at least as satisfying. Every temperament, every mixture of motives and needs, could find its socially approved use. In the political life of independent India opportunities for mass participation are by comparison more limited, yet the days of the movement have left behind in Indian society a large group of peo-

ple accustomed to such participation. What J P declines to see is that today is normal and yesterday's struggle level of participation the exception.

POLITICAL UNDERDEVELOPMENT

Frustration is, however, more than merely the consequence of unreasonable comparisons with bygone days. It is the consequence of one particular form of political underdevelopment. (What a pity the economists have stolen and established a monopoly of that term!) India is politically underdeveloped in that its political system is simple and almost single-track. It is dominated by the legislative bodies at centre and state levels and since independence the life of the political parties too is focussed almost wholly on these. Trade unions, local elected bodies, peasant organisations, professional associations, opinion-forming societies—such things, which so fill out and put flesh on the political structures of western democracies, are absent or weak or dependant. Indian polity has the shape of a tall slender tower with a platform at the top; a pyramid would be more solid. So J P's cry for a participating democracy can be understood: a politically more developed society would offer more opportunities for activity, it would be able better to absorb the energies and expectations generated during the days of the movement.

DANGEROUS MIRAGE

To say this is not, however, to endorse J P's emphasis on systematic mass participation on 'communitarian' lines. Self-government has several legitimate meanings, but J P's conception which seems to envisage some kind of identification of rulers and ruled—the 'withering away', so to speak, of the distinction between government and people—is a dangerous mirage. It is no accident that those political thinkers for whom nothing matters except that the people should 'rule themselves' prepare the way for totalitarianism. Rousseau is the best example. Satisfied with nothing less than each man retaining his 'freedom' by taking full part in the laying down of the laws he is to obey, he ends by asserting that some men will obtain their 'freedom' by being coerced; ordinary language and ordinary people both suffer.

Mass political participation is at once too much and too little to ask

for. It is too much because the great majority of any people anywhere have normally no desire to participate. The body politic is already diseased if everyone wants to join in. Adequate—and, above all, varied—opportunities for the active minority are one thing; expecting activity from all is something very different. Men want many things from governments and they may want to be governed in certain ways, but they do not want to do the governing. The dogmatic democrat who insists that they shall do so is bound to become a tyrant—or to pave the way for one. On the other hand, mass participation is too little—in the sense that there are other political values besides democracy: rights, liberty, responsibility and justice—and the greatest of these being justice. There are good grounds for holding that it is far safer to cherish these values separately rather than to imagine that democracy by itself will automatically secure all the rest. There may be many weaknesses in Western democracy but it is not one of them that its modern theorists should admit that government is always the work of a few; this is only common sense.

'CONSENSUS'

The idea of a participating democracy is linked to the idea of 'consensus'. The notion of all men 'governing themselves' requires for its plausibility the further notion that they agree about how this should be done. All participate in making a decision, but if the decision is arrived at by a 51-49 vote after a bitter argument, will the 49 have the same feeling of self-government that the 51 enjoy? Participation begins to look a little threadbare unless it is married to certain views about consensus and general agreement. It is no accident that in J P as in Rousseau this marriage takes place.

This second idea, like the first, exercises a great fascination over modern Indian thinking. It is present in the idealisation of the conduct of village affairs (by taking the 'sense of the meeting') and in the widespread condemnation of political parties—both of which are prominent in J P's thinking. It is even to be found echoed in Asoka Mehta's talk about the political compulsions of a backward economy with its emphasis on the co-opera-

pipes and power

Industries cannot exist without service pipes and mains. Gas or steam must be made available in places where they will keep the wheels of industry moving. Indian Tube's steel mains are the proven answer to the problem of gas water and steam distribution.

2

tive role of an opposition. The central conviction is that there is nothing to prevent men of good will from seeing eye to eye and pulling together for the welfare of all — nothing, that is, except bad or inappropriate institutions.

'ORGANIC COMMUNITIES'

This idea, like that of participation, owes something to the period of the freedom struggle and the difficulty of getting adjusted to the world of real politics. In the good old days — so runs the theme in the back of the mind — we all worked together in the great single cause; why can we not recapture that unity of purpose? (Incidentally, it is convenient for the purpose of this exercise not to have too good a memory; some people have managed wonderfully to forget the deep divisions within the national movement.) The idea must also be seen as a most understandable reaction to an awareness of how divided and heterogeneous a society modern India really is: already so divided — by regions, by states, by communities and by castes — can we afford the apparently additional divisions which parliamentary democracy seemingly encourages?

So J P seeks to eliminate elections and parties by building up basic democracies from below — in units that are 'organic communities' and in which selections of 'candidates' could be achieved by the sense of the community. On all this several points could be made: whether parties can really be so easily 'eliminated' or whether they would not simply find other means of operation; whether the effect of an emphasis on consensus and general agreement (rather than elections and conflict) would not be merely that traditional leaders would have their positions consolidated and the socially submerged sections remain politically voiceless; and so on.

GOOD FAR FROM COMMON

But here I would rather turn attention to the very concept of consensus and query the extent of its validity. It is of course true that the process of taking decisions in any body can have divisive effect and that it is sensible to minimise this so far as possible. A committee or a cabinet will instinctively strive through full discussion to reach a point where genuine agreement is reached and a vote is unnecessary.

But this, although important, is not the only thing that matters. Sometimes it is just as important that issues should be stated sharply in order that alternative lines be made clear. Moreover, the stress on consensus seems to imply a peculiar view of the common good. It is thought of as something single and simple—discernible to men of insight and goodwill, attainable (as Rousseau again believed) through the silencing of particular or selfish interests.

But is this really our experience? Is the position not rather that the common good is something towards which we can approximate only through a forthright expression of all relevant clashing interests and their reconciliation so far as is possible? The pretence that interests do not clash, that a common interest is somehow already present and only needs to be uncovered, is likely in practice to yield a good that is far from common. And there is no community, however organic it may be, without different interests. Even J P's villagers will not see eye to eye as to whether the road or the well should come first, for some will benefit more from the one, some from the other. The stifling of the conflict of interest and opinion (for opinions can also clash even among men of the same interest—and why not?) serves not the common good but some influential and powerful partial in-

terest-group. Consensus is a fair name for what could be an ugly reality.

TODAY'S DILEMMA

Both these notions thus seem to me to have their dangers if pushed to extremes as in J P's thesis. Nor am I persuaded that there is anything special in the spirit of Indian life or in the circumstances of Indian development which calls for such emphasis. No doubt there is much frustration and little pride and enthusiasm, and the plans suffer thereby. But there is no magic 'reconstructed polity' which will transform the situation. Neither the restoration of the day before yesterday nor the vision of the day after tomorrow will help today's dilemma. What is called for is the much more humdrum acceptance of political life as it really is and the achievement of piecemeal reforms — the closer linking of politician and electorate, the building up of voluntary associations and the provision of adequate immediate incentives to greater individual efforts.

I repeat that I have not been pretending to do more than touch on a small—but to my mind crucial—part of J P's thesis. Much more could be said and needs to be said. This brief examination may serve to indicate how seriously his ideas deserve to be taken—even if only for the reason that by examining them with care we can see more clearly by contrast where we stand.

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Prospects for India's Exports

Subimal Mookerjee

IN the economic development plans of many of the underdeveloped countries the export sector does not seem to have received the attention that it deserves. It is often taken for granted that exports would continue to stagnate and that the country would be doing well if it could somehow hold the line and prevent its export proceeds from falling. This attitude of near-fatalism has been the consequence of the very poor performance of the exports of these countries in the past two decades. In its recent annual reports the GATT has devoted lengthy discussions to an analysis of the shares of various groups of countries in world exports and the figures show that the share of the underdeveloped countries (other than petroleum-exporters) has been steadily falling over the last twenty years. Within this group again the semi-industrialized countries including India have fared still worse. India's share in world exports fell from 2.5 per cent in 1948 to 1.8 per cent in 1951 and thereafter has suffered a slow but continuous further fall, reaching a low of under 1.3 per cent in 1958.* The fall in the export share of these countries is due to the fact that the industrial countries which form the main markets for their products have been buying from them a progressively lesser proportion of their total imports. Several reasons have been adduced for this: the income-inelastic nature of the export products of the underdeveloped countries, increased production of either similar products or substitutes in the industrial countries, adoption of manufacturing techniques which reduce the requirement of the raw material input and so on.

EXPANSION IN THE EXPORT SECTOR

While these factors constitute serious threats to the export of certain commodities, they do not justify the general pessimistic conclusion that the past trends cannot

be arrested and that a static level of exports is a fact that the underdeveloped countries have to live with. Surely there are many other things which have gone wrong and which can be set right even in the short period. The lagging performance of exports in the past is in part bound up with the general factors which account for the lagging growth of income and activity in these countries. It is true that the development of the export sector demands a good deal more than that of the internal sectors for the external market can never be sheltered in the same way or to the same degree as the internal market. The need for change and adaptation, improvement in quality and design, application of cost-reducing methods of production and organization, and the constant search for markets and products are all basic to a growing export sector. But if it is realized that development in this sector must sooner or later condition the growth of the internal sectors, then determined action must be taken to make the required export expansion possible.

The direct contribution of an expansion in the export sector to the over-all growth of the economy may not be large in India where exports form a small part of the national income, but its strategic importance cannot be overemphasized. The size of the export earnings determines the import capacity. The latter may exceed the former as long as use can be made of foreign exchange reserves, and foreign assistance is forthcoming. But little further use can be made of our foreign reserves and foreign loans involve repayment obligations which already in case of India are equal to a sixth of her current exports. Nor can one seek comfort in the thought that the import requirements—which, for countries placed as India is, must necessarily be high in the early stages of development even when all non-development imports are drastically reduced—are going to diminish after a time. With adequate progress towards industrialization, import of heavy and finished capital goods may decrease to some extent, but there will be increased demand for raw materials

and intermediate goods to sustain the established industries. Then with rising incomes demand for imports will take newer and wider forms. To meet this demand from domestic production would involve additional imports of capital goods for developing the relevant industries. It should also be remembered that very strict control on non-development imports cannot be indefinitely maintained. While industrial countries may be expected to take a tolerant attitude to our import restrictions for some time, there is a limit beyond which restrictions cannot be continued with the same intensity without inviting retaliation against our own exports. Import requirements will thus remain high even in the longer run and service obligations on foreign loans will also increase through time. The size of the export earnings will thus exercise a determining influence on the underdeveloped country's capacity to industrialize itself; failure of exports to expand will sooner or later imperil the achievement of growing levels of income. Export promotion should therefore occupy a prominent place in any planning programme.

PERFORMANCE UNDER SECOND PLAN

In the Second Five Year Plan the average annual exports of India during 1956-61 was estimated at Rs 593 crores, which was actually slightly less than exports in 1955 and also the average performance during the First Plan period. This conservative estimate was perhaps induced by the fact that exports fell considerably short of expectations during the previous five years. Viewed as a target, it reflects an insufficient awareness at that time of the foreign exchange needs of the Plan and of the necessity of programming an expanded level of exports and taking steps to attain it. The estimates of individual commodity exports in the Second Plan were not significantly different from exports in the previous years. In practice, exports during the four years 1956-59 have performed slightly better; the average annual exports being Rs 608.5 crores. If consideration is given to the fall in average export prices of India since

* These percentages have been computed from figures given in International Monetary Fund, *International Financial Statistics*. The percentage share for 1959 is 1.3.

DALDA FORUM

Why do we cook our food?

NUTRITIONIST: There are many reasons why we need to cook our food. For one thing, cooking generally helps improve the appearance of food. For another, it develops new flavours in it. Even some animals prefer cooked foods when given a choice.

YOU: Is this why we cook our food?

NUTRITIONIST: More important, of course, is the way cooking helps to stimulate the flow of digestive juices during eating. And it destroys many dangerous germs and parasites. So cooking makes eating safer.

YOU: But doesn't all this destroy the goodness of what we eat?

NUTRITIONIST: On the contrary. Cooking is useful for practically all meats, vegetables and cereals—if only because it makes food more digestible.

YOU: How does it do this?

NUTRITIONIST: Let's start with vegetables. Raw vegetables contain indigestible starch and fibrous substances. Cooking softens the fibres and the starch, and makes them more easily digestible. This is roughly what happens when fruits ripen. Cooking, therefore, follows nature's way in vegetables.

YOU: But surely cooking also destroys some valuable substances in vegetables.

NUTRITIONIST: Yes, unfortunately. In vegetables, cooking can destroy some mineral substances and vitamins. But this can hardly be helped. On the other hand, cooking predigests foods—does not over-burden the digestive system.

YOU: Do we cook meat for the same reasons?

NUTRITIONIST: Generally speaking, yes. Heat softens the protein in meat and so makes it easier for assimilation. And meat has to be cooked to destroy dangerous germs which might lurk in meat that is not fresh or hygienically stored. Cooking also brings out the flavouring ingredients in meat—makes it taste much better.

WE: This is all very well. But sometimes, cooking makes food lose its flavour. . . .

NUTRITIONIST: True. A lot depends on how you cook. The way you cook can save or destroy the flavour of food.

YOU: Well, I know that.

WE: But if the food doesn't taste as it should—does not retain its natural flavour, then it is not only because of the way it is cooked, but what it is cooked with.

YOU: What do you mean—'what it is cooked with'?

WE: You see, the cooking fat you use is very important. Certain cooking fats and oils impose their own taste on foods. Others, like DALDA Vanaspati, help foods keep their natural flavours.

YOU: How does DALDA Vanaspati do that?

WE: To begin with, DALDA is a bland fat. That is, it is odourless and tasteless. So it adds no flavour of its own to the food.

YOU: Yes?

WE: DALDA is double-refined to a high degree of purity. It brings out all the delicate flavours of food. All it does is add energy and nourishment to your diet.

YOU: How is it nourishing?

WE: Seven hundred International Units of Vitamin A and 56 IU of Vitamin D are added to every ounce. These are the vitamins that protect the skin, bones, eyes and teeth and keep them healthy. And all the goodness in DALDA is retained because it comes to you in hygienically sealed tins. . . .

YOU: In that case, we have chosen our cooking fat well. We use DALDA Vanaspati for all our cooking—we've done so for two decades, in fact.

WE: More and more people are taking to DALDA Vanaspati every day. Can you wonder why?

A HINDUSTAN LEVER PRODUCT

1955-56, the performance would be still better. While the earnings of the major export commodities, namely tea, jute goods and cotton textiles have shown wide fluctuations and have not been very encouraging, increases have been recorded in a number of other traditional items such as leather and manufactures, metallic ores and mica, and also the products of the engineering industries, and certain new items such as iron and steel scrap have made their appearance on the export scene. The most encouraging feature is the substantial recent improvement in exports from Rs 579 crores in 1958 to Rs 626 crores in 1959. The progress achieved in 1959 has certainly been assisted by the higher level of world demand in that year but it may also be to some extent due to the various promotional measures undertaken by the Government in recent years.

GREATER EXPORT CONSCIOUSNESS

There is certainly a greater measure of export consciousness today and the feeling of pessimism regarding the future of Indian exports seems to be lifting. Recent reports indicate that in the draft Third Plan exports are expected to reach an annual level of Rs. 750 crores by 1965. There is no reason why with appropriate action the recent rate of progress cannot be maintained in the following years and the target cannot be achieved. In fact, in the light of the heavy import requirements of the Third Plan and the need for annual repayments on past loans, attempts should be made to reach an even higher figure. The question may be looked at from another angle. Between 1950 and 1959 the total value of world exports has risen on an average by about 9 per cent per year. The increase in the volume of world exports has been slower but not much less than 7 per cent per year. From all indications it does not seem unlikely that this rate of growth will be maintained in the coming years. If so, by 1965 India will need to expand her exports by at least 40 per cent over the 1959 level in order to maintain her present low share in the world exports.

II

Promotion Measures

Admittedly the task of a significant step-up in exports is not easy. Governmental action, even when ade-

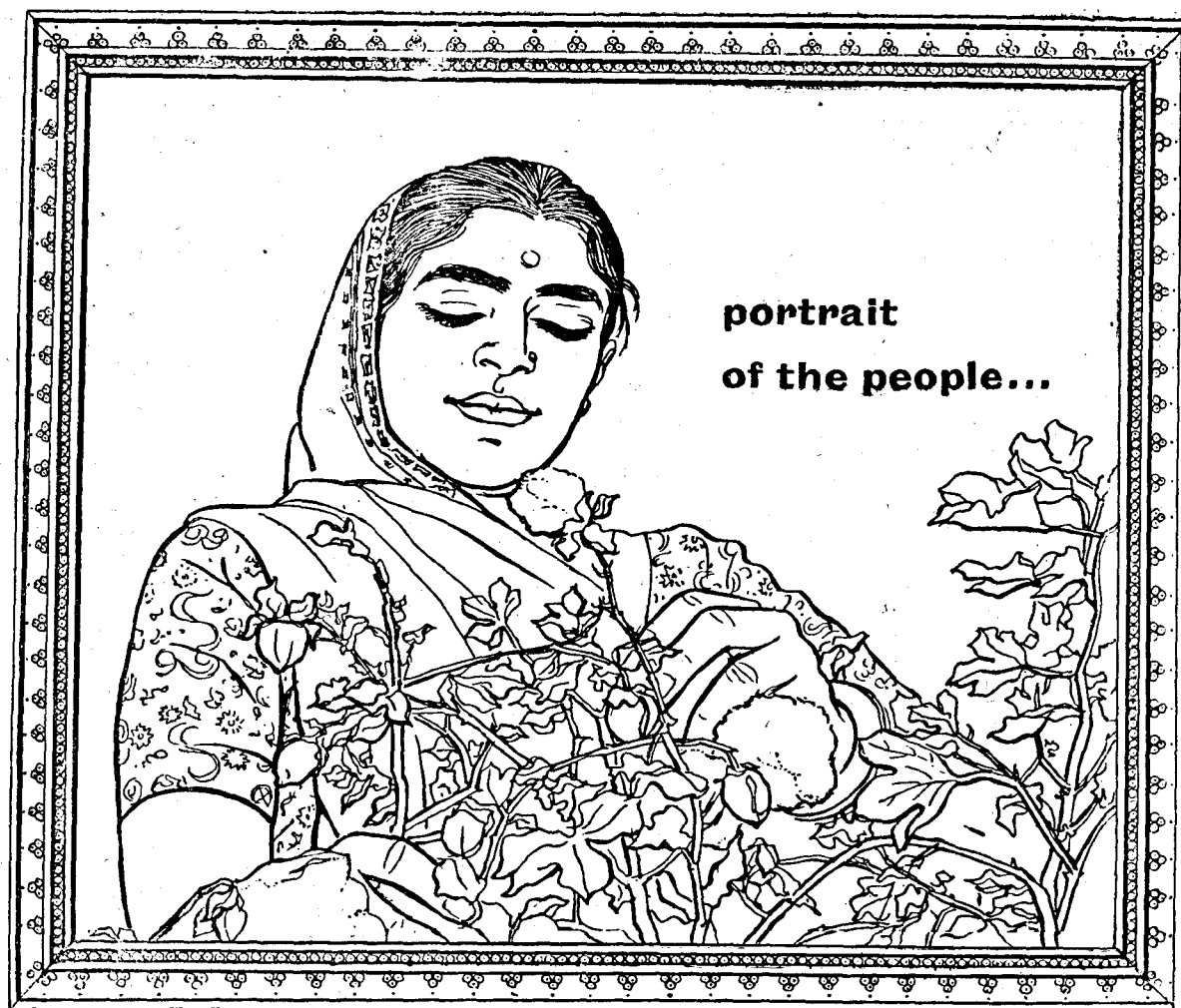
quate, is in itself not enough for the production and trading of our export goods are overwhelmingly in the private sector. Official incentives, controls, assistance and persuasion can however bring about the necessary changes in the export climate conducive to larger export performance. The first task is to identify as thoroughly as possible the lines of significant export expansion and possibilities both in the short run as well as in the longer run and to set up carefully worked out production targets in these lines. The production targets should allow for possible increases in domestic consumption; in many cases where production cannot be adequately expanded but substantial export prospects exist, domestic consumption will have to be restrained by fiscal means to release sufficient amounts for export. This is no doubt an unpopular step but under the circumstances is unavoidable. The import requirements of increased production should also be properly estimated and provided for. Unless programming of the export availability is done properly and at the right time, a later increase in exports may not be feasible, for what the internal market can absorb, the foreign market may not. Further, frequent shifts in supply between the domestic market and the foreign market may be neither desirable nor possible.

This brings us to the second important matter, that is, maintenance of prices at competitive levels. The necessity of this has never been greater than now for the world market today is intensely competitive and provides the buyer a wide range of choice not only between similar goods from various countries but also between different goods with similar uses. High prices may be due to various reasons—high costs of raw materials or labour or transportation, inefficient methods of production and organization, heavy handling charges, incidence of various duties and levies or to general factors such as inflation; but, whatever the reason, even long-established exports will have to yield ground quickly unless prices are competitive. In fact, high prices for a country's goods, even if for a temporary period, not only mean losing to another country but may affect permanently the trade in the commodities. In recent years the

Government has taken several measures to enable the exporters to reduce their prices, viz, abolition or reduction of export duties and other levies, concessions on freight rates, refund of import duty on raw materials, facilities for manufacture in bond, and so on. While these measures are a step in the right direction not much improvement can be expected through action taken in a piecemeal fashion. What is needed is a systematic enquiry into the cost conditions of those of our export goods which tend to be priced out of the world market. It is unlikely that where high prices prevail, these could be traced to any general factor. We have to identify the basic causes in each individual case and take appropriate action. Official measures in many cases can only have marginal benefits; the manufacturers themselves have to be induced to provide the fundamental correctives.

MARKETING OF PRODUCTS

The third important aspect of export promotion relates to the marketing of products. Export credit, export organization, standardization and quality control, settlement of disputes are all relevant here, as are market surveys and research, publicity and sales campaigns, trade arrangements with importing countries and such other matters. The serious deficiencies of our export trade in almost all of these areas have been constantly reiterated, and much of the reason for the decline of our exports probably lies here. There are no doubt individual exceptions, but by and large our manufacturers and traders have either neglected or been very slow to adapt their production and sales in conformity with changing consumer habits, or to exploit fruitful possibilities when they arise, or to extend the demand for our goods by developing new uses or varieties. Official policies concerning the export of some of our goods have also often failed to take full cognizance of developments abroad in demand and supply conditions. Further, at a time when attractive packaging and display have become a crucial factor in the marketing of goods, Indian products often appear on the foreign market clumsily covered and inadequately marked. Nor have our goods, in general, earned a reputation for high and uniform quality and our exporters for their integrity.

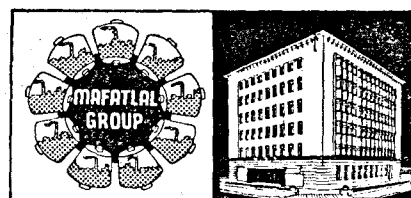


portrait
of the people...

In the field and at home Radha works hard...but always with a smile...progress is a word she has never heard of...yet it has touched her life too...during the past few years...in the form of...better food...medical care for her children...and good clothes to wear...

Keeping pace with this economic growth of the country, the Mafatlal Group of Mills play a vital part in making available a wide range of textiles for all types of people throughout the country.

MAFATLAL GROUP OF MILLS



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Algar

More recently, the Government has taken several measures to set the export trade on a more organized footing; these include the setting up of several bodies such as the export promotion councils, commodity boards, export promotion directorate, and the export risks insurance corporation; conclusion of rupee payments agreements with certain countries; and also a few other measures such as the inclusion of export bills in the bill market scheme, exchange of trade delegations and participation in trade fairs abroad. All these measures have helped to improve the export climate, but a good deal more remains to be done, and further the measures already taken need to be properly coordinated so that they can be effectively translated into actual result.

The proliferation of committees, councils and boards without effective coordination cannot but lead to unnecessary duplication and divided responsibility and may not always foster systematic, purposive research. The Foreign Trade Board established recently by the Ministry of Commerce and Industry is supposed to secure greater coordination but it only groups the existing personnel into a different mould and does not seem to provide an adequate solution. What is called for is a central export trade agency which should include representatives of the Government as well as the trade and industry and should take over the over-all responsibility for the management of our exports. The organizational breakdown of the agency should be in terms of both commodities and foreign regions, thus rendering the existing councils and boards unnecessary. The Central agency should work in close cooperation with export houses or trade associations which have been envisaged for individual commodities. Its functions should include the framing of export policies, the negotiation of agreements with foreign countries, research in quality and design, systematic market surveys including field analysis (such studies should be extended where necessary to cover the internal market), publicity of Indian products abroad and assistance to the trade in regard to advertisement, dissemination of information on day-to-day trends, and so on. One of the factors cramping the development of our exports is

the unethical business practices adopted by Indian exporters. Complaints are frequent about the unrepresentative nature of the samples, non-fulfillment of the buyers' instructions, delayed payment of commission, and delayed settlement of disputes. An important corrective would be the setting up of a unit within the central agency which will attempt to settle disputes by conciliation and, if this fails, will provide arbitration facilities.

EXPORT HOUSES

In regard to marketing, export houses contemplated for individual commodities or commodity groups seem to be the best solution. The present situation in regard to the exporting of many of our goods is nothing short of chaotic. Production takes place in small quantities in scattered establishments and the task of assembling, grading, processing, packing and transporting to the port of shipment is generally performed by a whole host of intermediaries and merchants who either work for exporters or export themselves. The result is that a large and increasing number of small and medium scale firms with inadequate capital structure participate in the export business for many of whom exporting is only incidental to selling in the domestic market. Very few of them maintain branches abroad, and little attention is paid to quality, packing, market surveys, publicity and such matters. Export houses which will either act as direct exporters or as associations of exporters can remedy many of the defects of the present system. If the export house is organized as a trade association, then only exporters registered with it should be permitted to do export business. With its pooled resources the export house should be able to conduct intensive advertisement and propaganda campaigns for its commodity in the foreign countries. It can also help to bring about conformity to sample, proper grading and standardization, adherence to the schedule of delivery and improved packaging. The point that needs to be stressed is that our traditional export organization has become totally unsuited to modern times and our current needs, and its thorough reorganization is an essential precondition for any substantial improvement of our exports.

III

Future of Traditional Items

The future export prospects for the individual commodities may now be briefly reviewed. Tea, jute manufactures and cotton textiles are in that order the most important export goods and together from about one-half of our exports. Consequently even a small percentage increase in the total amount of these exports will bring a sizeable addition to our earnings.

TEA AND JUTE

The possibility of an expansion in tea exports seems good. It is true that demand in our traditional markets may not increase much in the near future but there are many relatively unexplored markets where per capita consumption of tea is nominal. There is considerable scope for increase in production; in fact even without increasing acreage, quantity of tea can be increased by varying the method of plucking although this may be at the expense of quality. Consequently domestic market expansion is not a serious threat to exports. The problem here is essentially one of reducing cost and creating and tapping new demand. India sells mostly what are known as "common teas" and the prices are considered to be too high. Further, to the existing competition from Ceylon and Indonesia has now been added growing competition from East African countries whose tea prices in the London market are considerably lower. Manufacturers complain of high labour costs, lack of adequate transport facilities, high freight charges and heavy incidence of export duty, cess and State taxes. The export duty and cess have been reduced recently; if labour costs are too high, the remedy surely lies in improving the efficiency of organisation. Improvement of transport facilities, particularly road communication, also seems necessary.

Along with price reduction, a determined attempt should be made to popularize tea in the Soviet Union and the East European countries, and also countries such as Western Germany and Egypt. Since no country can expect to retain a market in tea even if it "discovers" it, it would be desirable to explore new markets or expand existing ones in collaboration with the other exporters, particularly Ceylon. One important step in this direction

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**Indian Aluminium
Company Limited**

A CANADIAN-INDIAN ENTERPRISE

would be to produce new varieties of tea (black and bitter) which are popular in Egypt, Iraq, the Soviet Union and Eastern Europe. In some of our traditional markets, namely, Australia, expansion of exports is possible with improvement in shipping facilities. Further, opening of an auction centre in the United States may be worth investigating. Finally, active efforts should be made along with the other tea-exporting countries to revive some form of international tea agreement so as to prevent overproduction and relate world supply to demand.

It is often argued that the present methods of sales under which most of the tea is consigned to London and sold through public auctions there should be changed and sales effected solely through the Calcutta and Cochin auctions. This is desirable as a long-term policy. Apart from the fact that its success would depend on the creation of better storage facilities in the Indian auction centres, any precipitate action might upset the trade and lead to a substantial loss in our foreign exchange earnings.

There are also moderate possibilities of the expansion of jute exports. Despite keen competition from substitutes (paper, cotton, plastics), jute has remained the most important packaging material principally because of its cheapness and the fact that it can be used many times over. To some extent, competition from the substitute packing materials could be reduced by better publicity. There is, again, growing competition from an increasing number of exporters, but distinct possibilities of market expansion exist in the Soviet Union, East Europe, China and Latin America. India's ability to expand exports would seem to depend upon a reduction of the costs of hessian and sackings—which means production in modernized mills. At the same time it would be desirable to give increasing attention to the production of specialized varieties of jute fabrics in which we may be able to establish an advantage over other producers. The long run prospects would also depend on the development of newer uses of jute and the extent to which they gain acceptance abroad.

COTTON TEXTILES

In respect of cotton textiles, the future seems to be the least encouraging. The world trade in textiles has

been shrinking for a number of years and the trend is likely to continue. India's main markets lie in Asian and African countries, and competition is keen and increasing. In the near future it may be possible to increase exports somewhat if our prices can be lowered; this depends basically on modernization and rationalization of the industry—an issue which has wider ramifications. However, with the newly developing countries in Asia and Africa progressively starting their own textile mills, it would be imprudent to expect a continued sizeable expansion. Further, unlike in the case of jute where increased domestic demand enables a fuller utilization of capacity, increased home demand for cloth has been and will be an important factor in reducing the exportable surplus. The situation is different as to handloom goods. Here there are definite prospects of a substantial increase in exports of quality products in the U S and Europe, provided production is better organized, quality and design are improved and adapted to the tastes of the buyers, and exporting is carried out on modern lines.

Coming to the other important categories of traditional exports viz, metallic ores, raw skins and leather, vegetable oils, raw cotton, raw wool, cashew kernels, mica, shellac, coir yarn and manufactures, tobacco, coffee and spices which together form about 27-30 per cent of our exports, the prospects are varied but a substantial over-all increase can certainly be expected. For instance, there is considerable scope for increased exports of iron and manganese ore which now account for 4-7 per cent of total exports. Success here will depend principally upon increased production and improvement of transport facilities and negotiation of bulk contracts with the buying countries. For manganese emphasis should be given to the production of high-grade ores which are in greater demand. The Government has recently taken several measures to step up the exports of manganese; there is also the plan of producing and exporting ferro-manganese which is likely to have an increasing demand. Similar scope for expansion exists in respect of raw skins, leather and leather manufactures which now constitute about 5 per cent of our exports. The recent tendency to emphasize the export of

tanned skins and finished leathers in preference to raw skins should be encouraged from the point of view of maximizing earnings, but until tanning facilities are extended, export of raw skins has to continue. Attention needs to be given to quality control and also the establishment of direct export connections (sales are now made principally via London).

DOMESTIC CONSUMER VS EXPORT NEEDS

As a foreign exchange earner, vegetable oils have been rather unreliable, their contribution to total earnings varying between 1 and 5 per cent. This is one of the many fields where one has to tread the difficult path between the interests of domestic consumers and export needs. Consequently export policy has been wavering. From the point of view of keeping our export markets, it is however necessary in all these cases to ensure continuity in supply even if this entails sacrifice of domestic consumption or import of cheaper substitutes. The problem is, of course, eased to the extent that production increases. As to the future, the prospects seem particularly good for groundnut oil and oil cakes; further, vanaspati, a relatively new item of our export, can expect to find expanding markets in West Asia and West Europe.

Internal demand is also an important factor in the export availability of raw cotton. The foreign demand for our rough staple cotton is good, and it is necessary to increase the production of this variety. On the other hand, there is a large exportable surplus of raw wool, and prospects of increasing exports can be improved if testing houses for grading wool are established at various ports. As to tobacco, there is stiff competition from Rhodesian producers who are producing considerable strains of tobacco in quality and colour suited to the recent changes in smoking habits. India can find new markets in China, Soviet Union and East Europe, but quality must improve and prices must be competitive. Similarly, gains are possible in the export of shellac with better publicity, fixation of acceptable standards and grades, stabilization of prices and development of new uses. Quality control is again a crucial factor in the development of mica exports; there are prospects for increased sales to Japan and the Soviet

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Union. As to the other items noted above, namely, cashew kernels, coir manufactures, coffee and spices, chances of improved exports would seem to lie mainly in the development of new markets. In addition, exports of a number of other miscellaneous goods, whose individual share in the total has so far been relatively minor, can be increased; these are chemicals, glassware, paints, woollen piecegoods, silk and rayon fabrics, confectionery, sugar, and also such newer items as iron and steel scrap, footwear and cement.

FUTURE PROSPECTS—ENGINEERING PRODUCTS

The most hopeful prospects for the future would appear to consist in the development of the production and exports of the products of our new engineering industries. These industries have made rapid strides in recent years and it is here that a strong position of comparative advantage can be established. Already we have been exporting a wide variety of such goods to Asian and African countries and, in a few cases, even to advanced countries, and the total earnings, although still small, have been rising. The markets for these goods would principally lie in the non-industrial countries which are now trying to develop their economies. There are formidable competitors such as the United Kingdom, Western Germany and Japan, and others such as the Soviet Union, Czechoslovakia and China are entering the field. The present is therefore the most opportune moment to make an organized bid for these markets.

Apart from augmenting production and keeping prices low, closest attention needs to be given to the various aspects of marketing—namely establishing contacts with the main importing firms in the regions, adequate publicity and display, attractive packaging and finish, uniform quality and internationally acceptable standards (the Indian Standards Institution through its certification marks scheme can play an important role here), periodic market surveys and adaptation of production to the consumer requirements, and prompt settlement of disputes. It is necessary to appoint properly trained agents in these countries who can render after-sales services. Stocks should be kept with the agents to enable them to offer goods for quick delivery or put in offers in response

to tender notices. Trade agreements should also be made with the African countries so that India is accorded the most-favoured-nation treatment.

IN THE IMMEDIATE FUTURE

The foregoing review of our export prospects would indicate that in the immediate future we have to rely mainly upon our traditional items for additional foreign exchange earnings. With improved methods of production and marketing, sales of these goods even in our traditional markets such as Western Europe, the United States, Japan and Australia can be substantially increased. In this connection it is often argued that the formation of the common market by the six countries in Western Europe will have very serious consequences on our exports. A study made elsewhere by the present writer* does not indicate that the common market arrangement, by itself, is likely to threaten our exports to a significant measure. The situation however may be different if the common market countries and the seven other countries which have formed the European free trade association eventually find a basis for unification; the effects on India's exports in that case would, of course, depend on the nature of the combination and, more specifically, on the terms of the UK's participation in it. Secondly, there is also considerable scope for expanding the sales of our traditional goods in the newer markets, particularly in the Soviet Union and the East European countries. These countries have been taking an increasing proportion of our exports and a substantial further increase is possible. Again, it should be noted that the sources of supply for these countries are increasing and they will buy more from us only if we are able to improve the competitive strength of our goods.

STRUCTURE WILL CHANGE

With progress towards industrialization, the structure of our exports would change and so would the direction. We will increasingly utilize our raw materials in our industries and export more goods in a finished form. Some of these, as also the increasing output of our engineering industries, would have to

* See my article on "India and the Common Market," *India Quarterly* 15 (October-December 1959), 382-92.

find markets in Asia and Africa. It is therefore necessary that we try to establish closer trade connections with these countries from now on. Unfortunately our trade with the Asian and African countries has been falling in recent years. On the other hand, China which is likely to be one of our strong competitors in this field has been steadily expanding her trade with these countries. While attempting to expand our exports in the advanced countries in Europe and elsewhere, we must at the same time take steps to improve our current trade with the underdeveloped countries in Asia and Africa.

Brno Fair

ENGINEERING products have represented more than 40 per cent of the exports of Czechoslovakia in recent years. Exports of machinery and allied equipment in 1958 were two and a half times those in 1950. Czechoslovakia now holds the seventh place in the volume of world exports of machine tools and equipment. Its place is even higher in certain categories of equipment. At the same time, it is a large importer of machine tools due to the high priority assigned to modernisation in home industries. Imports of machine tools since the War have, in fact, increased at a faster pace than their exports.

The prominent position occupied by Czechoslovakia in the world trade in engineering products was evident at the 1st International Trade Fair in Brno held in September last year. It was visited by about 2.5 million persons including more than 13,000 foreigners from 44 countries who inspected 10,000 exhibits put up by Czechoslovakia and 29 other countries. The commercial results of the Fair exceeded expectations. Czech foreign trade corporations alone negotiated contracts for 4 milliard crowns, which is nearly one-fifth of the country's entire foreign trade. In addition, many business deals were discussed and commercial contacts established.

The Brno Fair is highly specialised. Prime consideration is given to engineering. This feature will be retained in the Second Fair to be held this year September 11 to 25. Stress will be laid on machine tools. Technical conferences and international symposia will also be held at the time of the previous Fair.

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SAN. 59.1A

The Metropolitan Areas of the United States

A Brief Survey of Research in Urban Economics

A G Khan

THAT a large share of the world's income is concentrated in the United States is common knowledge, but it is somewhat startling to learn that almost a sixth of the world's income (outside the Soviet bloc) is enjoyed by 3 per cent of the world's population living in and around the dozen largest cities of America. Not only does the evolution of such a pattern of human settlement command a wide interest but the problems arising from these heavy concentrations of people and riches have attracted the attention of the students of various disciplines. Here, we shall briefly review the recent effort of economists to grapple with the "Metropolitan problem" of the country.

A metropolis may be regarded as a concentration of the non-agricultural population performing a wide variety of functions and still maintaining intensive economic contact. Even though there is a large agreement on the main elements of such a definition, different studies recommend different territorial limits for defining a metropolis. The geographic boundaries of the "standard metropolitan areas" were first defined in 1949 by the Office of Statistical Standards of the U S Bureau of the Budget and first applied by the U S Bureau of the Census in 1950. The purpose was to replace four different sets of definitions then in use for various statistical series. Without this standardization it was impossible to relate the data on population, industrial employment and production, labour force, etc since each one covered a different territory for the area in question. These objectives were further emphasized in the new concept of "standard metropolitan statistical areas" adopted for the recent censuses. (Executive Office of the President, Bureau of the Budget, *Standard Metropolitan Statistical Areas*, Washington, 1959.)

CRITERIA OF A METROPOLIS

Small communities are believed to have vied with one another for recognition as a "metropolis" and it was necessary to lay down the criteria of such a title in precise terms.

Basically, three sets of criteria have been used in identifying these areas. They are: (1) population criteria, (2) criteria of metropolitan character, and (3) criteria of integration. Thus each standard metropolitan statistical area will contain at least one city of 50,000 inhabitants or more. (This criterion may be met by two or more cities of such minimum population within twenty miles of each other). In addition the area will include the county of such a central city and adjacent counties that are found to be metropolitan in character and economically and socially integrated with the county of the central city.

There are more than 3,000 counties in the country and the metropolitan character of a county is determined by its attributes as a place of work or as a home for a concentration of non-agricultural workers, no less than 75 per cent of the labour force. The criteria of integration are somewhat difficult to establish. Because of different locations of homes and jobs the contiguous counties will be primarily places of residence or employment. To find the extent of integration other types of information are also used, like telephone calls, newspaper circulation, retail stores, transport facilities. The Bureau of the Budget has thus been currently able to identify 192 metropolitan areas. These account for two-thirds of the nation's population and three-fourths of its manufacturing employees. (In New England, the city and town are more important than the county, and data are compiled locally for such minor division. Therefore, towns and cities are the units used in defining standard metropolitan statistical areas.)

NOT HOMOGENOUS

These metropolitan areas are far from being homogenous; they differ greatly both in size and in composition. New York and its environs have been described as "one-tenth of a nation" and the dozen largest areas account for a third of the nation's population. The specialization patterns of their industry also shows wide differences. While De-

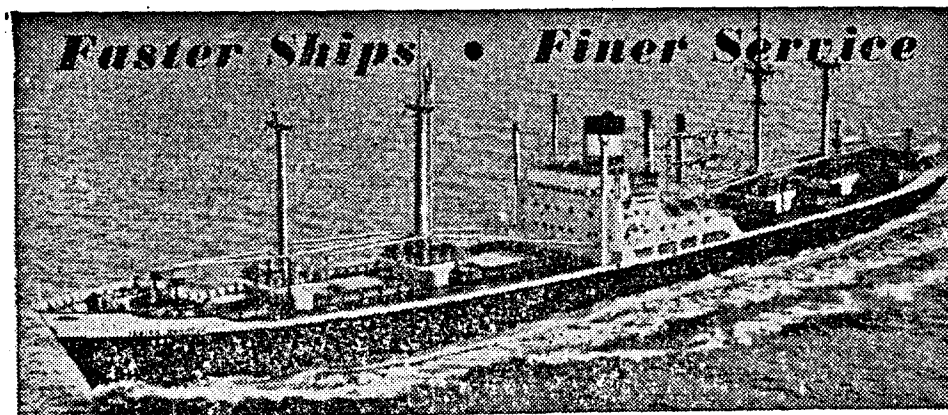
troit is famous for its automobile industry, New York specializes in apparel. Pittsburgh is dominated by steel, San Francisco by petroleum and coal products and Akron by the rubber industry.

Moreover the spatial distribution of the metropolitan areas is not uniform at all. Primary concentration of these areas is found in the North-east part of the country with secondary concentrations on the West Coast and in the deep South. In fact the extensive urban growth of the country is making it increasingly difficult to identify individual areas. Even now one may speak of the "metropolitan belts" like areas extending from Boston to Washington, D C or the Pittsburgh-Youngstown-Canton-Akron-Cleveland steel belt or the Chicago-Milwaukee-complex or the Los Angeles-San Diego strip.

METROPOLITAN PROBLEMS

Such highly developed segments of a developed economy are not free from problems. By 1975 the population of these areas is expected to grow by 71 per cent relative to 1950, which is about 60 million more people. Such a project poses a host of problems associated with conditions of living as well as opportunities for work. These were effectively described in a series of articles in the *Fortune Magazine* not so long ago. The authors raise many and interesting issues centering on the growing dissatisfaction with life in and around the big cities.

These are the problems of the exodus to the suburbs, rightly designated as suburbanization or the "urban sprawl" which requires planned housing. And so long as the central city still enjoys the concentration of jobs, including executive offices of "the down-town", the problems of transport remain to be solved. Mass transit is giving way to travel by automobiles which require highway and parking space. In the suburbs adequate schools and recreation facilities are required if juvenile crime and delinquency are to be contained within the city limits. The flight to "suburbia" can only be afforded by the rich and



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WORKING RESULTS

STATEMENT OF ACCOUNTS AS ON 31. 12. 1959

P.N.B. 65th YEAR

LIABILITIES

(i) Paid up Capital	Rs. 1,25,00,000
(ii) Reserve Fund and other Reserves	Rs. 1,47,50,000
(iii) Deposits	Rs. 1,41,15,86,429
(iv) Other Liabilities (including contra items such as Bills for Collection and Acceptances, endorsements and other obligations).	Rs. 35,67,35,832

Total :-

Rs. 1,79,55,72,261

ASSETS

(i) Cash and Balances with Bankers	Rs. 13,32,95,217
(ii) Investments :	
(a) Investment in G. P. Notes, Municipal Loans, Shares and Debentures guaranteed by the Central and State Governments	Rs. 64,94,09,326
(b) Other investments	Rs. 1,32,84,273
(iii) Loans and Advances	Rs. 66,26,93,599
(iv) Other assets (including contra items such as Bills Receivable being Bills for Collection and Constituents liabilities for acceptance, endorsement and other obligations).	Rs. 72,51,04,094
	Rs. 27,44,79,351
Total :-	Rs. 1,79,55,72,261

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the middle-class so that "grey areas" arise around the city core. These slums, euphemistically described as marginal dwellings, are the abode of ethnic minorities or the very poor, who pose serious problems of rehabilitation. Add to this the fact that multitudes of local governments are neither large enough, nor at times serious enough, to cope with these problems.

Finally, there is the broader problem of the location of economic activities. General tendencies are at work for greater and greater dispersion of manufacturing industry throughout the country and the increased attractiveness of the suburbs is pulling the industry out of the central city. The continuing westward and outward movements of jobs will be followed by similar movements of people, which requires realistic quantitative appraisal of these prospects and definite proposals to meet them.

ORGANIZATION OF RESEARCH

Research in this area has been largely confined to demographers, sociologists, city-planners and geographers; it has escaped the attention of the economists. The neglect of systematic economic analysis of the metropolis and the forces underlying its evolution must be partly attributed to the serious statistical gap in the field. Government agencies have hitherto shied away from any systematic regional economic studies probably for political reasons. After the statistical standardization of the metropolitan areas, federal agencies like the Bureau of the Census and the Bureau of Labour Statistics have been in a position to provide comprehensive data for these areas.

A very important step towards meeting the requirements of metropolitan analysis was taken when the Ford Foundation initiated its Urban and Regional programme in 1955. Since then it has made grants and appropriations of almost \$9 million to universities, other institutions and civic bodies to come to grips with the problems of a rapidly rising urban base of the economy. Many interesting studies have already been completed and many more are in progress. Perhaps the most ambitious effort has been the \$600,000 study of the tri-state New York Metropolitan Region directed by Raymond Vernon of the Harvard University and financed largely by

the Ford Foundation and the Rockefeller Brothers Fund. A similar study of the Pittsburgh Region has recently been initiated and is scheduled for completion by June 1962. It is being directed by Edgar M Hoover and the costs of \$400,000 are being financed jointly by the Ford Foundation and the Regional Industrial Development Corporation. In addition the Foundation has made available a great deal of money to several universities for case studies of metropolitan areas. The projects mentioned here are only a few of the full-scale metropolitan economic studies.

A few years ago the Regional Science Association was founded with a view to fostering "exchange of ideas and promoting studies focusing on the region and utilizing tools, methods, and theoretical frameworks specifically designed for regional analysis." The Association has its office at the Wharton School, University of Pennsylvania. It has so far published five annual volumes of *Papers and Proceedings*. Since last year the *Journal of Regional Science* has also been started. These publications have frequently carried interesting papers discussing the work in metropolitan economies.

STRUCTURE AND CHANGE

Before this sketchy survey of urban economic research is concluded,

it will be worthwhile to comment on some of the approaches to the study of the metropolis. Three main classifications may be readily distinguished:

1. Economic base studies,
2. Development of systematic economic accounts,
3. Inter-regional and intra-regional distribution of economic units.

The concept of "economic base" and the classification of industries into "basic" and "non-basic" has been borrowed by the economists from city-planners. It is used for determining the criterion of promoting industries and also for making projections of future population and employment. *Basic* is identified with "export" activities of an area and *non-basic* with those activities which have a "domestic market". In its bare essentials the procedure for making projections is first to calculate employment in each basic industry and then estimate the ratio of basic to non-basic employment. Then the ratio of population to employment is estimated. Thus, with projected trend of basic employment, it is possible to derive future *total* employment and population. The extent to which an activity is basic is determined by its "location quotient" $e_i/e_t \div E_i/E_t$ where e is local employment; E is national employ-



Economic Development of Maharashtra

S D Punekar

THE birth of the new State of Maharashtra on 1st May 1960 created aspirations among the various interests of this State. Immediately after its birth, the right-wing 'intellectuals' held a seminar to discuss the cultural, economic and social problems of Maharashtra. This has been followed by the Maharashtra Commercial and Industrial Conference convened by the Maharashtra Economic Development Council in Bombay on 17th and 18th June. The third party in the queue appears to be the left-wing trade unionists, who propose to have their "Maharashtra Parishad" next month.

NARROW SECTIONAL INTERESTS

These are happy signs; however, they indicate a danger of the various sectional interests pushing themselves up even at the cost of the welfare of the State. This danger was clearly evident in the recent Commercial and Industrial Conference, where the representatives of traders and factory owners made demands, which if conceded, would defeat our goals of economic equality, social justice and the socialist pattern of society. For the unhampered development of their commerce and industry, they asked for all sorts of concessions and facilities—

exemption from all taxes and duties including sales tax and octroi duty);

provision of liberal loans at nominal interest;

facilities for water, power, transport, and such other factors relating to localisation of industry;

assistance in purchase and sale; arrangements for technical training;

establishment of a network of industrial estates "at various places making available all the facilities so required for its success, such as land at cheap rate, water, easy communications, raw materials, banking facilities, exemption from duties, licences for machinery, etc";

freedom from legislation and from statutory returns; and

non-interference of State in industrial autonomy.

At the same time, these commercial industrialists were reluctant to put any restraints on their profits

or on their rights, by giving some concessions either to the State or to their employees. They were hardly in any mood to heed to Gandhiji's advice—"Rights that do not flow directly from duty well performed are not worth having. They will be usurpation, sooner discarded the better." They also conveniently forgot that if economic development was the main aim, it could be achieved, with less exploitation, outside the private sector by means of nationalisation or cooperation.

UNREALISTIC ATMOSPHERE

According to the sponsors, the Conference was convened "to suggest ways and means of introducing a phased plan of development of the new State" and "to offer whole-hearted cooperation to the Government of the State in order to accelerate the pace of all-sided economic progress". As against these professed objectives, the real aim appeared to be to safeguard the interests of the private enterprisers. This unreality was further strengthened by the inappropriate medium used for deliberations. The birth of Maharashtra is primarily due to the successful agitation waged by the Marathi-speaking people to have a linguistic State of their own. Logically it follows that any conference, genuinely aiming at the development of the State, should conduct its proceedings in the language of that State.

Commercial and industrial life in Maharashtra is still dominated by non-Maharashtrians. As in politics, so also in industry, problems are created, when the manager and the managed belong to different communities. To obviate this difficulty, Dr C D Deshmukh, who presided over the conference, suggested that the main task should be "to facilitate the entry into business and industry of everyone endowed by nature, inclined by choice and equipped by training to become a businessman". He rejected as false "notions involving sociological generalisations, such as that a particular linguistic group make a poor businessman" and he was fully supported in his views by the Chief Minister. It is doubtful, however, whether the businessmen in Maharashtra

would take up this bold and realistic stand, when their primary objective is to assure more profits for themselves rather than to strive for the all round prosperity of the new State.

ACHIEVEMENTS OF THE CONFERENCE

The drawbacks and the possible dangers indicated above should not make us blind to the positive contribution made by the Conference. Its greatest contribution was to highlight the raw deal so far received by Maharashtra mainly because of the political antipathy of the rulers. Dr Deshmukh vividly brought out this fact when he said,

"It will be easy to prove that owing to wrong political arrangements, Maharashtra's economic development has suffered in the past. In the case of Marathwada the neglect was historical and deliberate, extending over a few centuries. In the case of Vidarbha, there was evidence, again, of deliberate political inattention, not justified by any well-thought-out plan of removing regional disparities during the first ten years of Independence. Western Maharashtra was the worst case of such unjust treatment, which cannot even be called step-motherly, as even motherly attention was often withheld from it, and in Western Maharashtra, the backwardness of the Konkan Districts has been recognised only during the last two or three years and that only by the State Government, since the Konkan railway, in its real sense, has been deferred like hope till hearts are sick for the last ten years, to my knowledge."

The Conference successfully revealed the nature and extent of underdevelopment of Maharashtra and suggested remedies for development. It brought on a platform persons of diverse interests—industrialists, traders, economists, Government officials and even trade unionists—though the industrialists dominated throughout. It got an assurance of cooperation and support from the Chief Minister and the Finance Minister of the State. It published some very useful literature—the working papers, a reference volume and a souvenir.

The Conference was very ably conducted by its president, Dr

ment; i is employment in an industry; t is total employment."

One example of the economic application of this crude approach is found in a study of *Metropolitan Chicago* published last year. The authors, with the help of location quotients, were able to make an approximate estimate that 20 per cent of total employment in Chicago was "export" based and heavily concentrated in durable goods. Assuming that the overall growth of the area depends on its "basic industries" the authors evaluate the prospects of Chicago's growth in terms of the national growth of these industries.

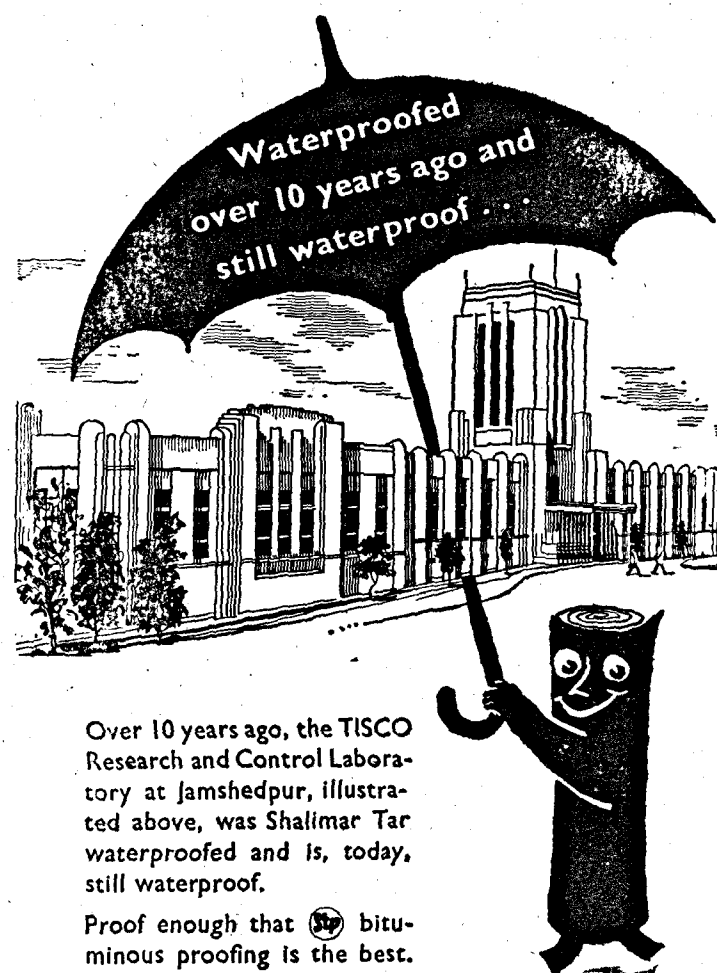
The second important area of research has been the measurement and interpretation of economic accounts. Two important fields in which progress is being made are the income accounts and the input-output studies. Volume 21 of the *Conference on Research in Income and Wealth of the National Bureau of Economic Research* is devoted to the problems of compiling and analyzing information on regional income. The contribution of Loren A Thompson considers some experiments in estimating Virginia County income from limited availability of current data. In official statistics regional income information is not provided beyond that for the states. However, several metropolitan studies have undertaken the task of providing consistent personal income figures. The most comprehensive input-output matrix constructed for a metropolitan area is the St Louis table by Warner Hirsch. Transactions among the twenty-nine sectors have been established from input-output data collected from each firm for the year 1955.

EVALUATION OF LOCATIONAL FORCES

Finally, mention must be made of the comprehensive studies like that of the New York Metropolitan Region which evaluate the basic locational forces. The authors of the Study are able to predict a slower growth rate of manufacturing in the Region relative to the nation with the problem of obsolescence of the city core. Many of the problems mentioned earlier have been discussed with a high degree of quantitative precision and ingenuity.

The purpose of the foregoing cursory account was to summarize the main lines of research effort in the United States in the field of metropolitan economics. Most of the

problems arising from these urban different places. Economists have agglomerations are also true of many neglected to study sub-national categories as individual entities and under-developed, even though there is need for greater interest in problems take different forms in the field.



Over 10 years ago, the TISCO Research and Control Laboratory at Jamshedpur, illustrated above, was Shalimar Tar waterproofed and is, today, still waterproof.

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Deshmukh, who was assisted by eminent industrialists and economists of Maharashtra. Professor D R Gadgil's excellent working paper on the basic requirements of planning in Maharashtra may prove useful in laying down a firm foundation on which the planning super-structure of the State can be built. Unfortunately, the other working papers, and con-

sequently the discussions thereon, were not of a high order.

CONCLUSIONS

Any plan for Maharashtra's economic development should aim at the maximum welfare of the maximum number in the State. The Conference had a narrow aim—the maximum welfare of a privileged minority. So far as this welfare is not in conflict with the

welfare of the masses, it can be encouraged. For example, development of large-scale industrialisation in the private sector can take place in our mixed economy. However, care should be taken that such industrialisation does not result in widening the economic inequality and in hindering the State and co-operative activities in the industrial field.

a new life



'Do you not hear the entrance of a new theme?'

Do you not hear the asserting cry of the newborn,

see myriad men rise to work;

to build, to wield the power of the sun?

Fashioning life, making a world that offers a little more:

a little less of the care, a little more of the joy.

Yes, you feel the awakening—

an ancient nation sheds the stagnation of the ages.

TODAY, as in the past, our products help to make homes cleaner, healthier, happier. But today we are also working for ...

TOMORROW, when the evergrowing urge for better living will demand still greater efforts. And we shall be ready with wider service, new ideas, new products ...

Today and Tomorrow... Hindustan Lever serves the home.

PR2-K52

From the Chair

The Bombay Gas Company Limited

Chairman's Address by Shri N. K. Jalan

THE following is the Chairman's Address by Shri N. K. Jalan at the Annual General Meeting of The Bombay Gas Company Limited held on June 18, 1960:

GENTLEMEN,

I have pleasure in presenting to you the audited Balance Sheet and the Accounts of the Company together with your Directors' Report for the year ended 31st December, 1959, a copy of which has been in your hands for some time now. With your permission, I take them as read.

In December, 1959, when we met here for our last annual meeting, I made a mention that the holding of a Summit Conference was almost a foregone conclusion. It appears from the events that happened in the last month that I was a little precipitate in my conclusions at that time, but so were many others. It is unfortunate that though the heads of the big four nations had assembled at Paris for a conference, it came to an abrupt end before it actually began and with this World's dream of peace and prosperity through harmony and co-operation has been dashed to pieces. However, we have some solace from the assurance given by Mr. Harold Macmillan that all is not lost and that he would still persevere in face of all insurmountable difficulties to hold a Summit Conference. Mr. Khrushchev is also giving his own terms for holding a Summit Conference. The question of inviting India to participate in the Summit Conference is also being raised and I hope India will play a leading part in the said Conference. I hope and trust that something tangible will result from all these efforts and that it will go a long way to preserve the World peace.

At the time of our last meeting only a few months back, we had little thought that the integrity and independence of our country would be threatened. It is beyond our comprehension how some nations still think in terms of expansionism at a time when even the smallest nations are trying to achieve their

political independence and when colonialism is on its last legs. It is all the more painful that this considerable incursions into our country should have come from one of our friendly nations,—China, who had accepted the 'Panch-Sheel' principles and with whom our friendly relations have existed for many centuries. Since this development, sincere efforts are being made by our Prime Minister to find a way out of this impasse. But it is very sad that all efforts have so far failed and even the visit of the Chinese Prime Minister to our country bore no fruit. In spite of all these troubles, our Prime Minister



Shri N. K. Jalan

is valiantly striving for the admission of Red China to the U.N.O. I have full belief in the non-alignment policy of our Government which has tremendously raised the prestige of our country in the comity of nations. I am sure our country is safe in the hands of our Prime Minister, Pandit Nehru, and people will be solidly behind him in maintaining and preserving our independence and unity in this grave emergency.

In order to meet such a national emergency, not only are the Defence needs to be fully provided for but all round production should also be increased. The existing in-

dustries should be expanded and new industries should be set up. This is also essential to raise the standard of living and solve the growing unemployment problem. Rapid industrialisation of the country is its only solution.

It is in this context that we should formulate our 3rd Five year plan. The needs of the public and private sectors should be considered and met on an equal footing and preference should not be given to the public sector at the cost of the private sector. As you all know, the full impact of the first and the second five year plans has not been felt by the general public and the cost of living index has been continuously on the increase. This is because consumption needs, which are mostly satisfied from the production in the private sector, were not adequately provided for. A disquieting trend in the working of the Corporate Sector has been revealed in the Reserve Bank of India surveys of the finances of Joint Stock Companies for the three years, 1955, 1956 and 1957, the last of which (for 1957) was published in the August, 1959, issue of Reserve Bank Bulletin. The latest study reviews the comparative finances of 1001 Indian Joint Stock Companies in three years 1955, 1956 and 1957. As the Companies included in this study comprise approximately three-fourths of the Sector covered and are common for all the three years, the data are strictly comparable. The main findings of the study are that the profitability of equity capital in 1957, has further declined and that capital formation has been static. The profitability of equity capital of the 1001 companies, as measured by the percentage of profits after tax to net worth, which had declined from 9 per cent in 1955 to 8.7 per cent in 1956, dropped further to 6.2 per cent in 1957. The average rate of dividend on ordinary shares, which had risen from 9.1 per cent in 1955 to 9.5 per cent in 1956, declined to 8.7 per cent in 1957. The ratio of dividends to net worth also declined from 5.2 per cent in 1956 to 4.9

per cent in 1957. Hence the imperative need of providing adequate incentive to the private sector to expand and produce more and more with the aim of supplying an ever increasing flow of consumer's goods.

I am, therefore, of the opinion that for the rapid development of the industry and trade of the country, the bulk of the capital required should come from internal finance. In order to encourage capital formation and offer incentive for investment, the present taxation policy would need immediate and drastic revision. The major portion of the funds which would have been otherwise available for immediate investment for further production is taken away by way of taxation, and, then a part of the same is made available for development of the private sector. This unnecessarily delays investment and production. The proposed amendment to the taxation law requiring the publication of the names of those tax defaulters on whom a penalty of Rs. 5,000/- or more has been imposed will have a damaging effect on industries. Moreover, the provision that information regarding the income and wealth, etc., of an assessee would be communicated to any person applying for it on payment of a prescribed fee, is certain to add to the members of professional blackmailers and malicious harassers; and this will certainly be a distinct disservice to the public. In the prevailing conditions of this country, it is more than probable that eager applicants for information regarding an assessee's wealth, income and jewellery, etc., would include not inconsiderable numbers of burglars and house-breakers. The high rate of taxation and the proposed withdrawal of the concession of development rebate from office equipments and road transport vehicles, will deter the formation of capital. There is no justification to withdraw the concessions for these items specially when these form part of industry's requirements. I, therefore, feel that very careful consideration should be given by the Government before passing the proposed amendments.

We are pleased to find that with the collaboration of foreign capital, some new enterprises are being started in our country. This has become possible only since freedom to remit profits and dividends has been granted to foreign capital. I hope

that adequate incentives will also be given to indigenous investment.

Transport difficulty is another bottleneck in production. The Rly. wagon position so far has not improved so as to meet the present requirements of the industries. As a result, sometimes production is hampered. Our Company is also facing acute shortage of coal due to unsatisfactory allotment of coal wagons, though there is enough stock of coal at pitheads of the supplying collieries. I hope that ample provision would be made to increase the transport facilities in our 3rd plan which envisages an all-round increase in production.

Our food insufficiency, as we all know, has been a very disturbing and obstinate problem. Thanks to the imaginativeness, objectivity and tremendous and dynamic drive of our Food and Agriculture Minister, Shri S. K. Patil, a Food Pact with the U.S.A. has been concluded, which would supply to this country 1 million metric tons of rice and 16 million metric tons of wheat over the next 4 years. This should enable the country to meet current deficits and, additionally, build up a buffer stock to meet unforeseen calamities. The Pact is of far-reaching importance to the proper implementation of the Third Five-Year Plan which would be designed to promote accelerated economic development consistently with general, all-round stability of the economic system as a whole. By providing adequate safe-guards against the disastrous consequences of scarcity of food due to floods and droughts, the Pact would also strengthen the foundations of social security which is an essential requirement of sound, accelerated, economic growth. This Pact assumes especial significance as President Eisenhower personally signed the pact on behalf of his country, showing the keen interest he has in our economic development.

The new State of Maharashtra was inaugurated by our Prime Minister on 1st May, 1960. The Chief Minister, Shri Y. B. Chavan, in his speech appealed to the people to resolve that every one should give of his best to enhance the prosperity and reputation of our nation. He has assured, inter alia, that his Government will strive to the utmost to devote the closest attention to the City's proper development. While

it has been your Company's aim and ambition to help the economic development of the City of Bombay by supplying to its public and the national institutions of the State much wanted fuel at low cost, your Directors hope that the new State Government would give fair and impartial treatment to industries like ours, which have been and are still contributing their mite to the nation's development.

RISING COSTS

Coming to the affairs of the Company, the year under review has shown a balance of Rs. 3,08,173/- in net Revenue Account. As you must have observed, this balance is made available after carrying forward an amount of Rs. 118,747/- from 1958 account. Leaving out this carry forward there would be a nominal balance of Rs. 189,426/- only, being a drop of Rs. 107,855/- from the corresponding balance of Rs. 297,281/- at 31st December, 1958.

The position, if I may put it mildly, is far from satisfactory. The cost of coal, the main raw material required for our gas production, rose from Rs. 44.19 nP. per ton in 1957 to Rs. 50.72 nP. per ton in 1959. There has been a further increase of Rs. 2.41 nP. per ton from January, 1960, to May, 1960. Wages, salaries and D.A. have also followed an upward trend due to the rise in the cost of living index. The fact is that the price of raw materials and cost of amenities to workers show substantial increases over the previous years. Although minor relief was provided by the revision of the coke price late in the year, this compensated only for a fraction of the increases in the expenditure.

The major adverse factor restricting the proper growth of the Gas Industry is the present uneconomic selling price of gas. The rising trend in cost of production continues without the Government giving us a fully compensatory increase in the selling price of gas. I may give you a fair warning that the financial position of the Company is already very critical. In asking for an increased price, we ask only to be given the same treatment in the matter of compensatory price increases as has been given again and again to such basic industries, as iron and steel, cement, etc.

It is incomprehensible to me why the gas industry should be denied this treatment while in the cases of other important industries, as mentioned above, successive increases in prices have been granted on the recommendations of the Tariff Commission. It is also paradoxical to find that inspite of the continuously rising costs of production of gas, it has been decided that there is no case for any increase in the rate for gas, and that the selling rate for gas should continue to be lower than what it was in 1926.

We have received the report of the Fourth Gas Advisory Committee, which also includes as an appendix the report of the Third Gas advisory Committee and regret to report that as advised to you at the last meeting both the Committees have completely failed to take a correct perspective of the Company's situation in the context of the continuously increasing cost of production. Your Directors would like to state that the Committee's report is receiving their close scrutiny and that a fresh memorandum will be submitted to the State Government in the near future. Your Directors sincerely hope that the Government of the new State of Maharashtra would give the question of gas price their most careful consideration because the rapid growth of the Gas industry is indispensable to the socio-economic development of the City of Bombay commensurately with its status and importance as the heart of the new great State, gas being undoubtedly an improved and economical mode of the use of fuel.

INCREASED PRODUCTION

The Company on its part has been making every effort to increase the production of gas so as to make it available to as many consumers as possible. During 1959, 250 new gas connections were given. The Company would like to be in a position to provide many more new connections by increasing the production of gas; but, in the absence of a satisfactory revision of the sale price of gas, which has been long overdue, it has not been possible for the Company to do so on a substantial scale.

However, by a sincere all-out effort to meet the requirements of the consumers, the Company have broken their previous record in the

production of gas. This will be seen from the following table:

Year	Total Gas Production (000 Cu. ft.)	Percentage Increase over 1946
1946	1,115,994	—
1955	1,511,849	35.5
1956	1,529,221	37.0
1957	1,581,389	41.7
1958	1,658,548	46.8
1959	1,749,609	56.8

It gives me great pleasure to report that on 9th September, 1959, we sent out 54.14 lakhs cubic feet of gas, which is the highest figure so far achieved. Further, the gas issue has risen by over 90 million cu. ft. to a yet another record figure. In this connection it would be recalled that the Company in 1956 constructed 5 new beds of retorts designed to increase the production of gas substantially. It is gratifying to note that the full effect of these additions in increasing the production of gas has been achieved in 1959 and this has enabled the Company to provide as many as 2364 new gas connections by 31st December 1959. It may be mentioned in this connection that the Third Gas Advisory Committee, in paragraph 22 of their Report, has stated that increased production of gas should result in a decrease in the cost of manufacture and an increase in gas sales, implying thereby that the profits should increase. We would, therefore, like to pose the question as to why, inspite of such appreciable increase in the production of gas and the consequent rise in gas sales, the profits of the Company should have failed to increase proportionately.

PLANT & EQUIPMENT

The Company's plant and equipment was maintained in good condition during the year. Full attention was paid to the mains cleaning programme with a view to overcoming bottlenecks in the distribution system.

Satisfactory lighting conditions were maintained during the year. The Marine Drive improvement scheme continued to be in operation. The automatic controllers have amply proved their efficiency. Recent major street lighting improvements by gas when consistently provided with optimum gas conditions, have evoked much appreciation on the part of the public and the authorities.

WELFARE ACTIVITIES

The annual sports, for the third time in succession, were held on the 27th March, 1960, and the prizes to the winners in the events were given away by Shri S. Chowdhury, General Manager & Secretary of the Company.

The X-Ray clinic and physiotherapy centre inaugurated in 1958 was in service throughout the year. Nearly 600 workers were screened and X-Ray plates wherever necessary, were also taken. These additional medical benefits are much appreciated by the workers.

The Cheap meal scheme in the canteen is also gaining in popularity.

CONCLUSION

The potential demand for industrial and domestic use of gas in the City of Bombay is virtually unlimited. But due to a variety of circumstances, the coal gas industry has been denied a proper growth in Western India.

The Company is unable to expand its plant due to the Government restrictions on its earning power. About 33,000 consumers in greater Bombay who are using low pressure refinery gas at more than three times the cost of coal gas could be supplied with low cost Town's gas, if an appropriate increase in the sale price of gas were given to us to enable us to expand our plant and further increase the production of gas.

To enable the Company to undertake to provide low cost fuel not only to these 33,000 users of refinery gas but also to many others who cannot avail of the refinery gas due to its high cost nor of the Town's gas due to its non-availability, an enlightened declaration of policy is called for from the State Government with regard to the control on gas price.

Your Directors can only hope that this basic aspect of the problem would be appreciated by the new Government of Maharashtra and that a suitable economic climate would be created for the full and healthy development of the coal carbonising industry in Western India.

I would like to express my warmest appreciation to the workers and members of the staff for their wholehearted co-operation. My especial

(Continued on p 1057)

The Elphinstone Spg. & Wvg. Mills Co. Ltd.

Chairman's Address by Shri N. K. Jalan

THE following is the Chairman's Address by Shri N. K. Jalan at the Annual General Meeting of The Elphinstone Spg. & Wvg. Mills Co. Ltd. held on June 17, 1960:

GENTLEMEN,
It gives me great pleasure to welcome you to this Annual General Meeting of the Company, and with your permission, I shall take as read the Report and accounts for the year 1959 which have been in your hands for some time.

We are meeting to-day in the background of a grave international development. The Summit Conference which was to have been held recently at Paris and to the outcome of which the world was looking forward with great expectations, was not held for reasons that are fresh in your minds. Efforts are being made for renewed negotiations with a view to holding the Conference and let us fervently hope that these efforts will succeed and that the results of the Conference will bring peace and prosperity to the people of the world.

Nearer home, the encroachment on the borders of our country by China has caused considerable anxiety. Our Prime Minister invited the Premier of China to our Capital for a friendly discussion even in the absence of a common ground for a discussion on the disputes about the borders and with full knowledge that China had made several incursions into our country. Although the discussion did not bring about any concrete results, the fact that cordial relations have been maintained should prove helpful in the creation of a congenial atmosphere for an amicable settlement of the border issues some time in future.

It is gratifying to note that Indo-Pakistan talks in Washington on the canal water dispute have reportedly been progressing satisfactorily and that a treaty on the subject is expected to be concluded.

Our recurring food deficits, we know, have been a source of much anxiety to the Government and the people over the last many years. And it was increasingly realised that the basic condition for the success of a plan of accelerated economic

development was a substantially increased supply of foodgrains. Accordingly, in the formulation of the Third Five-Year Plan, a high priority is being given to several groups of projects related to small and medium irrigation works and to fertilizer plants, which are calculated to facilitate increased production of food in the Third Plan period. But, while the entire plan of increased food production with a target of 110 million tons will take some 4 or 5 years to be fully implemented, it was necessary that some firm arrangement should be made for an adequate supply of foodgrains to meet current deficits and unforeseen calamities like floods and droughts. The successful procurement of food imports on the necessary scale on a year-to-year basis was dependent upon adequate foreign exchange being available and supply conditions being advantageous. Both these factors were, as a rule, exposed to fluctuations and uncertainties, and the huge scale of operations involved often entailed an excessive drain of foreign exchange resources with consequent short-fall of such resources for other urgent items of imports required for development. And the problem continued to tax the resourcefulness of the Government and the people over the last many years. Thanks to the brilliant conception of a Food Pact with the U.S.A., put forward by our distinguished Food and Agriculture Minister, Shri S. K. Patil, and his tremendous drive to translate that conception into a reality, a Food Pact with the U.S.A. has become an accomplished fact. And the country is assured of the flow of 1 million metric tons of rice and 16 million metric tons of wheat from the U.S.A. during the next 4 years. There can be absolutely no doubt that the conclusion of this Food Pact is of tremendous advantage to India in implementing the Third Five-Year Plan of accelerated economic development and in providing a strong safeguard against the widespread distress and upheaval caused by recurring scarcity of food. We must also take this opportunity to offer our thanks to President Eisenhower who has, time and

again, expressed his keen interest in the accelerated economic development of India and who, no doubt, exerted his great influence, as the leader of a great country, to ensure that the negotiations were expedited and the far-reaching Pact involving a deal worth no less than Rs. 607 crores was concluded in what must be considered a record time.

We are also meeting for the first time after the two new States of Maharashtra and Gujarat have come into existence recently. We offer these two States our felicitations on their newly gained status. It is gratifying that Shri Y. B. Chavan and Dr. Jivraj Mehta, the two most distinguished leaders of the Government of the former bilingual State, have been chosen as the Chief Ministers of the two new States. To Shri Y. B. Chavan and Dr. Jivraj Mehta and to their colleagues, we extend our best wishes for success in their endeavour to make their respective States prosperous and to foster good neighbourly relations.

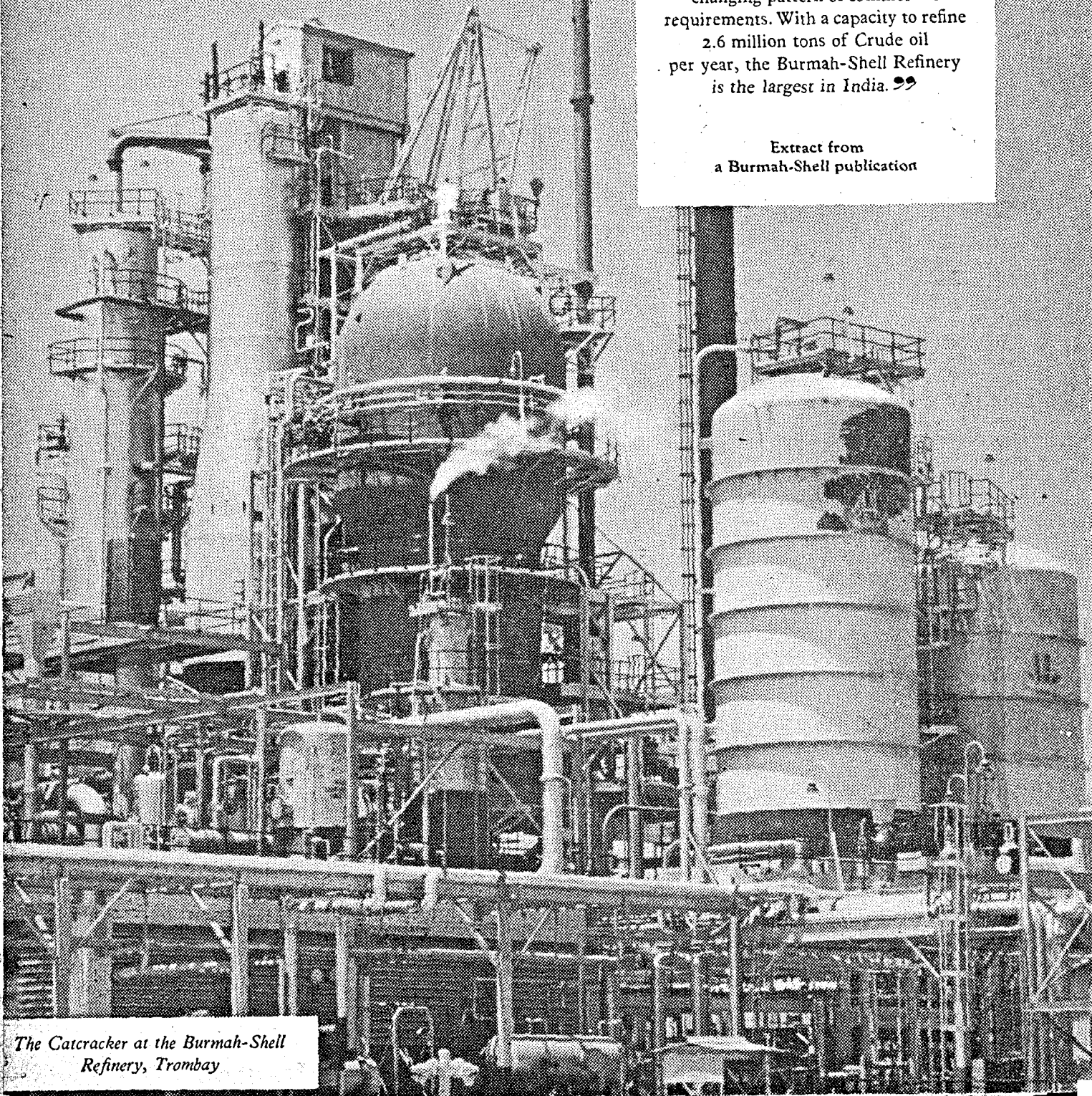
The year 1959 was, on the whole, a favourable year so far as industrial and agricultural production was concerned, though it is to be noted that there was some reduction in the output of jute and cotton. Higher levels of production in a large variety of articles were achieved. Output of mill cloth during the year was 4,925 million yards as against 4,927 million yards in 1958.

Despite the higher output in the industrial and agricultural sectors, however, the standard of living of the people did not improve on account of inflation which put up the cost of living. The higher cost of living resulted in the increase of Dearness Allowance payable by the industries to their workers and this phenomenon had the inevitable effect of setting up a vicious circle of higher costs and higher wages.

Following the sharp increases effected in the Excise Duty on cloth in September, 1956, it is well-known that a serious crisis developed in the industry resulting in consumer resistance, unprecedented accumulations of cloth stocks with the mills resulting in great financial embar-

“As a direct result of research by the Oil Industry, refining processes are becoming increasingly complex, for as a result of this research not only are new and more specialized products being produced, but methods have also been devised for more efficiently converting Crude oil to meet the constantly changing pattern of commercial requirements. With a capacity to refine 2.6 million tons of Crude oil per year, the Burmah-Shell Refinery is the largest in India.”

Extract from
a Burmah-Shell publication



The Catcracker at the Burmah-Shell Refinery, Trombay

rassment, closure of several units of the mill industry and the consequent large-scale unemployment. The unfavourable effects of all these unhealthy developments lasted from the closing months of 1956 to the beginning of 1959.

A FAVOURABLE YEAR

The year under review, however, brought about an improvement in the situation, thanks to the successive concessions in respect of the excise duty, the last one being made in July, 1958, at the suggestion of the Textile Enquiry Committee appointed by the Government in May, 1958. The excise duty rates have remained the same thereafter and it seems the Government ultimately realised how ill-conceived fiscal measures resulted in doing permanent harm to the industries and thereby to the economy of the nation at large.

Trading conditions in cloth and yarn took a turn for the better from the second quarter of the year under review and the demand in local as well as export markets broadened further during the second half of the year. As a result of the improvement witnessed in the trading conditions, stocks with the mills progressively came down. Mills carried a total stock of only 2,73,700 bales at the end of December, 1959, as compared with 6,59,885 bales at the end of December, 1957, and 5,82,400 bales at the end of December, 1958. These figures also indicate how the crisis was accentuated during 1957 and was progressively got over during 1959. During the first four months of the current year, January-April, the offtake of cloth was steady and the stock figure at the end of April was 2,74,000 bales.

EXPORTS

Exports of cotton piece-goods from India during 1959 came to 810.3 million yards which compared favourably with the 581.4 million yards exported in 1958. The figure of export is, however, below the performance during 1957 when it was 839 million yards. Moreover, the performance during the year 1959 has to be viewed in the background of special Export Incentive Scheme introduced by the Government of India in October, 1958, to encourage exporters to sell in the export market and to earn as much foreign exchange for the country as possible.

The pace of export during the current year so far, however, is not

as satisfactory as it should be and the export trade at present is dull. Competition in the world markets has become more keen, especially from Pakistan, China and Japan; and although the Export Incentive Scheme has positively encouraged the exporting mills to export more, it is necessary that, apart from such temporary measures, the industry is given all possible encouragement so that it develops its own inherent strength to be able to compete in the international markets on its own; and this can be achieved only if full facilities are given by the Government to the mills to equip themselves with modern and up-to-date equipment.

In particular, it is essential that the mills should be given full facilities to introduce automatic looms so as to reduce cost and to install mercerising plants, printing machinery, and combers, with a view to improving the quality of our cotton manufactures so as to make them increasingly competitive in the export market as regards price as well as quality. It is well to remember that all the underdeveloped countries are anxious to improve the standard of living of their people, and this should mean an ever expanding demand for cloth in those areas. There is absolutely no reason why the Indian textile industry, with its long-standing experience and traditions in the export trade, should not be able to capture a large share in this newly developing export market. To gear the Indian cotton textile industry to this growing and potentially vast export market in Africa, in Western and South-Eastern Asia, and in South America, it is imperative that modernisation and rationalisation of the industry should go forward, and that all hindrances in this direction, such as, freezing of the loomage of the mills, ill-advised provisions relating to lay-off and the retrenchment compensation, etc., should be withdrawn.

COTTON

The 1958-59 season held out prospects for a good crop of indigenous cotton, early estimates of the season being placed at 54 lakh bales. Unfavourable weather conditions and unseasonal rains after November, however, rendered the expectations illusory with the actual crop turning out to be only 48.5 lakh bales. As against this, with the demand for

cloth broadening internally and in export markets, consumption of cotton by mills increased. The result was that the season ended up with anxiety regarding the adequate availability of cotton.

The 1959-60 season has turned out to be even worse. The situation has caused a serious crisis in the supply of indigenous growths during the current season. Due to crop failure, only 37.5 lakh bales equivalent to only about 75% of the originally estimated crop are available for distribution to the mill industry against the normal consumption of about 52 lakh bales (including about 6 lakh bales of imported cotton). The short-fall in the crop has not only resulted in a serious strain on the available supply but has boosted up the prices of practically all varieties of cotton. Realising the gravity of the situation, Government issued an order on the 13th May last imposing stricter control on cotton transactions whereby beginning from the month of August, 1960, sales of cotton are required to be made only to mills nominated by the Textile Commissioner.

WAGE BILL

The wage bill continued to increase throughout the year under review. Higher food prices resulted in the payment of continuously increasing Dearness Allowance month by month.

The recommendations of the Textile Wage Board which have been accepted by the Government and which the Millowners' Association of Bombay have decided to implement, will place a further heavy burden on the industry. Under the recommendations, all the Bombay mill workers will get, among other incidental benefits, a basic wage increase of Rs. 8/- per month with effect from January, 1960, and a further increase of Rs. 2/- per month with effect from January, 1962.

The total wage bill of the mills in Bombay is expected to rise by approximately Rs. 1.55 crores annually as a result of the initial increase of Rs. 8/- in the basic wages. Your mills will have to bear an additional burden of a total increase of nearly Rs. 3½ lakhs annually with a further increase of about Rs. 75,000/- from January, 1962. It is most unfortunate that such a substantial burden has been imposed on the industry when it has barely recovered from the recession of the last 3

years and when it is faced with increasingly acute competition in the export market. For the mills to be able to absorb this new burden, it is imperative that they should have the necessary facilities to speed up the process of rationalisation and modernisation.

MODERNISATION

The importance of adopting the latest improved methods and techniques in the various processes of Cotton Spinning and Manufacturing cannot be over-emphasised and the management has been fully alive to the need for modernisation. In purchasing modern equipment, the object has been to achieve improvement in quality, at the same time attaining optimum production and saving labour wherever possible.

A modern plant for better opening and cleaning of cotton was installed in the mixing room during the year under review. In the Card room, 12 more new Cards were added and in the Spinning Section 10 new N.M.M. Ring Frames were installed in replacement of old spindles. Over and above this, Super High Draft spindles were installed in the year 1956. The new O.M. Super High Draft spindles have become very useful equipment of your mills as the installation of these spindles has helped the company to reduce their overhead expenditure to a certain extent.

In our desire to keep abreast of the market demands and to improve the quality of goods manufactured, we have recently imported and just completed the installation of a set of 4 high production Combers of the latest model. These Combers have been added to the existing 8 Combers of the earlier model. The mills have applied for the import of 2 more Combers.

The Company has been able to secure import licence for a set of Barber Colman Winding & Warping Machineries for replacing about half the existing Winding and Warping Machines which have become out-dated and are overdue for replacement. Orders for the New Barber Colman Machines have been placed and they are expected to arrive towards the middle of next year. Their installation will effect considerable economies in Winding and Warping Departments and will also serve to improve the quality of yarn preparation for the Weaving Department with the resultant ad-

vantages in cloth quality and production. One Cocker's High Speed Sizing Machine is presently due for arrival.

We are also considering replacement of our existing plain Looms by Automatic Looms but due to the Government policy in this regard our programme in this direction is necessarily limited and permission to install only 48 Automatic Looms could be obtained.

We have recently installed in the processing Section two Semi-Automatic Jiggers for cloth dyeing and a latest model Hot Air Jet Stenter imported from Germany is under erection. We have on order one Chainless Mercerising machine from West Germany, a Cropping and Shearing Machine from U S A and a locally manufactured Backfilling machine.

LEATHER CLOTH DIVISION

Your Company's Leather Cloth Division has made considerable progress. The production of this Division has been progressively increasing and it was more than double during the year under review of what it had been in 1956. The management has got a programme to increase the production substantially in the current year. We have developed the export business and have got ourselves well established in some of the foreign markets for the quality of our products and we are now getting continuous repeat orders from overseas buyers. New machinery, such as friction calender, embossing machine, etc., were purchased partly to meet the increased production requirements. Besides, new qualities have been developed and introduced in the markets.

The management has in mind the modernisation of this Division also by equipping it with the latest types of machinery and as a first step towards this an order for a German Embossing Calender has been placed.

LABOUR WELFARE

We are glad to say that our relations with labour have remained cordial. Various amenities have been provided for the workers. Five Adult Literacy Classes are conducted including a special one for female workers with facilities of free education for all workers. Every encouragement is being given to the workers for taking part in sports with the result that we have among them a few who attained top class efficiency.

ACCOUNTS

Turning now to the accounts side, I hope you will consider the profits for the year to be satisfactory, especially in the background of the losses sustained during the previous two years and in the face of mounting costs towards wages and the increased prices of raw materials and stores consumed. The stocks of finished cloth at the end of the year under review came down to Rs 26.80 lakhs from Rs 62.19 lakhs at the beginning of the year. Similarly, the stocks of yarn came down to Rs 0.59 lakh from Rs 4.06 lakhs. The present stock position is also satisfactory.

PROBLEMS OF THE INDUSTRY

I will now deal with certain problems of this industry. The profitability of this largest and oldest industry in India, has unfortunately been lowest in the industrial sector as disclosed in a study undertaken by the Reserve Bank of India and published in the August, 1959, issue of its Bulletin. This unfortunate factor is the main reason for its inability to modernise its machinery on the required scale from its own resources.

This industry suffers from a rigid cost structure because it has to pay high prices for its basic raw material, viz. cotton, which accounts for as much as about 50 per cent of the total cost of the finished product, and also because it has to pay the highest wages amongst the unskilled industrial workers in the country. Government taxes on this industry are also far too heavy.

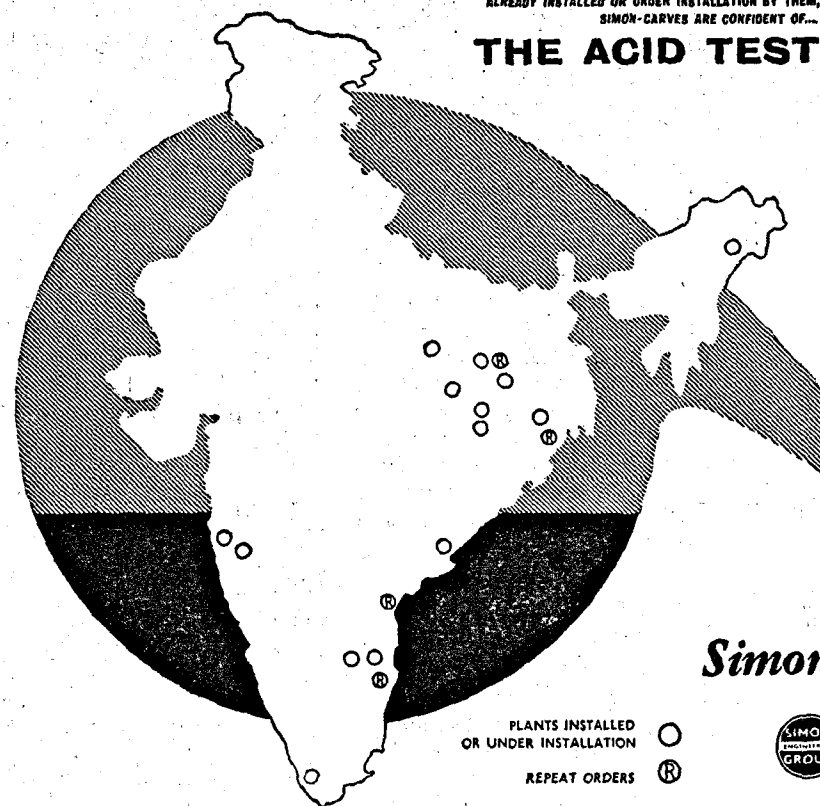
It is necessary that Government renders all possible help to the industry by ensuring adequate supplies of cotton whenever needed and sufficiently in advance. It should also adopt a firm policy not to add to any of the existing burdens of the industry and to help the industry to reduce the present inflated costs to the minimum possible. As the Textile Wage Board rightly observes: "This industry must be nurtured so that it may flourish and clothe the nation, and at the same time contribute to the welfare of the State, and extend the scope of the nation's development".

In conclusion, I have to express my appreciation to our staff and workers for their valued co-operation during the past year and we

(Continued on p 1057)

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Company Notes

Atul Products

THE twelfth annual report of Atul Products, the Kasturbhai chemicals and dyestuffs concern, reveals that it is doing better than ever before. Fixed assets expanded by Rs 29 lakhs and inventory by Rs 6 lakhs during 1959. Sales rose by 23 per cent to Rs 354 lakhs; gross profit on them almost doubled and rose as a percentage of sales from 18 per cent to 29 per cent. Earnings before tax more than doubled from Rs 35 lakhs to Rs 82 lakhs. Increase in tax provision, however, has allowed net earnings to rise from Rs 34 lakhs to Rs 44 lakhs only.

Net earning on capital invested has improved from 9 to 11 per cent and on net worth from 15 to 18 per cent. Net earning per equity share has gone up from Rs 17 to Rs 22; net dividend has been reduced from Rs 10 to Rs 8.33 (or Rs 12 gross).

All the plants of the company worked satisfactorily and without interruption throughout the year. The plant for manufacture of phosphorus trichloride has been commissioned; a part of its production will be consumed by the naphtha plant and the rest will be sold. The erection of the sulphuric acid plant will be completed shortly, while foreign exchange loans have been secured for a BON acid plant and a caustic soda plant, both of which are expected to be ready in 1961.

The investment of Rs 1 crore in Atic, a joint enterprise with Imperial Chemicals, has earned a dividend of Rs 6 lakhs for the first time.

The company has received Government sanction for construction of an additional dam and power plant, and the manufacture of fast colour bases, additional quantities of azo and naphthol dyes and intermediates for dyes and pharmaceuticals. Foreign exchange loans for the import component of this programme are being arranged.

Negotiations are proceeding with Ciba of Basle for technical and financial collaboration in a subsidiary company which will manufacture urea formaldehyde adhesives, melamine formaldehyde and dicyanamide glues and intermediates for sulfa drugs.

Amar Dye-Chem

DESPITE the grant of licences for import of foreign naphthols and bases, which compete with domestic

products, the sales of Amar-Dye-Chem rose by about 65 per cent to Rs 172 lakhs in 1959. Profit margin on them shot up from 14 per cent to 35 per cent. The tax holiday enjoyed by the company so far is over now, but net earnings (after tax of Rs 11 lakhs) have nearly quadrupled to Rs 41 lakhs.

Net earning on capital invested has risen four times to 36 per cent, and has shot up per equity share from Rs 15 to Rs 65. A first equity dividend of Rs 12 has been declared.

Rs 30 lakhs has been ploughed back against a dividend distribution of Rs 9 lakhs; Rs 3 lakhs has been provided for arrears of depreciation. Gross capital formation during the year was Rs 29 lakhs, fixed assets accounting for Rs 12 lakhs and inventory for Rs 17 lakhs.

An effort is being made to improve the quality of products still further. 14 types of Amarthols and 16 types of fast bases are manufactured now. The lay-out of plant and buildings is being altered, and a switch-over to the dry process of making BON acid is contemplated during the current year.

A licence for the manufacture of 500 tons of basic and acid dyes of TPM series, in collaboration with Montecatini, has been obtained.

An incentive scheme for labour has been introduced to raise labour productivity.

Alembic

NET sales of Alembic Chemicals in 1959 rose from Rs 219 lakhs to Rs 243 lakhs, and gross profit margin on them improved slightly from 14 per cent to 15 per cent. Net profits after tax have gone up from Rs 15 lakhs to Rs 18 lakhs. The latter represents 10 per cent on capital invested and 13 per cent on net worth.

Net earning per equity share is Rs 25 after making proportionate allowance for new share capital. Dividend is Rs 16 gross or Rs 11.20 net against Rs 12 net in the previous year.

The company spent Rs 40 lakhs on expansion of fixed assets and Rs 13 lakhs on additional inventory during the year.

Jyoti

THE installation of a separate manufacturing plant for electrical products and the shift of manufacturing operations from the

old to the new plant has adversely affected the working results of Jyoti in 1959. Sales increased slightly from Rs 111 lakhs to Rs 113 lakhs, but gross profit margin on them declined from 14 per cent to 12 per cent. Net earnings after tax have remained constant at Rs 7 lakhs.

Net earning on capital invested has, consequently, gone down from 13 per cent to 8 per cent, and on net worth from 22 per cent to 16 per cent. Net earning per equity share after making proportionate allowance for new share capital has come down from Rs 28 to Rs 20. Net dividend has been reduced from Rs 12 to Rs 8.33 or Rs 12 gross.

The company spent nearly Rs 11 lakhs on expansion of fixed assets and Rs 21 lakhs on additional inventory during the year, making a total gross capital formation of Rs 32 lakhs. It is adding hydraulic turbines and generators to the three present lines of production, hydraulic pumps, electric motors, and switchgear and switchboards. Orders have been secured for 15 hydro generating sets ranging from 31.5 KVA to 315 KVA.

Sen Raleigh

AFTER a period of stagnation in 1958, Sen-Raleigh Industries of India has been able to raise its sales by 33 per cent to Rs 294 lakhs

Bombay Gas

(Continued from p 1051)

thanks are due to Shri S. Chowdhury, your General Manager & Secretary and Mr. Ruggles, your Chief Engineer, without whose invaluable assistance, it would not have been possible for your Company to carry on the production and distribution of gas at an un-economic selling rate in face of continually rising costs.

THANK YOU.

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

Elphinstone Mills

(Continued from p 1055)

would continue to rely on their assistance in maintaining and enhancing the prosperity of the Company in the years to come.

THANK YOU

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

during the year ended September 30, 1959. Gross profit margin on them has improved from 9 per cent to 12 per cent. The company is still not liable to income tax.

Earnings have more than doubled from Rs 11 lakhs to Rs 24 lakhs. As a proportion of capital invested, they have gone up from 4.6 per cent to 8 per cent, and in terms of net worth from 8 per cent to 18 per cent. Earning per equity share is Rs 3.18 against Rs 1.40 and dividend is Rs 0.80 gross or Rs 0.56 net against Rs 0.60 net in the previous year.

Gross capital formation during the year amounted to Rs 64 lakhs, consisting of Rs 25 lakhs under fixed assets and Rs 39 lakhs under inventory. Factory operations, however, still fall short of targets owing to difficulties in supply of materials. The company is seriously contemplating the manufacture of other light engineering products for which licences are readily available and in which its technical knowledge and plant capacity could be used effectively.

Kamani Engineering

IN the fourteenth year of its working, sales of Kamani Engineering declined to Rs 168 lakhs from Rs 285 lakhs as a result of a change in accounting procedure. Gross profit margin has doubled to 12 per cent and so have net earnings after tax to Rs 10 lakhs.

Net earning on capital invested is 7 per cent against 4 per cent and on net worth 16 per cent against 8 per cent. Net earning per equity share is Rs 2.20 against Rs 0.90 and dividend is Rs 0.775 against Rs 0.50.

Gross capital formation during the year was Rs 42 lakhs, consisting of Rs 5 lakhs of fixed assets and Rs 37 lakhs of inventory.

Production of galvanised and painted steel structures crossed 10,000 tons during the year. Erection work on three new projects totalling about 226 miles of transmission lines has been taken up and new orders for fabricated structures of about 16,500 tons and transmission line erection for about 343 miles have been secured.

The company is entering the export market and has received an encouraging response from the first few tenders in which it has participated. After considerable field research and trials, a new type of

Are you in need of a loan for your industry?

The problem of finance faces a small industrialist like any other entrepreneur. To help solve this problem, a scheme for the co-ordinated provision of finance has been evolved by the various financing agencies with the assistance of the Central and State Governments.

The State Bank is ready to assist small industrialists with advances against raw materials, manufactured articles and ready stocks etc., as well as with advice as to any other source from where credit can be obtained.

There may be a branch of the Bank in your town. Why not take your problem to the Agent who will be glad to be of assistance?



STATE BANK OF INDIA
INDIA'S LEADING BANK

road roller has been developed. A 220 KV high tension transmission tower for horizontal configuration of conductors has also been successfully designed.

Elphinstone Mills

THE Elphinstone Mills of the Jalandhar Group are modernising their equipment fairly rapidly. The Chairman, Shri N K Jalan, has reported to shareholders that many new items of spinning and other processing equipment have been installed and more have been ordered. The mixing room has a modern plant now; 12 new carding engines have been installed and 10 new NMM ring frames have replaced old spindles. Together with the super high draft spindles erected in 1956, this new equipment has helped to reduce its costs. A larger quantity of finer yarn is being manufactured with the help of 4 new combers which have been added to the 8 combers which the mills had earlier. An application has been made for the import of 2 more combers.

An import licence has been secured for a Barbar-Colman winding and warping machine, order for which has been placed. This will improve the quality of yarn prepared for weaving. A high speed sizing machine will arrive shortly. Government permission has been received for installation of 48 automatic looms for replacement purposes.

On the processing side, two semi-automatic jiggers for cloth dyeing and a jet stenter of the latest model are under erection. Orders have been placed abroad for a mercerising machine, a cropping and shearing machine and, locally, for a backfilling machine.

The Leather Cloth Division has made considerable progress. Its production in 1959 was double that in 1956, and will be increased further in the current year. The products of this Division have established themselves in export markets. Its equipment is also being modernised and new qualities are being produced.

Raipur Manufacturing

ANOTHER company in the Kasturbhai Group, Raipur Manufacturing, which produces fine cotton fabrics, increased its sales in 1959 from Rs 162 lakhs to Rs 187 lakhs; gross profit margin on them improved slightly from 12 to 13 per cent. Profits before tax went up from Rs

16 lakhs to Rs 20 lakhs, but tax provision declined from Rs 12 lakhs to Rs 9 lakhs.

Net earnings have, consequently, gone up substantially from Rs 4 lakhs to Rs 11 lakhs. Earning on net worth and capital invested is 8 per cent, while net earning per equity share is Rs 37. Dividend is Rs 35 gross against Rs 25 net plus a bonus issue of 1 share for 2 in the previous year.

The company spent Rs 10 lakhs on expansion of fixed assets during the year and reduced its inventory by an equal amount. The main items covered by this expenditure included new combers, a soaping machine, a vertical drying range, an automatic dyeing jigger, an automatic water softening plant, a humidification plant and new ducts and risers for loomshed.

Raymond Woollen

THE sales of Raymond Woollen of the JK Group rose in 1959 from Rs 201 lakhs to Rs 244 lakhs, and gross profit margin on them improved from 15 to 18 per cent.

Owing to higher tax liability, however, net earnings have gone up only slightly to Rs 16 lakhs, which represents 8 per cent on capital invested and 13 per cent on net worth.

Net earning per equity share is Rs 19, the same as in the previous year, but dividend has been raised fractionally from Rs 8 net to Rs 11.50 gross.

Gross capital formation during the year was Rs 4 lakhs, consisting of an increase of Rs 11 lakhs under fixed assets and a decline of Rs 7 lakhs under inventory.

Prices of wool tops showed an upward tendency during the year but the company had fortunately covered a substantial part of its requirements earlier in the year, when prices were comparatively lower. Encouraging results have been obtained from experiments on the use of indigenous wool in the manufacture of certain varieties of worsted suitings. A plant for combing of domestic wool is likely to be set up for this purpose with Government help.

The company's products are being well received in foreign markets, including the Middle East, Africa and the Continent. Orders have also been received from abroad through the State Trading Corporation. Under the special export promotion scheme framed for the woollen industry, the

company is entitled to import licences for raw materials to the extent of 75 per cent of the f.o.b. value of goods exported and a further 10 per cent for dyes and essential spares.

Bharat Commerce

THE working of Bharat Commerce & Industries of the Birla Group in 1959 has succeeded in bringing down the accumulated loss from Rs 23 lakhs to Rs 4.55 lakhs. Sales during the year fetched Rs 124 lakhs against Rs 113 lakhs and earned an over-all profit of Rs 19 lakhs. An additional Rs 6 lakhs was put into fixed assets during the year and a further Rs 1 lakh in inventory. No provision for depreciation has, however, been made in respect of the rayon spinning plant at Nagda for the years from 1957 to 1959.

By the end of 1960, the company will have 30,000 ring spindles and 14,064 doubling spindles. This expansion, estimated to cost Rs 40 lakhs, will be financed with a loan of Rs 35 lakhs from the United Commercial Bank under the Refinance Corporation scheme. In addition to increasing the capacity of the plant of the Nagda plant, "a couple of other schemes" are also under consideration.

New Great Eastern

THE working of New Great Eastern Spinning and Weaving has improved considerably since its new management took over in September last year, when the Bradys resigned as managing agents, and the Damani-Jain interests took over. The accumulated loss of Rs 13 lakhs after adjustment of reserves at the time of transfer of management was brought down to Rs 11 lakhs by the end of 1959, thanks to profit on the sale of chemicals. The share of exports in total sales has increased from 24 per cent in September 1959 to 59 per cent in March 1960. Further possibilities in this direction are being explored to derive full benefit from official export incentives.

Among other schemes which the new management has in hand are modernisation of spinning equipment, retrenchment of labour found surplus even after the opening of a third shift, and arrangements for dyeing cotton and yarn within the mills. An application for a loan has been made to the NIDC and Rs 15 lakhs has been raised from banks against a mortgage.

Cash Shares in Limelight

Thursday, Morning

DALAL STREET has been moving up and down in quite an indecisive fashion since about the beginning of June. While the general undertone of the market has continued to be distinctly firm, the price pattern of the leading speculative counters has often been a mixed one. Bulls have continued to dominate the market both as buyers and sellers. Erratic fluctuations, after a spectacular rise spread over two-and-a-half months, are capable of widely different interpretations. To those who are bullishly inclined, the market appears to be merely consolidating its position before pushing its way into new high ground. Bears think that the market is undergoing the process of 'distribution'.

The basic factors contributing to the boom in equities are common knowledge. Bears know them as much as the bulls do. How far the current prices discount the favourable factors is the only point, and opinion on this differs sharply. Evidence had been accumulating for quite a long while that speculative activity had assumed unhealthy proportions. And recently the stock exchange authorities have taken certain measures to discourage bull manipulations. Margins have been made stiffer by enhancing the rates and reducing the free limits. Special deposit making-up prices have been introduced to reduce the market's risk arising from wide fluctuations. The more recent behaviour of the market indicates a considerable decline in the volume of speculative activity. Restrictions on jobbing transactions have also had a salutary effect on the market.

RUNAWAY BOOM

That margins can be evaded on a large scale may be conceded. The special deposit system will also need to be extended to a larger number of shares to produce an appreciable effect on speculative activity. But it would be unwise to judge the action taken by the stock exchange authorities, as many critics have done, on the basis of the effect they produce on prices. In fact the authorities should concern themselves only with the orderly behaviour of the market, leaving the

price curve to take care of itself. By itself, the rising trend in equity prices is welcome in that it helps the raising of risk capital, and there can be little doubt that the success of the new issues over the past year or so has been possible because of the revival of confidence in the stock market. Of course, it is different in the case of a runaway boom; and that is perhaps what is feared to be taking place now.

It is arguable that the boom in equities is by no means speculative. For the rise in cash shares has been far more pronounced than in speculative counters. Trading on the stock exchange in recent weeks has indeed been notable chiefly for the remarkable strength in cash scrips. Since the beginning of June, Amar Dye Chem have risen from Rs 320 to Rs 515, Anil Hardboard from Rs 340 to Rs 485, Colour Chem from Rs 370 to Rs 441, Indian Hume Pipe from Rs 155 to Rs 190, Dharamsi Chemicals from Rs 181 to Rs 238, Indian Dyestuff new from Rs 695 to Rs 755, New India Industries from Rs 422 to Rs 552, New Standard Engineering from Rs 124 to Rs 180, Structural Engineering from Rs 261 to Rs 345 and West Coast Paper from Rs 180 to Rs 220. Most of these counters are being eagerly sought on prospects of Right issues because of the expansion plans that these companies have in view.

Bulls can certainly derive considerable comfort from the continued strength in cash counters. But inquiries with stockbrokers indicate that the rise is out of all proportion to the total volume of business done in them. Scarcity of offerings has been an even more important factor than the flow of investments orders; and what is more, a good deal of buying in cash shares recently is said to be of a speculative nature. While the overall trading pattern of the market continues to be indecisive and the general tone is still firm, the exorbitant carry-forward charges over the past few settlements—ranging between 14 and 20 per cent—underline the need for caution particularly on the part of the small fry who are more likely to be swayed by the mood of the market.

Cotton

PRICE POLICY AWAITED

THE futures market in cotton is now as good as closed. It was on May 28 that the hedge contract crossed the 790 mark. No transactions can be officially recorded above that price. But business goes on though only on a limited scale. Buyers have to pay huge premiums, the latest quotation being around Rs 808 per candy. Brokers and jobbers alike have been rendered idle, and there is little hope about the revival of futures trading unless ceiling rates for the 1960-61 cotton crop season are raised substantially. Even then, futures trading might not be permitted until a clear picture of the crop emerges and the crop also turns out to be more than 50 lakh bales in bulk.

New Delhi has still to announce the floor and ceiling prices of cotton for the 1960-61 season. The announcement is awaited with unusual anxiety because on this depends the future of the trade, both ready and forward. Whether higher ceiling prices would help increase production is a moot point. For, it is really the weather and not the price which holds the key to the size of the crop, the more so when there has never been any control over unginned cotton. But if controls cannot be efficiently administered and black-marketing is to persist anyhow, it is perhaps better to raise the ceiling prices to levels which would facilitate honest dealings. Hopes run high that the ceiling rates will be raised; and these hopes are likely to materialise perhaps before the end of this month. Informed sources believe that the ceiling for Moglai fine 25/32" will be raised from Rs 820 to Rs 900 with suitable increases in the descriptive varieties.

While trading in cotton futures has been virtually at a standstill for some weeks, brisk activity has been reported from the spot market. In view of the acute shortage of cotton, mills have been very anxious to cover their requirements at the earliest. It is very likely that they will utilise all their quotas before the beginning of August when the new control order will come into

effect. Under this order they can secure cotton at the ceiling rates but then they may not get what they want. They naturally prefer paying huge premiums to waiting for the enforcement of the new control order, particularly when there is a distinct chance of ceiling prices being revised upwards.

Reliable reports indicate that Washington has issued purchase authorisation for another 3.2 lakh bales (of 500 lbs each) of cotton stapling 1 inch and below under P L 480. This will raise the total import allocation this season to 16.10 lakh bales. The additional import of short staple cotton is in accord with the industry's repeated demand. It should go a long way in making good the shortfall in indigenous supplies and have a restraining effect on prices when supplies begin to arrive. Unconfirmed reports from New Delhi indicate the possibility of further large quantities of cotton being imported from the U S under P L 480 for building buffer stocks of cotton both to ensure uninterrupted supplies to the textile industry and regulate prices.

Meanwhile weather reports from almost all the important producing areas are said to be quite satisfactory. This should help timely sowings. Weather conditions will need to be ideal throughout the season to produce a crop which will make good the shortfall in the 1959-60 crop. One can only pray and hope for the best.

Oilseeds

FIRM TENDENCY

OILSEEDS are firm. Technical reactions apart, groundnut and cottonseed had never shown any marked easiness any time, and the continued strength in these commodities reflects mainly their strong statistical position. With the 1959-60 cotton crop finally estimated at no more than 37.5 lakh bales, there can be hardly any doubt about the shortage of cottonseed. Groundnuts have continued remarkably firm despite the rather unencouraging performance on the export front. This is because of sustained buying by vanaspati manufacturers, both in forward and ready. Inquiries in the market indicate that a few prominent vanaspati manufacturers have effected a virtual squeeze by accumulating huge lines in seed as well as oil in Bombay and Saurash-

Coolness...
at a
touch



TATA-PRODUCTS

tra markets. Margins collected by trading associations provide no clue to the volume of speculative business in the market.

Export of groundnut oil has been at a standstill for long. The disparity between domestic and overseas prices is much too wide to be made good by the existing incentive scheme which provides an export quota of 3-tons of expellers for each ton of oil shipped. Government had asked the trade to seek additional incentive but it is doubtful whether much would come out of it. The expeller quota will have to be very large indeed to make business profitable. Meanwhile extraction manufacturers are reported to have pleaded with Government against the policy of allowing the export of expellers on the ground that this affects the export outlook for extractions, the output of which has increased tremendously over the past 18 months. It is difficult to say whether New Delhi's decision to extend the existing incentive scheme for groundnut oil up to the end of September without any change in the expeller quota has anything to do with representations from the extraction manufacturers. Export business in extractions too has been rather on the low side in recent weeks. Hopes of the trade that the overseas demand would revive appreciably in June have not materialised. Oversea prices, however, have hardened a little over the past few weeks.

Castor, which had been distinctly subdued for quite some time owing to pressure of local supplies and lack of fresh export business with the U S on account of freight uncertainty, have developed renewed strength recently. The September contract which had been done down to Rs 172 on June 15, is up again at around Rs 176.50. The renewed strength in the commodity reflects optimism about fresh large sales of oil to the U S now that the freight uncertainty has been set at rest, although only for two months. Conference Lines have raised the freight for oil from \$ 25 to \$ 30 per ton from July, and the enhanced rate will remain in force up to the end of August. With U S consumption running high and stocks on the rather low side, India should be able to negotiate good business with the U S because Brazilian castor oil will not be available in large quantities till August end. India has already

sold about 34,000 tons of castor oil this year, of which 29,000 tons have been shipped up to the middle of June. Export of castor oil is likely to establish a new all-time record in 1960.

Linseed have been out of favour with bulls for quite some time which, of course, is easily understandable. The internal supply position is fairly comfortable, and the export outlook for linseed oil does not seem quite promising. Prospects of bumper crops in Canada, U S and Argentina have brought about a marked change in market psychology abroad recently, with forward deliveries quoted at huge discounts. The disparity between the Indian and U K linseed oil prices, however, is not large. Any unfavourable turn in weather conditions in the producing countries could lead to a revival of demand for Linseed oil.

Money

ON INTEREST RATES

THERE is very little of the slackness that one would normally expect in the money market at this time of the year. In fact, between April 29 and June 10 the total advances of scheduled banks recorded a small rise of Rs. 3.66 crores; and borrowings from the Reserve Bank are up by Rs. 7.37 crores. Investments are also down though by only Rs 1.06 crores. Deposits, however, have risen by Rs 14.7 crores, and cash and balances with the Reserve Bank are also up by Rs 21.42 crores. Interest rates in the short-term money market have not shown any noticeable change over the past few weeks but they seldom respond to changes in monetary conditions. Most rates are pegged, in a way, of course.

No final decision has yet been taken by commercial banks either in regard of the raising of lending rates or of reducing interest rates on deposits. Half of the additional deposits being impounded with the Reserve Bank and their establishment costs being high, the anxiety of these banks to increase their profit margins by putting up the lending rates is understandable. But the move for a cut in deposit rates is quite inconsistent with the hardening trend in interest rates. Deposit rates are by no means very generous at present. Any cut here is likely to affect the flow of funds to the banking system.

Indications are that the State Bank is willing to cooperate with other commercial banks in putting up the lending rates only if they agree to fall in line with it in respect of the interest rates on deposits. Take away the P L 480 funds, and the State Bank's disappointing performance on the deposit front becomes apparent. With the loss of P L 480 funds in future, it is only natural that the State Bank should want the other commercial banks to reduce their deposit rates so that its own deposits are not affected very adversely because of the lower interest it pays on them.

The Gilt-edged market is flat like a pancake. Dealers in Government Securities are having a tough time. Despite the marked growth of funds with institutional investors, the Gilt-edged market has continued to remain inactive. With the new loans expected in the market next month, institutional investors are unlikely to show any interest in existing loans for the time being. And with half the additional deposits now impounded with the Reserve Bank, scheduled banks will not be able to take the same interest in Government Securities as they did before.

Bullion

UNEXCITING AFFAIR

THE bullion market is having a rather dull time these days, which, of course, is not in the least surprising. June, July and August are the traditionally slack months for precious metals. Normally prices tend to drift lower during these months as a result of increased floating stocks, following slack off-take and larger arrivals.

Both gold and silver have recorded a sizable decline from the highest levels recorded early in May, which were an all-time high. Gold ready has come down from Rs 138-11 to around Rs 126 and silver ready from Rs 231-4 to around Rs 214.

But with floating stocks being what they are and fresh supplies from outside the country extremely being limited, not many observers are inclined to forecast any serious break in the prices of gold and silver. Bulls are unlikely to become aggressive during the slack period but there is nothing in the overall supply position to encourage bears to show their might.

CURRENT STATISTICS

BANKING RETURNS (Rs Crores)

Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note Circulation	1859.19	1080.72	1901.43	1739.79
2. Rupee Coin	125.45	123.85	124.66	128.96
3. Deposits				
(a) Central Govt	92.42	71.07	51.89	49.82
(b) Other Govts	9.23	8.75	25.92	18.29
(c) Banks	107.51	111.71	99.08	79.88
(d) Others	87.05	86.83	98.09	119.72
4. Foreign Securities	148.01	148.01	163.01	178.01
5. Balances Abroad	13.76	15.55	13.77	15.62
6. Rupee Securities	1501.40	1501.40	1496.40	1345.75
7. Investments	220.23	220.69	217.27	302.35
8. Loans and Advances to Govts	50.00	45.71	53.01	27.18
9. Other Loans and Advances	121.99	126.47	119.32	61.70
Scheduled Banks				
1. Liabilities:				
2. Demand (net)	770.79	774.99	770.51	722.58
3. Time (net)	1,173.87	1,174.27	1,168.70	990.32
4. Total	1,944.66	1,949.26	1,939.21	912.90
5. Cash in hand	48.48	47.50	50.27	44.77
6. Balances with Reserve Bank	103.02	95.61	92.64	67.86
7. (5) + (6) as % of (4)	7.79	7.34	7.37	6.50
8. Borrowings from Reserve Bank of which	51.22	47.10	49.16	4.95
9. Advances of which	13.21	11.31	16.23	3.50
10. Bills Discounted: (a) Inland	974.85	971.37	966.37	861.63
(b) Foreign	204.74	202.06	202.66	180.02
(c) Total	114.35	116.43	123.95	105.78
of which State Bank's	44.26	44.85	45.53	33.98
11. Bank Credit (9+10c) as % of (4)	158.61	161.28	169.48	139.76
12. Invest in Govt Sec	12.85	13.54	14.17	13.79
of which State Bank's	58.29	58.11	58.57	58.46
13. (12) as % of (4)	740.54	755.05	741.39	634.81
Cheque Clearance	379.11	394.11	395.37	302.03
	38.08	38.73	38.23	37.06
	197.44	170.46	192.40	150.65

† For Reserve Bank Week ended 17-6-1960. For Scheduled Banks and Cheque Clearance week ended 10-6-1960.

Bombay Money Rates (% per annum)

(Selected Scheduled Banks other than State Bank)	10-6-1960	Week Ago	Month Ago	Year Ago
Call Money				
From Banks	3.50	3.52	3.50	3.25
Deposits				
Seven Days	3.37	3.37	3.36	2.75
Three Months	3.50	3.50	3.50	2.50
Six Months	3.49	3.49	3.47	2.00

Bombay Bullion (Rs and nP)

	23-6-1960	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	125.84	125.97	130.25	119.65
Forward	126.53	126.28	126.44	117.47
Silver (per 100 tolas)				
Spot	213.94	212.62	212.75	194.37
Forward	214.31	213.06	213.06	194.00

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)	May 1960	March 1960	April 1960	May 1959
Monthly Average Group and sub-group	119.9	117.0	118.6	116.1
Food Articles	105.8	103.2	103.8	98.9
Cereals	89.7	89.9	89.4	94.8
Pulses	132.0	126.0	136.7	126.9
Fruits and Vegetables	117.4	110.7	114.7	115.8
Milk & Ghee	138.0	136.6	138.2	131.1
Edible oils	119.2	114.5	118.0	106.3
Fish, Eggs & Meat	138.3	140.7	139.7	144.4
Sugar & Gur	164.5	158.8	159.9	157.4
Others	107.3	96.4	103.1	98.6
Liquor and Tobacco	105.7	94.1	101.2	97.0
Tobacco	118.6	117.0	118.7	115.8
Fuel, Power, Light & Lubricants	140.1	131.9	134.2	119.5
Industrial Raw Materials	147.4	124.9	130.0	109.2
Fibres	139.8	140.5	141.4	134.1
Oilseeds	98.2	96.5	98.2	102.4
Minerals	129.6	131.6	130.7	112.6
Others	119.8	116.6	117.8	108.4
Manufactures	125.4	121.3	123.2	108.1
Intermediate Products	118.9	115.9	116.9	108.5
Finished Products	120.2	115.1	116.3	103.6
Textiles	124.8	124.7	124.6	112.6
Cotton	117.2	97.5	103.0	84.6
Jute	104.2	104.2	104.2	104.2
Woollen	104.3	102.8	102.5	95.5
Silk and Rayon	148.3	147.7	148.3	143.3
Metal Products	104.7	105.0	104.5	106.4
Chemicals	133.7	140.7	139.1	139.6
Oil cakes	110.6	108.6	110.6	106.1
Machinery & Transport Equipment	114.6	114.0	114.7	113.0
Others	122.7	118.8	120.5	114.0
All Commodities				

FOREIGN TRADE

(Merchandise Value, Rs lakhs)	Imports	Exports*	+ or -
Year/Month			
1956	808.73	613.46	-195.27
1957	1,025.82	642.85	-382.97
1958	872.81	585.05	-287.76
1959	895.43	625.77	-269.66
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	49.00	-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	59.73	42.90	-16.83
Mar	65.63	47.03	-18.60
April	80.40	45.14	-35.26
May	66.12	45.49	-20.63
June	77.18	43.54	-33.64
July	63.11	51.46	-11.65
Aug	58.37	58.55	15
Sept	69.42	60.22	9.20
Oct	65.03	59.74	5.29
Nov	69.99	61.76	8.23
Dec	70.43	69.69	74
1960 Jan	62.53	52.04	-10.49
Feb	69.12	49.81	-19.31
Mar	75.58	53.37	-22.21
April	82.00	48.58	-33.42

*Including re-exports

Source: D C I's, Calcutta

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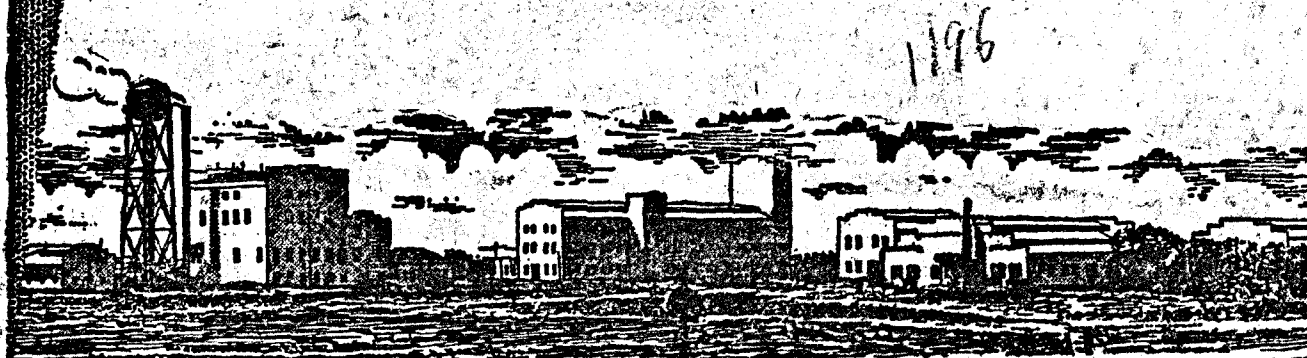
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