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(9) Gudiyattam, (10) Tirupattur, (11) Tiruvannamalai, (12) Vaniyambadi, (13) Vellore, (14) Walajapet, (15) Chidambaram, (16) Cuddalore, (17) Villupuram, (18) Chingleput, (19) Kancheepuram, (20) Dharapuram, (21) Erode, (22) Pollachi, (23) Tiruppur, (24) Udamalpet, (25) Bodinayakanur, (26) Dindigul, (27) Kodaikanal, (28) Palni, (29) Periyakulam, (30) Coonoor, (31) Devakottai, (32) Karaikudi, (33) Sivakasi, (34) Srivilliputtur, (35) Virudhunagar, (36) Mannargudi, (37) Mayuram, (38) Nagapattinam, (39) Tiruvarur, (40) Palayamkottai, (41) Tirunelveli, (42) Srirangam, (43) Karur, (44) Ambur, (45) Aruppukkottai, (46) Tiruvallur, (47) Melapalayam, (48) Mettupalayam, (49) Rasipuram, (50) Pudukkottai, (51) Tindivanam, (52) Gobichettipalayam, (53) Rajapalayam and (54) Arni.".

The Madras Town-Planning Act, 1920 (*Madras Act VII of* 1920).

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

Section 2.—(i) *For* clause (1), *substitute* the following clause:—

" (1) ' Chairman ' means the ' Commissioner of the Corporation of Madras ' in the City of Madras, and the ' Chairman of the Municipal Council ' in other municipalities."

(*ii*) In clause (3), before ' any local area ', *insert* ' the City of Madras as defined in the Madras City Municipal Act, 1919, and '.

Section 4.—In clause (o), before ' the Madras District Municipalities Act, 1920 ', *insert* ' the Madras City Municipal Act, 1919 '.

Section 29.—In sub-section (1), *add* ' in cases arising outside the City of Madras and to the Chief Judge of the Court of Small Causes in cases arising in the City of Madras ' at the end.

Section 39.—In sub-section (3), before ' the Madras District Municipalities Act, 1920 ', *insert* ' the Madras City Municipal Act, 1919, or '.

Section 42.—In sub-section (3), *for* ' sections 34 and 39 of the Madras District Municipalities Act, 1920 ', *substitute* ' sections 40 to 43 (both inclusive) of the Madras City Municipal Act, 1919, or sections 34 and 39 of the Madras District Municipalities Act, 1920, as the case may be '.

Section 49.—For ' under Part VI of the Madras District

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UNDER SECRETARY TO GOVERNMENT
11 JAN 1961
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Vetoed Vote in France

FERHAT Abbas and the FLN are not the only ones to be disappointed with the recent speeches of President de Gaulle on the subject of Algeria; the disappointment is fairly general within and without Algeria and France. It had been widely expected that the President's rather eventful visit to Algiers a few weeks ago would have a chastening effect on his thinking, and that at least the one point on which this would have made him more realistic than before would be the absolute need to recognise the indispensability of negotiating directly with the FLN as an essential party in a new Algerian Government. The speeches have strangely belied this expectation. The President has been talking as if the FLN never existed. Does he really believe that it will be possible to set up his semi-autonomous Government in Algiers without in any way associating the nationalist rebels with it?

The natural and automatic effect of this curious omission in his speeches has been to make Mr Ferhat Abbas frankly contemptuous of the referendum which has already begun this week. He has called upon his followers, and indeed to the Algerian Muslims generally, to boycott it completely and to have nothing to do with it in any way. Certainly the referendum is a queer experiment from the point of the nationalists. One of the two points on which it seeks France's "massive and forthright" approval for the President's Algerian policy is unnecessary; the other is unworkable. The superfluous point is the one that asks the country to endorse "the principle of self-determination" for Algeria —a strange endorsement to ask for a Government which has already shown in practice in many parts of Africa that it represents a people who recognise the self-determination principle for erstwhile colonies. Moreover, in the case of Algeria, it is not so much the principle of self-determination as its application that presents the greatest difficulties.

The second question in the referendum calls for the endorsement of President de Gaulle's plan to establish provisional institutions in Algeria which would eventually flower into an "association" with France, giving the Algerians themselves nothing more substantial than local autonomy, with such things as defence, finance, foreign policy and education left in the charge of Paris. It is almost incredible that de Gaulle should ask his people to give him a specific mandate to apply a policy in Algeria which the other less militant French colonies in Africa have in the past refused to accept. The Gaullist conception of Algerian autonomy might have worked if the nationalist sentiment there was wholly lacking; but in circumstances where this sentiment is powerfully embodied in the FLN, the entire manoeuvre must seem a futile one.

The essential point in this whole tangle is that de Gaulle must recognise without much further delay (for the Algerian debacle is losing France friends everywhere) that there is no alternative to direct negotiations with the FLN. He simply must talk to them and come to an understanding with their leader, Ferhat Abbas. The Melun attempt needs to be made again. This is not to suggest that the French President does not see this need; but his insistence that the rebel negotiators must "agree to leave the knives in the cloakroom" will need modification.

If the meaning of this condition is that the rebels must give up the physical fight before France agrees to negotiate with them, then the condition is an impossible one. The reason is the simple one that the stage is long past when the FLN could feel safe in reposing so much confidence in de Gaulle's intentions as to call off its struggle. Unfortunately, the position at the moment is not even favourable to an effort at negotiating a ceasefire. There is only one thing de Gaulle can do in the circumstances; and that is to call off the battle unilaterally on his side and then ask the rebels to follow suit as a preparation for wider negotiations.

President de Gaulle is not beyond making such a grand gesture. If he is convinced that this would be the only way of stopping the war, he may well agree to making the offer. But the difficulty is that such unilateral action on the part of France would be meaningless unless the intention were to revise the whole French attitude towards the question of Algerian freedom. This business of granting "local autonomy" would have to be abandoned altogether, as also the threat that total independence could not come to Algeria except in the company of partition. As long as those two remain the limits of Gaullist accommodation with the rebels, the battle will continue.

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Allergy to Economic Theory

FROM all accounts, the last Economic Conference was a refreshing departure from previous Conferences. The President set the level of discussion at the Conference with a neat, lucid and illuminating discourse on how economic theory deviated from the course which Adam Smith had set for it and got lost in marginalism, from which post-Keynesian 'growth economists' have brought it back to the main stream. Marginalism, however, Professor Das Gupta does not dismiss as entirely arid. It has its uses, but only when growth is recognised as the governing force. For an underdeveloped economy, however, the forced pace of growth which it needs must inevitably be accompanied by control and direction of the price system as also of the allocation of resources.

From this highly provocative analysis of 'Tendencies in Economic Theory', which formed the subject of his address, Professor Das Gupta moves on to the question, why were economists in this country, particularly of the older generation, allergic to theory? That Indian economists found the prevailing climate of economic thought in the West uncongenial, pervaded as it was by economic liberalism which did not apply to this country at all, is only part of the explanation. Why did the challenge of the economic stagnation in the county fail to provoke adequate response? The ingredients of a growth theory were there in Adam Smith and Marx. Curiously enough, Marx received no attention in this country until after the first World War. Did the class-composition of the intellectuals then, partly account for the sterility of economic thinking?

Perhaps the answer is to be sought in the quotation from Whitehead which prefaces his address: "In any science which has failed to produce any theory with a sufficient scope of application, progress is necessarily very slow".

The laissez-faire economics of the day may not have appealed to the Indian intellectual, and the theory of allocation of resources in a self-adjusting economy may have left him cold. The scholastic traditions of the country had ceased for centuries to react to environment and reality. But it had not ceased to revel in abstraction. Indeed, it had shown a remarkable capacity in pursuing abstractions and developing logical systems from such abstractions with amazing skill and sustained, life-long devotion. How was it that this tradition of scholasticism did not find a congenial field in the hair-splitting logic and formalism of the value theory of the day? The lack of response of the Indian intellectual to the challenge of reality does not answer this particular question.

For the past generation there was little purpose and meaning in developing any economic theory since its application was left to others. Decisions were made in Whitehall and they had no means of influencing action. Instead of remaining altogether sterile or ploughing a lonely furrow in the sand, a minority converted themselves into apologists of the economic policies imposed by the British while the majority devoted their engergies to exposing the economic exploitation of India by Britain and supplying intellectual ammunition to the national movement for freedom.

Is it possible that English language retarded original thinking in economics as in other social sciences? Significantly enough, it is in mathematics and pure sciences that India made contributions in this period. These are fields of study in which communication is least handicapped by the loom of language. To say that the arms were there, but the men were wanting, as Professor Das Gupta tends to imply, would be to underestimate, if not to ignore, the objective factors.

It is the possibility of combining thought with action, of the chance of testing in practice the results of theoretical speculation opened up by independence and inauguration of planning that has given a tremendous fillip, for the first time, to the systematic study of economic problems and stimulated interest in economic theory. This is an altogether new development and is most welcome. But there is incipient danger in this. Theory can develop when it is unfettered and not too much obsessed with practical application. Planning which has given such a powerful impetus to economic thinking may retard progress at a later stage when all that remains is implementation and the solution of technical problems.

The address concludes with a strong appeal for encouragement to research in theoretical economics. Empirical studies no longer need special pleading. Much is being done for them. Theoretical economics cannot develop in the country unless those who are attracted by it are given adequate opportunity to pursue their interests, untramelled by pressures arising out of immediate problems. Professor Das Gupta wants that instead of all the funds being spent on emprical studies, some funds could usefully be devoted to finance a centre for research in economic theory also.

While the need for research in economic theory will be readily conceded and it will no longer be opposed on the ground that theory has little practical value, one may still enter a caveat. Is the establishment of one more institute the right answer? While something is certainly better than nothing, obviously the right thing to do is to build up the economics faculties of the universities properly so that they may be able to attract and retain those who show most promise and aptitude for economic theory. The universities cannot retain them any longer. They lack both funds and glamour, and the economics faculties tend to get isolated and too far removed from the main stream. A certain detachment and some measure of isolation is necessary to create the proper atmosphere for the study of theory, but not too much of it for a subject like economics. For revitalising economics faculties, not only more funds will be needed, it will also be necessary to establish a two-way traffic between the faculties and the Government departments, institutes of empirical research and international bodies which handle economic problems. An essential first step would be to raise the status of university teachers, and make it possible for them to work with Government departments and others on short-term assignments, so that they may go back to teaching, enriched by the experience of handling practical problems. We need competent, well-trained economists in large numbers, but are doing nothing in the way of capital formation by putting back the best products into teaching and research. Has any research centre anywhere, purely devoted to theoretical research, made significant contributions to economic theory? Disassociation of theory, application and teaching is no answer to the problem which Professor Das Gupta has in mind.

Tagore Centenary in Bombay

MAHARASHTRA had the unique honour of being the first State in India to inaugurate the Centenary Celebration of the birth of Rabindranath Tagore by starting it off on the New Year's day of the centenary year. How did Bombay come to have this privilege? The Chief Minister of Maharashtra might think that "it was in the fitness of things that the capital of Maharashtra and the leading city of India should inaugurate the countryside celebrations", but what made this possible was the drive and energy of the organisers and a chance coincidence of circumstances. Prabasi Banga Sahitya Sammelan was due to have its annual conference in Bombay at the end of last month and the date of the conference could be easily pushed back by a few days to the New Year. As a literary body of standing, the inaugural conference of which had been presided over by Rabindranath himself in 1922, it got full support from the All-India Tagore Centenary Committee in Delhi, sponsored by the Sahitya Akadami.

A large number of literary luminaries from many countries in the world attended by special invitation and the gathering was truly international. The celebration was held in a decorated pandal at the Brabourne Stadium. Pandit Jawaharlal Nehru inaugurated with a moving speech in which the accent was naturally on Tagore's idealism and internationalism. In a reminiscent vein, he said that he could not even remember his first meeting with Tagore; so great was Gandhiji's influence on him, but his mind was more in tune with Tagore although all his activities were conditioned by Gandhiji. Among other things, Nehru made a pointed reference to Rabindranath's role in vitalising Bengali literature by writing simply and in the spoken language of the people, thus freeing Bengali from the chains of scholasticism. This he did to the disparagement of Hindi which he said suffered from an excessive load of learned word or it was written in a manner which was not understood outside a select circle.

Tagore's mysticism was the principal theme of the Presidential address of Shri Sudhi Ranjan Das, the Vice-Chancellor of the Viswa Bharati University founded by Rabindranath. It is unfortunate that Tagore should be known outside Bengal mainly as a mystic. Though the subsequent sessions of the Conference were devoted to several aspects of the contributions of the Poet, his prose writings, only a few of which have been translated, did not receive the attention they deserve, particularly the writings on political and social subjects. The centenary celebrations will be held all over India throughout the year. They will fail in their main purpose, if the trend of the speeches continues in the same rut.

The celebration in Bombay was highly successful and the presence of literary luminaries from every State in India and the world over added lustre to it. There was one discordant note, however. How did the Tagore Centenary Celebrations come to be held under the auspices of the Bombay Durga Bari Samiti? Those who knew Rabindranath's deep aversion to idol worship cannot help feeling a little uneasy at seeing his name associated with that of Durga. Nehru's secularism has displaced Vande Mataram from its pride of place as *the* National Anthem, even though the song, truncated of the stanzas in which Durga is invoked as the Goddess with ten arms bearing weapons passed Gandhiji's test. How could the Prime Minister of secular India participate in a function held under the auspices of an organisation bearing the name of a Hindu Goddess?

CHANGE OF ADDRESS

The Offices of *The Economic Weekly* have been shifted to Sonawala Building, 65, Apollo Street, Bombay-1, with effect from January 1, 1961.

Until our telephone (No 253406) is transferred to the above premises, we are available on telephone No 254312.

A Fernandes
Business Manager

Weekly Notes

Internal Migration of Population

DR P S LOKANATHAN in his presidential address to the Indian Society of Labour Economics made a pointed reference to the emergence of an 'elite' among the working classes from the increasing inequality of wages. "The varying rates of growth of productivity coupled with the existing and likely future distribution of organised labour mean that the existing wide gap between industrial wage levels and those in other sectors (is) likely to widen even more", he said.

The wage differentials emphasised by Dr Lokanathan indicate the failure of planned development to pool the gains of higher productivity for the benefit of the economy as a whole. Pooling of these gains boils down to a policy for restraint of wages and other expenses in the organised sector, and utilisation of the surplus emerging from higher productivity for reinvestment.

Apart from a concern with the effects of differential productivity, Dr Lokanathan makes an important and practical suggestion for promoting greater mobility of rural labour and for a training programme to impart scarce skills. As a palliative to rural under-employment and unemployment, setting up village industries for creating non-agricultural employment has been the standard prescription though this has not proved easy in practice. Dr Lokanathan has an alternative to offer which may be limited in its scope, but nevertheless, is worth trying. He has suggested the establishment of Migration Boards to promote greater mobility of rural population and encourage internal migration, not from villages to towns which are already overcrowded, but from over-populated rural areas to rural areas, mostly in other States, where population pressure is very much lower. The techno-economic surveys of Bihar and Madhya Pradesh by the National Council of Applied Economic Research had drawn attention to the excessive population pressure in North Bihar and the existence of large tracts in Madhya Pradesh where much land could be brought under cultivation by importing an adequate labour force.

Some internal migration has gone on all the time, but the process seems to have been retarded after independence, with the States becoming more and more conscious of their separateness. The scope for internal migration however is still extensive. In Assam for instance, population pressure is very low in many parts and full advantage has been taken of this by Muslims from the over-populated districts of East Bengal who are hungry for land and energetic, adventurous and hard-working. This process of infiltration is perhaps still going on. That is not to say, however, that Assam will welcome migrants from a neighbouring State. The suggestion, however, deserves to be pursued, and prospects for such internal migration systematically mapped out.

North-South Metre Gauge

ANY extension of the metre gauge railway system in the country may appear to be anomalous at a time when efforts are being made to convert metre gauge rail sections into broad gauge. A two-gauge railway system creates complicated problems of transhipment at break-of-gauge points and introduces many difficulties in regard to the proper utilisation of equipment. In this light, the decision taken decades ago to construct metre-gauge railway lines though the main railway system in India was broad gauge has often been critised. The choice at the time, however, was not one between broad gauge and metre gauge but between a metre gauge railway line and none at all. In most areas, given the heavy capital cost involved in the construction of a broad gauge railway line and the small volume of traffic that could be expected to develop over the line, a broad gauge line would not have been economically justified.

The position today, however, is so different that the construction of new metre gauge railway lines would not ordinarily be justified. Steps are in fact being taken to convert certain sections from metre gauge to broad gauge where the volume of traffic justifies the change as an alternative to doubling of metre gauge lines or other methods of increasing capacity. For the present, no doubt, this is being done only for isolated sections but in due course it will presumably be done throughout the country. In spite of all this, the the construction of the Khandwa-Hingoli metre gauge rail link is welcome, because it will bring about a substantial improvement in the efficiency of the existing metre gauge system. So long as a large metre gauge railway system remains, any step that will increase its efficiency would be welcome.

The importance of the Khandwa-Hingoli railway line lies not so much in the volume of traffic that will originate or terminate within it, but in the link it establishes between two large metre gauge systems that have hitherto been separated from each other by a gap of nearly two hundred miles at the nearest point. The effects of the construction of the line on the economy of the region through which it passes will be merely incidental, though by no means insignificant. The linking of the northern and southern metre gauge systems which has now been brought about will have three advantages. Traffic originating from points on one of the metre gauge systems for destinations on the other metre gauge system will now be able to flow directly without transhipment, thus reducing the cost of transport and increasing the utilisation of railway equipment. The pooling of metre gauge wagons from the two systems which the link will make possible will also increase the efficiency of railway transportation considerably, there being a definite difference between the seasonal patterns of demand for wagons between the two systems. The link will also provide an alternative route for north-south traffic that has hitherto moved mainly by broad gauge. The Khandwa-Hingoli rail link is an outstanding example of a strategic investment which brings returns out of all proportion to the capital invested though many of these returns can never be directly measured but are nonetheless real. Opportunities for such strategic investment must be sought to utilize the country's limited resources.

Leyland—Standard Merger

THE proposed merger of the Leyland and Standard Motor companies in England has important implications for this country since both Leylands and Standard have factories in India for the production of their vehicles in collaboration with Indian capital. The merger in England has resulted from the initiative of Leylands, who look to it for bringing about the diversification of their production, which they consider desirable. It is reported that Leylands intend to use the opportunity to extend dieselisation to the lighter vehicles manufactured by Standard Motors. If they succeed in carrying out this intention and put on the market a diesel-engined small car as the new Standard Ten, the Indian company will presumably have to follow suit.

The effect of this on the pattern of demand for oil products in this country cannot be neglected. This makes it all the more surprising that so little attention has been paid to the proposed merger. What makes the future policy of Standard Motors of some importance is the reported decision of the Government of India to go in for dieselisation of certain sections of the railways. Plans are in fact being made for the manufacture of diesel engines in the country.

With efforts being made on the one hand to reduce consumption of diesel oil by the levy of special excise duties and plans being made on the other to dieselise the railways, the Government's attitude to diesel is ambivalent enough and the prospects of the appearance of a diesel passenger car may make little difference. Painfully, but inexorably, the policy of taxation on diesel oil will have to be shaped with a much clearer recognition than there is today that diesel being a scarce commodity which will continue to be imported, its consumption should be confined only to those uses where substitution is technically difficult or impossible. The result may be unfavourable for road transport, but it will have to be faced. The element of concealed subsidy to road transport involved in diesel being taxed at a lower rate than petrol will have to be dropped for conserving precious foreign exchange. An alternative has also to be found so that road transport may not fall a victim to a rational fiscal policy in regard to diesel oil.

Steel Prospects

DID the developments bearing on the iron and steel industry during the last year justify the highly optimistic appraisal of the industry's present position and prospects by Sardar Swaran Singh in his address to the Iron and Steel Advisory Council? True, output of finished steel at 2.5 million tons in 1960 was a new high, but it was substantially below the target set for the Second Plan. Similarly, with regard to ingot steel, as the Minister for Steel himself admitted on a different occasion, actual production in 1960 fell far short of expectation.

In 1960 the iron and steel industry was continually faced, not for the first time, with the acute shortage of coking coal which seriously impeded production. The problem was not only one of inadequate supply of coal but also that of its poor and, what is more, uneven quality. Nor did the iron and steel industry's raw material problems end with coal. Serious difficulties in respect of supply of iron ore and limestone continued to plague the steel makers. It is surprising, therefore, that the Minister had nothing to say about the raw material prospects for the industry in his address, except express the hope that the Raw Materials Committee, appointed following the first meeting of the Advisory Council in February last, "will take good care of this problem". The seriousness of the problem facing the industry can be judged from this that at the Advisory Council meeting, the representative of Hindustan Steel, the company charged with the management of the three public sector steel projects, endorsed the indictment of the Government's policies made by representatives of the private sector of the industry.

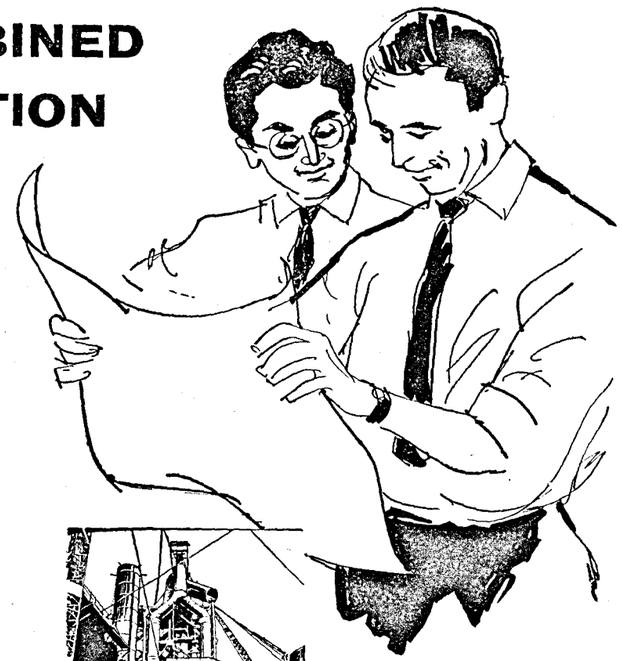
This is not to deny, however, that for the first time there has been a distinct improvement in the supply position of pig iron and steel, though here again one may not agree with the Minister that "the phase of scarcity" has passed. It has been found possible in recent months to relax distribution control and abolish the quota certificate system for all categories except sheets and wire. With the commissioning of the bar mill of the Indian Iron and Steel Company, all the new and expanded units in the older steel-works at Jamshedpur and Burnpur have now been put into operation. In the three public sector plants also, a number of units were commissioned during the year. Imports, which are expected to be slightly higher during 1960 than in the preceding year, mainly due to arrivals of steel from D L F and rupee payment countries, will further ease the domestic supply situation. In 1960 total imports of steel will amount to about one million tons compared to 860,000 tons in 1959. In 1961, with the exception of tool and alloy steels which will continue to be entirely imported, the import needs of other categories of steel, it is expected, will be confined to small quantities of a few special items like sheets of thinner gauges, wire of special varieties and tin plates. These imports will be paid for by the export of finished steel like heavy plates and structurals which will be made possible by the full utilisation of the finishing capacities of the new plants. Export of finished steel will supplement exports of pig iron, ingots, slabs, blooms, billets, etc in respect of which contracts for exporting 330,000 tons have already been completed.

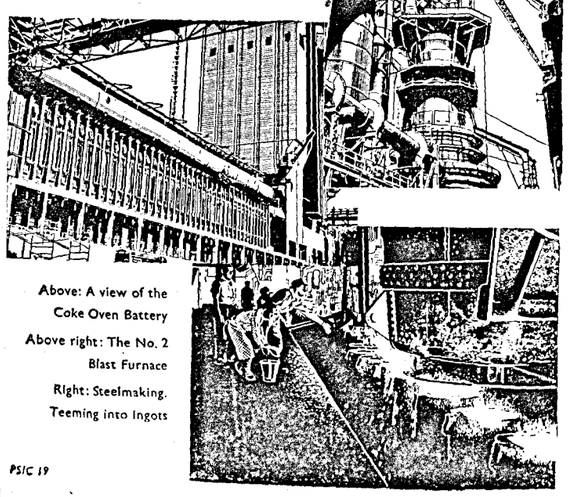
Apart from overcoming the immediate difficulties presented by transport bottlenecks and shortage of essential raw materials, the most important task before the Government now is to devise ways and means of coordinating the activities of different steel producers so that aggregate internal production is properly geared to domestic requirements as well as export possibilities. Will the proposed Steel Board be charged with this function? From the scanty information that is available, it would appear that the Board would be some sort of a producers' association which could well be entrusted with the task of keeping an eye on production-planning, within the confines of the available capacity, of course. It is very doubtful, however, that the preliminary but vital decisions about the status and functions of the new organisation, and its position vis-a-vis other bodies like the high-power Raw Materials Committee and the largely ineffectual Iron and Steel Controller's office, will be taken soon enough to permit it to start functioning at an early date.

UNDER SECRETARY TO A VETERINARY
11 JAN 1961
PUBLIC DEPARTMENT

COMBINED OPERATION

The know-how and equipment of British technicians and British Industry have combined with India's skill and labour to build an integrated Steelworks at Durgapur for the people of India.





Above: A view of the Coke Oven Battery
Above right: The No. 2 Blast Furnace
Right: Steelmaking. Teeming into Ingots

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Davy and United Engineering Company Limited, Head Wrightson & Company Ltd. Simon-Carves Ltd. The Wellman Smith Owen Eng. Corp. Ltd. The Cementation Company Ltd. British Thomson-Houston Co. Ltd. The English Electric Co. Ltd. The General Electric Co. Limited. Metropolitan-Vickers Electrical Export Co. Ltd. Sir William Arrol & Company Ltd. Cleveland Bridge & Engineering Co. Ltd. Dorman Long (Bridge & Engineering) Ltd. Joseph Parks & Son Ltd. Iscon Cable Group (Siemens Edison Swan Ltd. and Pirelli General Cable Works Ltd.)

BRITISH COMPANIES WORKING FOR INDIA

Letter from America

Ten "Young" Men of Tact and Talent

"*(The President) somewhat as a sheep dog, must round up a free people and persuade them to move in a given direction for a sufficiently long period to make it possible to act upon a policy*". — Dean Rusk in Foreign Affairs, April 1960.

AFTER a gruelling election campaign there was not much time for President-elect Kennedy to nurse his hoarse throat and stretch his weary limbs on the warm sands of Palm Beach. Soon he was faced with the tight-rope act of filling cabinet posts, and unlike the British system there was no "shadow cabinet" eagerly waiting to take over office at short notice. From filling the technical and specialized job of the Budget Director to the proverbially political appointment of the Postmaster General, the President-elect had to reconcile the competing ends of efficiency, expediency and payment of political debts with an eye on the nominating convention and November poll four years hence.

Cabinet Contrasts

Not till December 16, five weeks after his election, was Mr Kennedy able to put together a cabinet of tact and talent for which he has now won acclaim in national and international press. Both Franklin Roosevelt and Woodrow Wilson got so involved in party wrangles that they could not complete their cabinet selections till one week before the inaugural day. Wilson, in fact, met his Minister of Interior for the first time on the very day of his inauguration. Harry Truman was lucky to inherit the machinery built up by his predecessor. Eight years ago Eisenhower was able to successfully draw on his vast reservoir of friendship in business and get his team ready by November to facilitate early communications on problems of transition. But as a history student at Harvard, former press correspondent, and law-maker the young Senator could draw only on a limited circle of friends and acquaintances. The political pundits irrespective of their party affiliations agree that Kennedy has done an excellent job, more than justifying the delay in doing it.

After January 20 the country will be guided by a team of brainy young technicians, transcending the liberal-conservative dichotomy and suggesting some strong contrasts to the out-going cabinet in regard to age, competence and background. The average age of the Kennedy cabinet will be forty-seven, almost ten years less than Eisenhower's first team. While his predecessor surrounded himself with old-fashioned businessmen and politicians, Kennedy will have efficient men cast in an intellectual mould. Also, it is not difficult to detect a moderate shift to the left-of-centre from the conservative position of the Eisenhower administration.

There is a decided difference between the theories of the role of Presidency to which the two men subscribe and this will become more apparent in the future. Eisenhower's belief coincided with President Grant's concept of the President as a passive agent diligently executing the will of the Congress. Consequently, President Eisenhower has on many occasions refrained from providing moral leadership on critical public issues. In contrast, Kennedy has explicitly taken the stand of a strong presidency and the title quotation succinctly summarizes his position. These differences of approach will reflect in the role of the two cabinets, while the outgoing cabinet filled an executive vacuum, the new one is more likely to be shepherded by a strong leader.

Rusk — a Judicious Compromise

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Strategy on the Domestic Front

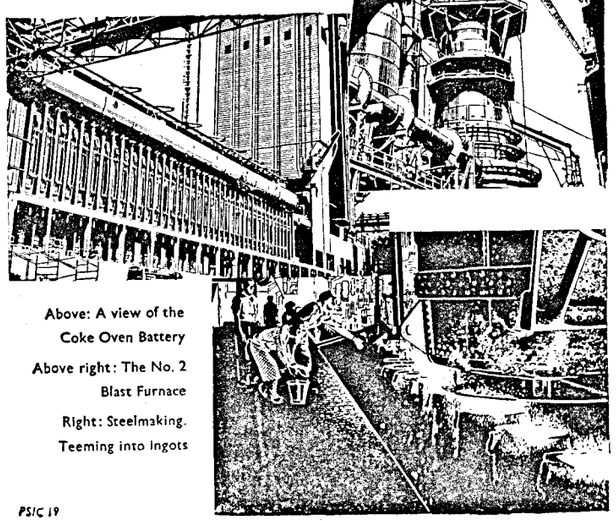
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Above right: The No. 2 Blast Furnace
Right: Steelmaking. Teeming into Ingots

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BRITISH COMPANIES WORKING FOR INDIA

PSIC 19

Letter from America

Ten "Young" Men of Tact and Talent

"(The President) somewhat as a sheep dog, must round up a free people and persuade them to move in a given direction for a sufficiently long period to make it possible to act upon a policy". — Dean Rusk in Foreign Affairs, April 1960.

AFTER a gruelling election campaign there was not much time for President-elect Kennedy to nurse his hoarse throat and stretch his weary limbs on the warm sands of Palm Beach. Soon he was faced with the tight-rope act of filling cabinet posts, and unlike the British system there was no "shadow cabinet" eagerly waiting to take over office at short notice. From filling the technical and specialized job of the Budget Director to the proverbially political appointment of the Postmaster General, the President-elect had to reconcile the competing ends of efficiency, expediency and payment of political debts with an eye on the nominating convention and November poll four years hence.

Cabinet Contrasts

Not till December 16, five weeks after his election, was Mr Kennedy able to put together a cabinet of tact and talent for which he has now won acclaim in national and international press. Both Franklin Roosevelt and Woodrow Wilson got so involved in party wrangles that they could not complete their cabinet selections till one week before the inaugural day. Wilson, in fact, met his Minister of Interior for the first time on the very day of his inauguration. Harry Truman was lucky to inherit the machinery built up by his predecessor. Eight years ago Eisenhower was able to successfully draw on his vast reservoir of friendship in business and get his team ready by November to facilitate early communications on problems of transition. But as a history student at Harvard, former press correspondent, and law-maker the young Senator could draw only on a limited circle of friends and acquaintances. The political pundits irrespective of their party affiliations agree that Kennedy has done an excellent job, more than justifying the delay in doing it.

After January 20 the country will be guided by a team of brainy young technicians, transcending the liberal-conservative dichotomy and suggesting some strong contrasts to the out-going cabinet in regard to age, competence and background. The average age of the Kennedy cabinet will be forty-seven, almost ten years less than Eisenhower's first team. While his predecessor surrounded himself with old-fashioned businessmen and politicians, Kennedy will have efficient men cast in an intellectual mould. Also, it is not difficult to detect a moderate shift to the left-of-centre from the conservative position of the Eisenhower administration.

There is a decided difference between the theories of the role of Presidency to which the two men subscribe and this will become more apparent in the future. Eisenhower's belief coincided with President Grant's concept of the President as a passive agent diligently executing the will of the Congress. Consequently, President Eisenhower has on many occasions refrained from providing moral leadership on critical public issues. In contrast, Kennedy has explicitly taken the stand of a strong presidency and the title quotation succinctly summarizes his position. These differences of approach will reflect in the role of the two cabinets, while the outgoing cabinet filled an executive vacuum, the new one is more likely to be shepherded by a strong leader.

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Postmaster General to Representative Dawson who turned it down making possible the appointment of Stevenson's law partner Edward Day to the post. But in the selection of these men political debts and election prospects have not been the only considerations. On the contrary, it is very likely that each one is nearly "the best man available" in the field.

"Conservative Means for Liberal Ends"

But Liberal eye-brows rose with the selection of two Republicans to key posts in the cabinet. The Treasury post went to the former Wall Street investment banker and present under secretary of State, Douglas Dillion. The Republican president of Ford, Robert McNamara was chosen to head the Defence department. Whenever Dillion's views have burst out of the Republican strait-jacket he has appeared very close to the Democratic platform as in the recent growth-rate controversy over the abortive Anderson mission to Europe to "save the dollor". The next defence chief has been described as "an independent Republican" having voted and worked for Democrats as often as Republicans. A former professor of business administration at Harvard he is reported to feel more comfortable in the academic atmosphere of Ann Arbor, Michigan, than among the auto giants of Detroit. As the London *Economist* observes Kennedy has chosen "conservative means to achieve liberal ends he has set for himself" (December 17, 1960).

The only appointment by which Kennedy has made himself vulnerable to attacks by his adversaries is the choice of his 35 year old brother Robert as Attorney General. As a campaign manager for his brother, Robert Kennedy has earned the remark of people in Washington that "Bobby is tough". He is also well-known for his work as a counsel for the McLellan Committee that exposed the labour racketeer, Jimmy Hoffa of the Teamsters Union.

Kennedy perhaps needs an aggressive young man in the administration to turn the guns on the Southern segregationists more than on business monopolies and to extend the hunt for labour racketeers instead of for suspected commies. This is only one of the many interesting speculations on the direction toward which Bobby Kennedy's ruthless energies may develop.

On the whole Kennedy's cabinet choices give sufficient evidence of his intention to play a dominant role in the formulation of policy. The last few years may be described as a period in which ideas ran out in Washington and what the President-elect has done is to accumulate men who have learnt to dream in blue-prints without cliche or doctrine.

Notice

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Pfizer-Dumex Win Three Awards

PFIZER-DUMEX, the leading manufacturers of pharmaceuticals have won this year three State Awards in an all-India competition sponsored annually by the Directorate of Advertising and Visual Publicity, Government of India, for their promotional literature, for excellence in designing and printing. Pfizer-Dumex won two prizes for their folders and one for an advertisement colour insert. Last year also they had received a State Award.

Madras Aluminium

A new company, Madras Aluminium, has been promoted with a total issued share capital of Rs 600 lakhs to produce aluminium at Mettur from the rich bauxite deposits of the Sheveroy Hills. It has entered the market to raise Rs 60 lakhs of preference capital and Rs 127 lakhs of equity capital. The entire issue to the public has been underwritten, among others, by the Madras Industrial Investment Corporation, the Industrial Finance Corporation, the Life Insurance Corporation and the Investment Trust of India. This offer for public subscription is exclusive of Rs 413 lakhs worth of shares, for which firm allotments have been promised to the promoters by underwriters and foreign collaborators.

The company will have a plant capacity of 10,000 tons, of which 7,000 tons would be ingots and 3,000 tons alloys. It has already applied to Government for another licence to erect a rolling mill for the manufacture of cables, extrusions, rods and foils. The plant will be located at Mettur on a plot of about 400 acres allotted by the Madras Government, which has also assured adequate power supply at economic rates. Montecatini, the foreign collaborators will supply technical know-how, designs and specifications, and will also procure the machinery, attend to erection, and supply and train technical personnel. The entire payment of Rs 120 lakhs to Montecatini will be in the form of equity share capital. No further fees for technical assistance are payable either for expansion of plant capacity of upto 20,000 tons or for setting up the rolling section.

The total cost of the project, for the plant of 10,000 capacity, is estimated at Rs 960 lakhs, of which Rs 460 lakhs would be foreign exchange expenditure. To finance the foreign exchange component, the company proposes to issue 10-year debentures in Italy of the equivalent of Rs 4.2 crores. This issue will be guaranteed by Montecatini and will carry an interest at 5 or 6 per cent. The loan will be repaid in 10 annual instalments, the first instalment falling due in 1964. This is a new method of financing foreign exchange expenditure which has not been attempted in recent years. According to the Chairman, Shri Venkataswamy Naidu, foreign exchange for repaying the loan could be earned if the company is allowed to export alumina to the Italian collaborators. The company should be able to produce alumina early in 1962.

Letter from Japan

Trek to the Cities

AS part of the policy of the new Liberal Democratic Government, Prime Minister Ikeda intends to try to implement a plan by which 40 per cent of those now living in the countryside will move to the towns in the course of the next few years. Whether it will be possible to implement this policy will depend to some extent on the attitude of the business community and the rural population itself. As to the first, there is no doubt that large factories welcome an increasing labour force. During the last few months there has been difficulty in recruiting sufficient unskilled labour in the building trades in Tokyo at the wages offered. As the standard of living continues to rise, it is likely that this difficulty will become more acute unless the wages increase substantially. Japanese employers have in the past had it nearly all their own way in the matter of wages, hours of work and general conditions of employment. They have looked to the countryside for the reserve labour force which can be drawn upon in times of labour shortage. Their support for the Prime Minister's policy can, therefore, be taken for granted.

No General Emigration

The more interesting question is whether the countryside really does have large unemployed labour resources longing to move into the city. In 1955 out of a total population estimated at about 90 million, 36,470,000 persons representing about 41 per cent of the population were classified as agriculturists. While the population of Japan has steadily increased since the beginning of the Meiji era in 1868, the number of people in the countryside has remained approximately the same. There have been certain natural fluctuations. For example, after the last war the number of people in the countryside increased as a result of inflation and shortage of food in the cities but there was only a slight increase in the number of households.

During the last ten years while the agricultural population has decreased by 3,520,000 or about 10 per cent. the number of farming households has dropped by only 160,000 or about 2.5 per cent. During the first half of the decade, the decrease in population was approximately equal to the decrease in the number of households, but during the latter half there was almost no decrease in the number of households, while the rural population continued to shrink rapidly.

Thus in spite of the widening gap in the standards of living between urban and rural areas, it appears that only households which have extra members who have no direct control of land themselves are moving to the cities; it is not a general emigration on the part of all those who are poor and who are jealous of the greater wealth in the cities. Thus if the Prime Minister wants, as a matter of Government policy, to move people from the countryside, the difference in the standard of living in urban and rural areas alone will not do the trick.

Japanese Family System

In Japan the family system is not of the common "Asian" patterns. It is substantially different in its formal structure from the Chinese and Indian family systems. Within the elementary family there is a significant ritual and social difference between a member who is destined to become manager of the family fortunes and one who is not. The former remains in the *honke* (main stem) and the latter forms the *bunkes* (branch stem). The principal inheritor of the *honke* may be a man or a woman. If it is a woman, her husband must take her name. This person inherits (although not necessarily by law) all the land and houses and all other fixed property and the other brothers or sisters receive only what the main stem can spare. It is from these disinherited people that the main emigrants to the cities are recruited. The American occupation regime forced the Japanese to introduce a law by which all sons were to have an equal claim on family property, but this has now been almost entirely circumvented in practice. In fact, the younger brothers themselves do not wish to claim a share in the family fortunes as according to Japanese philosophy by doing so they would be responsible for the destruction of the family. Thus from this point of view, continual emigration to the cities depends on there being sufficient younger brothers and sisters ineligible to acquire land in the countryside who wish to emigrate. But if a family consists of the *main stem* only then no emigration is likely to take place, whatever the difference in the standard of living.

Successful Legislation

The second important factor which must be taken into consideration in forecasting a continuing movement of people from rural areas into cities is the post-war land reform. Japanese land reform legislation has not been fully understood outside Japan as it differs fundamentally in its conception and consequences from land reform legislation in China, for example. The principal features of the reform relevant to the question of movement of the population from countryside to cities are: (1) A maximum holding of both owned and tenanted lands of not more than 1.8 *cho* per household was laid down throughout Japan except in Hokkaido. (1 *cho* is just over 1 hectare in area). The reform applied only to rural agricultural land and excluded forest land and certain specialised crops. (2) A special committee of the local government called the Agricultural Committee was established whose members were directly elected by "farmers". One of the main duties of this committee was to see that no one bought or rented more than 1.8 *cho*.

These two special features of the land reform law taken together ensured that no landlord could circumvent the land reform law by allotting land to a relative. If he tried to do so by leaving land to his son's household, then when he died in turn, his land could not be inherited by his son later because the son would then have more than 1.8 *cho* of land in his possession. In practice most agricultural landholders in Japan do not control even as much as 1.8 *cho* because when the land reform was undertaken tenants were encouraged to take up the landlord's land to the maximum permitted. Since the land was for the most part, fully worked, land re-

form did not throw up any surplus land to be distributed among the landless. In addition people who owned land but who did not live near their land, had their land compulsorily acquired and redistributed by the Agricultural Committee. This law has had a marked effect in preventing speculation in agricultural land. Consequently the difference in value between agricultural land and urban land is extremely marked. The Land Reform legislation has, therefore, been an extremely effective and successful piece of legislation and no party in Japan wishes to abolish it or change it in any fundamental way.

Attachment to Land

Undoubtedly, one of the reasons why the Japanese rural economy has been so successful since the war in increasing production has been the adoption of intensive cultivation which has been encouraged by this form of land ownership. But one of the results of this is that people who own land are now anxious to remain in control of this land even at substantial economic loss. Each household is prepared to encourage young people outside the "main stem" (*honke*) to go to the cities, but should the "main stem" at any time be in danger of extinction one of them will be expected to return. The number of main stems or potential main stems in a village is now greater than before land reform because many of the former tenants, usually *bunke*, on short-term contracts with the landlord now own land and are therefore obliged to remain in the villages. The land reform legislation along with the "stem family" system, set an absolute limit beyond which the Government will not succeed in persuading farmers to permanently emigrate to the cities.

The electors to the Agricultural Land Committees of the rural areas consist mainly of women. In order to be eligible to vote one must either own more than 1 *tan* (one tenth of a *cho*) of land and derive one's income mainly from agriculture or else have worked more than 60 days in the year on one's own land. Since many of the farmers undertake part-time work in neighbouring towns, they are ineligible to vote whereas their wives, mothers and daughters who remain at home qualify as voters. According to a census taken by the Agricultural Ministry in February last year 86 per cent of the heads of households undertake some side-occupation in addition to farming. The effect this has on the attitude of the representatives on the Agricultural Committees is not certain, but it is possible that this tends to encourage a conservative attitude towards such proposals as replacing rural land by factory housing or urban development, for though men may regard such developments as giving them new opportunities for employment, women are likely to look upon ownership of land as their principal source of security.

To conclude, as a result of land reform, many stem families formerly destined to remain only tenants without any permanent stake in the countryside have acquired land. They are now no longer prepared to move permanently into the cities whatever the difference in the standard of living of the cities and the countryside. With the decline in the rural birthrate, therefore, the number of new emigrants to the cities will fall unless land holdings are consolidated into larger units by legislation. No political party has, however, shown itself ready to undertake such legislation and so Premier Ikeda's hopes of being able to engineer large-scale emigration from rural to urban areas will not be realised in spite of the support of the business community in the towns who see in such a movement of population their only chance to keep wages down.

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Letter from South

Cooperative Farming Seminar

THE all-India Seminar on Co-operative Farming, convened by the Ministry of Community Development and Cooperation, and held in Rajendranagar, near Hyderabad, from December 17 to 31 last, was the first of its kind. It is proposed to hold a series of such seminars in different States and at the all-India level this year to help clear the decks for the establishment of the 320 pilot cooperative farming projects sanctioned by the Planning Commission for the first year of the third Plan.

The discussion at the Seminar, in which senior officials of the Cooperative Departments of State Governments and non-official workers connected with the cooperative movement participated, led to a frank appraisal of the problems involved in the implementation of the scheme. It would be too much to claim that all doubts and fears expressed by critics of the scheme were allayed that solutions were found for all difficulties, but an honest attempt was made to find answers to some of the problems. It was realised that notwithstanding the theoretical arguments about development of cooperatives the real test would be the farmers' reaction to the scheme when it is tried in selected centres.

The valedictory address by Shri Shriman Narayan, Member of the Planning Commission, was characterised by a realistic approach to the problems posed. It can only be hoped that the same kind of practical outlook would be displayed by the Planning Commission and the State Governments. Shri Narayan's principal point was that in organising and running the 320 pilot projects, the emphasis should be on quality and not merely on aggregate quantitative achievements, that those responsible for organising these projects should not permit themselves to be obsessed with the idea of attaining certain targets, sacrificing in the process efficiency in the organisation and functioning of the co-operative farms. A few efficient projects in each State would be preferable initially to the setting up of a number of haphazardly-organised farms, whose members have little or no appreciation of the basic principles of co-operative farming.

Shri Shriman Narayan also emphasised that the formation of pilot societies should be entirely voluntary. The objection that co-operative farming societies run under official auspices would at some stage or the other necessitate resort by officials to pressure or compulsion of peasants to join the societies, would thus lose all validity. While a target has to be set for each State, there need be no sanctity attached to it. The formation of a co-operative farming society in any village should invariably be preceded by an intensive campaign to educate the farmers of the implications of the scheme—how it would work in practice and how the rights of individual farmers would be safeguarded in co-operatives. This is a sphere of activity in which non-official workers have an important role to play.

Shri Shriman Narayan also underlined the possibilitiy of the bigger cultivators exploiting co-operatives to their advantage by dividing up their holdings into small bits and forming co-operative farms by themselves. In the States where land legislation has been implemented, a large number of big and medium landholders have partitioned their holdings into small plots and registered them in the names of relations. They would now try to join co-operative farming societies to secure the financial assistance which Government have assured to these organisations. State Governments must, therefore, carefully scrutinise all proposals for starting co-operative farming Societies.

Co-operative farming, according to Shri Shriman Narayan, "is a rational method of maximising agricultural production of millions of marginal and sub-marginal farms spread out in our countryside." This is indeed a rational and modest claim which can be judged only after it has been tested in practice. Even the bitterest critics of co-operative farming have not been able to refute the basic philosophy underlying a voluntary co-operative farming society.

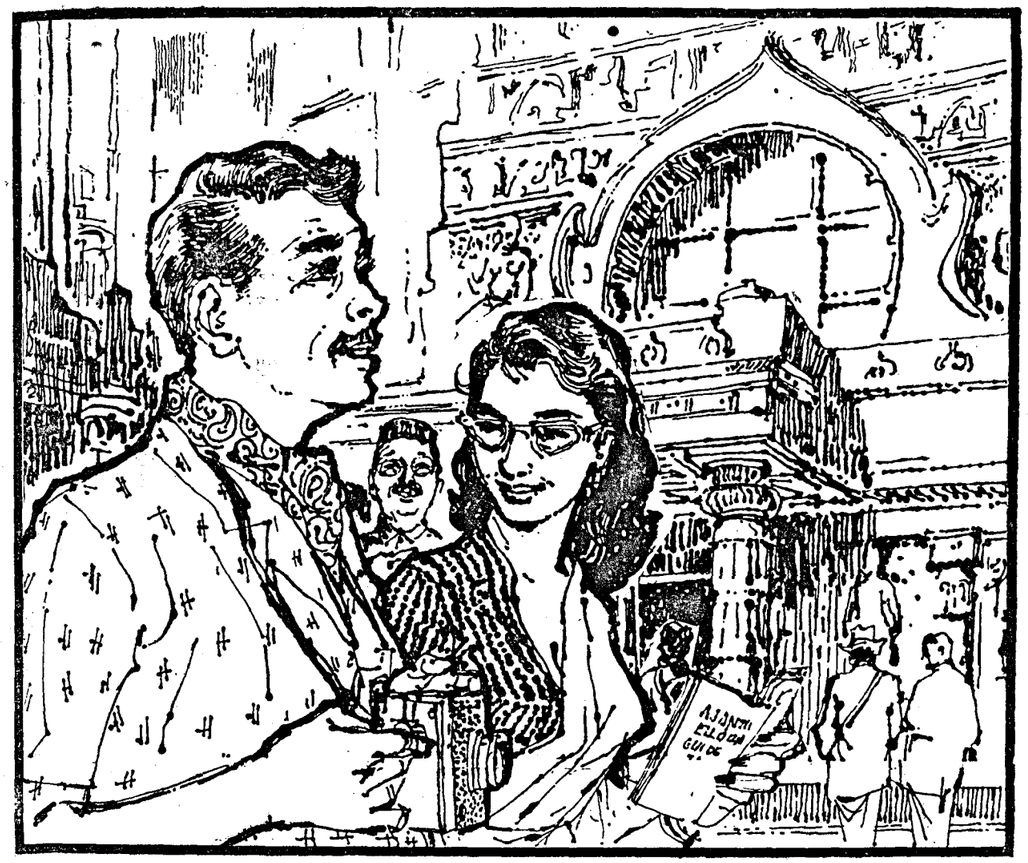
The political situation in Andhra Pradesh continues to be confused. The rift between the Unity Front and the ministerialist group in the Andhra Congress was expected to be closed after the election of Shri M Pallam Raju as Pradesh Congress President with the support of both groups. This, however, has not happened; on the other hand, the Unity Front has now accused the Chief Minister of evading the issue of expansion of the State Cabinet and reconstituting the Legislature Party Executive to the detriment of the Unity Front group.

Expansion of the State Cabinet is not ruled out after the Bhavanagar Congress session, at which both factions are expected to make a determined bid to enlist the support of the Congress High Command. Meanwhile an unfortunate and disconcerting reprecussion of the factional squabble has been the emergence of elements who are trying to raise the bogey of Andhra-Telangana differences and of Telengana interests being disregarded by the State Government. The process of emotional integration between the two regions of Andhra Pradesh, which has made during the last four years, is thus in danger of receiving a setback because the ruling Congress Party is a divided house.

Equally disconcerting is the revival of communalism among a section of the Muslim population in Hyderabad. Starting with the complaint that Urdu was being neglected under the new set-up, this section has been making untenable demands for increased representation of Muslims in the State Civil Service and in other spheres. If not nipped in the bud, this may be the beginning of a serious communalist movement.

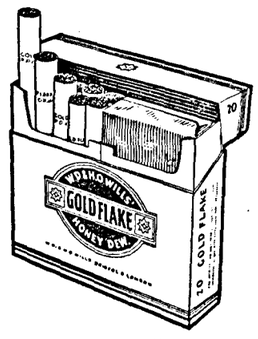
Dena Bank

THE net profit of Devkaran Nanjee Banking Company Limited for the year 1960, subject to audit and after provision of Rs 2,65,000 for bonus to staff and including Rs 5,70,000 brought forward from the previous year's account, amounts to Rs 29,25,000. Out of this, Rs 1,86,000 is appropriated to ad-interim dividend paid for the half-year ended June 1960 at the rate of Rs 1-86 nP per share, Rs 8,00,000 to Reserve Funds and Rs 9,00,000 to provision for taxation. The directors propose to appropriate Rs 2,50,000 to pay the final dividend for the second-half of 1960 and Rs 7,86,000 to be carried forward.



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JWTGF 3

Letter from Punjab

Beas-Sutlej Power Complex

PUNJAB is threatened with acute power shortage once again. The current flow in the Sutlej is so poor that it is feared that if the Bhakra reservoir is not replenished in time, its water level may soon fall below the penstock gates. This will put the newly-commissioned unit of the Left Bank Power House out of action. A cut in power consumption of 10 per cent has, therefore, been imposed from mid-December. It is against this background of additional power load continually outpacing additional power supply that the proposed Beas Scheme has to be viewed.

The Beas project will consist of two units. The first of these, the Beas-Sutlej Link envisages the construction of a dam at Pandoh in Kulu Valley to divert the waters of the river Beas to the Bhakra reservoir through tunnels and open conduits. The 'link' will consist of the 5-mile Pandoh-Suketi tunnel, the 14-mile Suketi Valley hydel channel and, finally, the 9-mile Suketi-Dehar tunnel. It will have a natural fall of 1,000 feet at Dehar where a power plant will be installed. The minimum flow through the 'link' will be 7,500 cusecs, except during the dry months when it will be 1,800 cusecs. The power plant at Dehar will supply about 600 mW of firm power. Further, the contruction of 'link' will ease pressure on the Gobind Sagar and therefore, make possible additional power generation at Bharka and extension of irrigation facilities to Southern Punjab.

Long-term Project

Preliminary work on this part of the Beas Scheme was scheduled to begin in 1960-61 with an allocation of Rs 50 lakhs. Out of the total cost of Rs 80 crores, Rs 13.5 crores (including Rs 7 crores in foreign exchange) will be incurred during the third Plan.

The second part of the Beas project will cover a 325-feet high earth and rock fill dam at Pong in Kangra District with a 'live' storage capacity of 5.55 million acre-feet and a power house with a capacity of 122 mW of firm power at 100 per cent load factor. Water stored in the dam will be released to the Rajasthan Canal and the Sirhind Feeder during the winter months. Construction of the dam will be undertaken jointly by Rajasthan and Punjab and its irrigation benefits will accrue mainly to the former while Punjab will benefit chiefly from the new power generated. A detailed project report for this unit has been prepared and the total cost is estimated at Rs 87 crores of which Rajasthan will meet about Rs. 70 crores. A sum of Rs 60 lakhs is expected to be spent during 1960-61 on preliminary work. The third Plan includes an allocation of Rs 40.4 crores, including Rs 12.38 crores in foreign exchange for this part of the project. It must be noted, however, that though the third Plan contains a sizeable allocation for both units of the project, no benefits are likely to accrue during this period.

Power from Bhakra

The overall feasibility of the two-unit Beas project has been established. But in view of the fact that the Pong Dam lies in a seismic area, the axis on which its foundations will rest remains to be ascertained. For this purpose a tunnel is proposed to be dug below the river bed at Pong. The General Manager of the Bhakra project has been given charge of the Beas project and so the transfer of men and equipment from Bhakra to the new sites will be facilitated. The control and supervision of the Beas project is likely to be entrusted to an autonomous board with representatives of the Central Government and the two State Governments associated with the project. The United States and the World Bank have offered $33 million and $23 million respectively as loans to meet the foreign exchange costs of the project.

The Beas project will in due course be dovetailed to the Bhakra system to become one of the largest power systems in the world. The Bhakra system itself is made up of two units—the Bhakra Dam proper and the power stations on the Nangal Hydel channel at Kotla and Ganguwal which have an installed capacity of 48 mW each. An additional unit with a capacity of 29 mW is being installed at both Kotla and Ganguwal. These units will be ready by March and June 1961 respectively.

But the much bigger power generating units are at Bhakra. The Left Bank Power House, the first unit of which was commissioned in November last, will have five generating units of 53 to 90 mW capacity each, depending on the water level in the reservoir. All these units are expected to be commissioned during 1961. Only four of them, however, will work at a time and so the firm power capacity of the Power House will be 212 mW in all.

The Right Bank Power House of the Bhakra Project is estimated to cost Rs. 26.43 crores of which Punjab will contribute about Rs 21 crores. During the third Plan a total of Rs. 21.44 crores will be spent on it, with Punjab contributing 18.74 crores. With the construction of this Power House, the total cost of the Bhakra-Nangal Project will come to Rs 196.43 crores of which Rs 96.66 crores will be accounted for by power schemes. Initially four units of 70 to 120 mW capacity each will be installed and a fifth will be added later when the Beas-Sutlej 'link' is completed.

Thermal and Diesel Units

The entire power complex can, however, be put out of gear if rainfall is inadequate or late. Except when rainfall is so poor that the water level in the reservoir falls below the penstocks, the working head available at Bhakra will vary from 268 feet in May-June to 512 feet immediately after the monsoons in October. Now, the same quantity of water can generate more power if released from a higher head than from a lower head or, conversely, to generate a given quantity of power more water has to be released from a lower head than from a higher one. Water level being high during October-November less water will have to be released to generate power. During this period, however, more water has to be released for Rabi sowing and so the advantage of the high water level for power generation may not be fully realised in practice.

Apart from this difficulty, which is characteristic of all Bhakra-type multi-purpose projects in India, there is the further uncertainty about rainfall. However, it is proposed to firm up Bhakra hydro-power with thermal and diesel sets. A nucleus one-unit scheme with a capacity of 50 mW is to be initiated near Delhi. Small diesel stations with capacity up to 25 mW will be set up at various load centres like Chandigarh, Sangrur, etc at a total cost of Rs 2 crores.

Seasonal Load

Variation in water level introduces the problem of developing adequate seasonal power load. Since, as mentioned above, water level in the Bhakra reservoir will vary from about 270 feet in May-June to about 510 feet in October, generation of secondary power above the firm capacity will be possible only for 6 to 8 months from October. Seasonal industries must, therefore, be started to consume this secondary power which will not be available all through the year. Cane crushing, cotton ginning, and processing of agricultural produce in general are some such industries.

Load centres in Punjab are growing rapidly. Besides, Delhi which now consumes for 60 mW of Bhakra power, will take away another 40 mW of the power generated by the Right Bank Power House. At the same time all towns with a population of 10,000 and over have been electrified. Finally, of the 20,000 villages in Punjab, 3,000 are to be electrified by the end of the second Plan and another 3,000 during the third Plan. As against this rapid growth in load, targets of increase in power generation are as follows:

	Installed	Firm
	(in mW)	
First Plan	96	84
Second Plan	652	373
Third Plan	1229	680

The present power shortage may not be relieved till mid-1961 when the new units at Kotla and Ganguwal are commissioned. Even this addition to capacity is likely to be soon outstripped by increase in load. Ultimately, Punjab can expect to have a sound power base only when the Right Bank Power House is commissioned by 1964-65. The Beas Scheme, as mentioned above, is a long-term project. In the meantime, extension of the old Uhl River (Jogindernagar) Scheme, exploitation of the power potential of the water falls in Upper Bari Doab and Western Jamuna Canals and the installation of thermal and diesel sets, discussed above, are expected to alleviate the power shortage in the State.

Copper Ore Production

THE production of copper ore during January-October, 1960 was 369,072 metric tons, according to the Indian Bureau of Mines. This represents an increase of about 9 per cent as compared to the output of 338,512 metric tons in the corresponding period of the preceding year. The entire production was reported from Singhbhum district of Bihar State.



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Book Review

How Much Social Mobility?

Surindra Suri

Social Mobility in Industrial Society. By Seymore Martin Lipset and Reinhard Bendix. Berkeley and Los Angeles: University of California Press, 1959. pp xiv 309. Price $ 5.00.

AS defined by Professors Lipset and Bendix, the term social mobility refers to "the process by which individuals move from one position to another in society — positions which by general consent have been given specific hierarchical values". Social ranking places political and social leadership at the top, followed closely by professional occupations where a high level of intelligence or long training is necessary. Superior positions are necessarily few and the bulk of the population must remain at the bottom of the social pyramid.

The crucial problem of social mobility is entry into or egress from the leadership class. The means of such entry vary from society to society. They may be physical prowess, wealth or intelligence. It is sometimes difficult to say whether in a particular case mobility is upward or downward, e g, the transformation of craftsmen into skilled workers.

It is a merit of the study by Professors Lipset and Bendix that they have paid attention to the different aspects of social mobility. Their data are derived partly from a field study made by them for the labour market survey of Oakland in California but largely from other studies of social stratification and mobility. A distinctive feature of their study is that it presents a wide cross-national survey of social mobility in Western industrialised societies.

Parallel Patterns

The most interesting conclusion reached by the authors is that "the over-all pattern of social mobility appears to be much the same in the industrial societies of various Western countries . . . . Further, although it is clear that social mobility is related in many ways to the economic expansion of industrial societies, it is at least doubtful that the rates of mobility and expansion are correlated. Since a number of countries for which we have data have had different rates of economic expansion but show comparable rates of social mobility, our tentative interpretation is that the social mobility of societies becomes relatively high once their industrialisation, and hence their economic expansion, reaches a certain level".

The significance of these conclusions is, however, vitiated by the excessively broad categories used by the authors. The statement that social mobility in societies becomes relatively high after the level of industrialisation reaches a certain point, takes away much of the sharpness from their prior generalisation, namely, that the mobility in different industrialised societies is broadly comparable. Actually, the micro-social differences in the rates and patterns of mobility have become of crucial importance.

Micro-Social Differences

The basic criterion employed by the authors for distinguishing upward and downward mobility is the crossing of the line that separates manual from non-manual occupations. It is in this respect that social mobility in the different Western societies is parallel. A more detailed analysis, however, reveals that there are significant variations in the pattern of mobility between one nation and another. For example, the social origins of higher civil servants vary from country to country. The same is true of persons engaged in the professions. In Europe the social base from which these two groups arise is much narrower than in the United States.

Entrants into the ranks of political leadership, on the other hand, are more broadly scattered in Europe than in the United States. Similarly, there is a significant difference in the political consequences of social mobility in the two areas. In the U S A those who move upward tend to become more conservative in their political views than those born in the higher stratum, whereas in Europe the upwardly mobile tend to be less conservative than the high born. Downward mobility is connected with political conservatism in both places.

Cost of Mobility

Professors Lipset and Bendix challenge the general assumption that "rapid and increasing social mobility is a good thing because it increases the opportunity of the under-privileged and hence enlarges their freedom, while the corresponding reduction of privilege among the few does not jeopardize their position". They regard this view as a nineteenth century dogma which developed in more or less rigidly stratified societies, where increase in social mobility was equivalent to the levelling up of social differences. In our own time, however, excessive social mobility creates aggressiveness, frustration and rootlessness. The psychic and social burdens of shifting from job to job may be too great even if mobility helps to maintain the myth of equality of opportunity which is a precious element in the American credo.

The chief argument for greater social mobility is that native talent in the lower classes should not be wasted by being prevented from getting proper training for and social acceptance in roles of leadership or high professional positions. It is also held that mediocrity should not be favoured because it happens to be born high. The authors qualify their sympathy for these views with the statement that the quality of the talent produced by the lower classes should not be exaggerated. Equally important, they question the moral value and social utility of encouraging low-born talent to escape into higher social strata. Psychological studies are cited to prove that those who accept the low station to which they are born are happier and mentally healthier than their striving and climbing brethren who sacrifice present satisfactions for elusive gains in the future.

Inconclusive Argument

But the argument of the authors on the value of social mobility is inconclusive. On the one hand they seem to approve psychological and social stability but while disapproving of efforts of talented individuals born in the lower classes to climb up the social ladder and thereby contribute to social stability. Nor have they investigated the consequences that would ensue if talented individuals failed to rise in substantial numbers or the untalented did not fall. Such a situation might create acute social and individual instability.

Most of the nineteenth century optimists, whom the authors set out to correct, did not accept the socio-economic framework of their societies as unalterable and so believed social mobility to be useful because it disrupted the old social order and made for some sort of eqality. Since the authors treat the American socio-economic system as given, they are faced with a dilemma because their society has achieved a kind of dynamic equilibrium. The random and possibly excessive social mobility in the United States is the key to its over-all stability, even though it generates aggression, rootlessness, and other socio-psychic ills. If mobility is restricted the over-all stability might be threatened. Whether there is an intelligent solution to this dilemma is something the authors have not attempted to discover. One wonders if American and Western other social scientists have the inducement to do so at all. Professors Lipset and Bendix have indicated the hazards of nonconformity in social research.

The study has failed to probe deeply into the basic issues of social mobility in industrial societies. The mass of statistics and annotations fail in their purpose for lack of a clear theoretical perspective.

Tata Iron & Steel

THE total approximate production of iron and steel of the Tata Iron and Steel Company Limited at their steel works at Jamshedpur during the month of December 1960 was as follows in metric tons :

Pig Iron	143,200
Steel Ingots	150,600
Saleable Steel	115,800

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TATA PRODUCTS

18

Reserve Bank's Role in Rural Finance

R M Arunachalam

IN the early years of their evolution Central Banks all over the world evinced little interest in rural finance. The smallness of individual loans, the poor value of the securities offered, the difficulties involved in the marketing of the collaterals and, consequently, the greater risk involved in agricultural loans accounted for the reluctance of commercial as well as central banks to take an active part in the provision of rural finance. As agricultural loans do not conform strictly to the canon of 'shiftability without loss' it is understandable that commercial banks are not interested in agricultural finance, especially in countries where the agriculture is backward. But for this reason Central Banks cannot keep away from the field of rural finance.

In India the need for the Central Bank to participate in rural finance was felt as early as in 1930 when the Central Banking Enquiry Committee expressed the hope that the proposed Reserve Bank "would tend to increase the volume of credit available for trade, industry and agriculture and to mitigate the evils of fluctuating and high charges for the use of such credit". Five years later, the Agricultural Credit Department of the Reserve Bank was inaugurated. Among its functions were : maintaining an expert staff to study all questions of agricultural credit, making itself available for consultation by the Government and other interested organisations, and coordinating the Bank's operations with those of State cooperative banks and other agencies engaged in agricultural credit.

During the next two years, the Bank submitted two reports in compliance with Section 55 (1) of the Reserve Bank of India Act (1934). The first Report set out, in the words of Sir James Taylor, "the problems in their proper perspective with a view to eliciting practical and constructive suggestions". The second report, commonly known as the statutory report, was submitted in December 1937. After drawing attention to the predominance of money-lenders and the exhorbitant interest rates charged by them on funds supplied to agriculturists, the report suggested legislation for the regulation of moneylending and emphasised that "the cooperative movement must be reconstructed and revitalised". An idea of the rigid attitude of the Reserve Bank to rural finance that prevailed then can be had from the report which stated that "it is obviously impossible for the Reserve Bank to lend to agriculturists direct or to advance large sums to cooperative banks or indigenous bankers for being lent out to cultivators as a matter of course. The Reserve Bank can come into picture only when the ordinary pool of commercial credit appears inadequate to meet the reasonable requirements of the country . . . . All that the Reserve Bank can do is to help the provincial cooperative banks to tide over a temporary shortage of funds and as the funds advanced must be repaid within the time limit allowed by the Act, the cooperative banks cannot make use of them for the purpose of continuing finance . . . . These conditions may seem stringent but .... the Reserve Bank has to work within the limitations imposed on it by the essential conditions of sound central banking and expressed in its constitution".

Rediscount Facilities

On the basis of the report, the Reserve Bank devised a scheme in January 1938 by which it offered to rediscount at concessional rates, through scheduled banks, the bills of approved money lenders drawn for making advances to agriculturists against the security of agricultural produce on the condition that the benefit of the low rate was passed on to the agriculturists. The scheduled banks, however, did not take advantage of the scheme for a number of reasons. The Reserve Bank soon after issued a circular to the cooperative banks asking them to make use of the financial facilities provided by the Reserve Bank by maintaining adequate reserves, separating short-term from long-term loans, showing clearly the proportion of overdues and bad debts to total loans, effecting a business-like distribution of their assets, keeping 1 per cent and 2½ per cent of their time and demand liabilities respectively with the Reserve Bank, preparing their balance sheets in proper form, submitting audit notes and permitting inspection by the Bank's officers. This too proved futile as the majority of the State co-operative banks regarded the Reserve Bank's conditions as being too stringent.

In spite of the discouraging response from the cooperative banks the Reserve Bank for a third time expressed its willingness in 1942 to grant financial assistance to the cooperative banks against eligible bills and pronotes for the purpose of marketing of crops at the concessional rate of 1 per cent below the Bank Rate provided the benefit was passed on to agriculturists. But once again very few cooperative banks took advantage of the concession. The scheme of rebate was taken a step further in 1944 when it was extended to cover seasonal agricultural operations.

The Reserve Bank's dealings with the State Cooperative banks in its early years of operation remained limited. The total amount of business for the ten years from 1937 was not more than Rs 75 lakhs of which Rs 74 lakhs was supplied under Section 17(4) (a) alone and only Rs 1 lakh under Section 17 (4) (b) and practically nothing under Section 17 (2) (b). Thus, not only was the total advance granted by the Reserve Bank meagre, but a major slice of it was to cooperative banks against Government and other Trustee securities at the Bank Rate of 3 per cent, despite the concession available to them from the Reserve Bank under section 17 (2) (b) and 17 (4) (c) for financing the seasonal agricultural operations and marketing of crops. The reasons for this are not far to seek. In the first place, there were no reliable agricultural bills as was required under Section 17 (2) (b) and 17 (4) (c). There was the traditional Hundi but it was difficult to confirm whether the Hundi was a genuine trade bill drawn for a specific trade transaction or merely an accommodation bill drawn for raising or remitting funds. Further, since the Hundi was essentially a clear advance made on the personal standing of the borrower its scope of negotiability in the

market was very much restricted. Secondly, funds were amply available to the cooperative banks due to the cheap money conditions prevalent during this period. Between 1939 and 1946 there was an increase in the working capital of the provincial cooperative banks to the tune of Rs 12.05 crores of which the inflow of deposits and accumulation of owned funds together amounted to no less than Rs 11.96 crores. This in turn was responsible for the fall in the proportion of loans outstanding to the total working capital from 56 per cent in 1939 to 26 per cent in 1946, indicating that there was no great demand for funds from the Reserve Bank. Thirdly, the agriculturists found it more convenient to borrow from the money lenders by maintaining a running account with them in as much as the loans received from the cooperative banks were very often inadequate and delayed. Further, the Reserve Bank could not make advances to farmers direct but only through the medium of scheduled banks or provincial cooperative banks. What is more, the Bank could lend only for 9 months and therefore the cultivators were driven to resort to non-Bank agencies to meet the medium and long-term requirements of agriculture. Lastly, the conditions for taking advances from the Reserve Bank at concessional rates were found by the cooperative banks to be too stringent.

Nationalisation of Reserve Bank

The Reserve Bank in its early years was, therefore, more a lender of the last resort than a liberal purveyor of credit to agriculture. This is not surprising in view of the fact that the Reserve Bank until 1948 was only a quasi-public institution in whose policy and administration the private shareholders had a decisive say.

The nationalisation of the Reserve Bank following independence and the realisation of the imperative need to increase agricultural production were largely responsible for the conspicuous change in the Reserve Bank's attitude and approach to agricultural finance after 1947. Raising of the rate of rebate to 1½ per cent below the Bank rate in 1946 was also responsible for increasing the Reserve Bank's advances to State cooperative banks. The progressive rise in the total advances from Rs 1.5 lakhs in 1946-47 to nearly Rs 538 lakhs in 1950-51 and the steady increase in the amount supplied to the apex banks under section 17 (2) (b) and 17 (4) (c) from Rs 2.75 lakhs in 1946 to Rs 308 lakhs in 1950 clearly indicate the effect of the higher rate of rebate. In July 1949 it was decided to extend the rebate of 1½ per cent to the cooperative banks for financing seasonal agricultural operations and marketing of crops.

Though the Reserve Bank's advances grew significantly, most of it was taken up by two States, Madras and Bombay. Since two good signatures from the Central Cooperative banks and the apex institutions were prescribed, the Reserve Bank could lend easily to these two States which had a well-developed cooperative movement. In the case of other States like Madhya Pradesh, Orissa and West Bengal, however, the Reserve Bank could accommodate cooperative banks mainly on the strength of the State Government's guarantee only.

This indicated the need for reorganisation and even development of the cooperative movement throughout the country. With these broad objectives in mind the Reserve Bank recommended the setting up of the Rural Banking Enquiry Committee in 1949, convened the informal conference in 1951 and appointed the All-India Rural Credit Survey Committee in 1952. The Rural Banking Enquiry Committee made several recommendations for the extension of rural banking, including: (a) liberalisation in the remittance rates from 1/16 per cent and 1/32 per cent to 1/32 per cent and 1/64 per cent on remittances up to Rs 5,000 and over Rs 5,000 respectively; (b) provision of better facilities for exchange of notes and coins; (c) elimination of impediments in the way of extension of modern banking facilities to rural areas, and, (d) improving the machinery of rural finance in respect of mobilisation of rural savings and extension of rural credit. The committee also suggested that the Reserve Bank should establish "at least one office or branch in each major province or state". Many of these recommendations were subsequently implemented.

The informal conference convened under the auspices of the Reserve Bank with Professor D R Gadgil as Chairman recommended that in order to enable the Bank to play an increasing role in the field of rural finance, the following steps should be taken: (i) widening the interpretation of the terms "seasonal agricultural operations and marketing of crops" to include mixed farming activities and the processing of crops by agriculturists or their organisations, (ii) providing advances to the State Cooperative Banks for financing the production and marketing activities of cottage and small scale industries, (iii) granting medium term finance to cooperative banks, (iv) establishment of effective liaison between the cooperative banks and the Reserve Bank, (v) extension of rural credit to regions which were cooperatively less developed, (vi) undertaking a survey of rural credit, and, (vii) appointment of a standing advisory committee on agricultural credit.

All-India Rural Credit Survey

Since a detailed investigation on a countrywide basis was deemed by the conference as a necessary preliminary for formulation of a long term plan of rural credit, the All-India Rural Credit Survey Committee was set up and their Report was published in December 1954. The Committee estimated that the proportion of cooperative credit accounted for just a little more than 3 per cent of the total borrowings of cultivators; governments accounted for 3.3 per cent, commercial banks 0.9 per cent, relatives 14.2 per cent, landlords 1.5 per cent, agricultural and professional moneylenders 69.7 per cent, traders and commission agents 5.5 per cent and others 1.8 per cent. They summed up the position by saying that agricultural credit now available "falls short of the right quantity, is not of the right type, does not serve the right purpose, and by the criterion of need (not overlooking the criterion of credit-worthiness) often fails to go to the right people". They emphasised that rural credit must aim at improved productivity and meet the short, medium and long term requirements of agriculture and recommended the setting up of an integrated system of rural credit with State partnership at different levels, full coordination between credit and other economic activities, especially marketing and processing, and administration through skilled personnel. The Reserve Bank was assigned a crucial role in the implementation of this integrated scheme and was expected to establish two special funds, viz. National Agricultural Credit (Long term operations) Fund and National Agricultural Credit (Stabilitation) Fund.

From November 1951, the State cooperative banks were placed on the same footing as the scheduled banks in regard to the purchase, sale or rediscount of bills of exchange arising out of bonafide commercial or trade transactions according to an amendment made to Section 17 (2) (a) of the Reserve Bank of India Act in 1951. In the same year a further amendment to the Section 17 (2) (b) of the Act enabled the Bank to extend the period of accommodation from 9 to 15 months for financing seasonal agricultural operations and marketing. Further, a new sub-section 2 (bb) was introduced to empower the Bank to rediscount bills of exchange or pronotes of cooperative banks and state financial corporations for the purpose of financing the production or marketing activities of cottage and small scale industries provided they matured within 12 months and their repayment of principal and payment of interest were fully guaranteed by the State Government concerned. Besides, insertion of a new clause, 4(A), to the Section 17 authorized the Bank to advance at 2 per cent below the Bank rate medium term loans to state cooperative banks for periods ranging between 15 months and 5 years on the strength of the State Government's guarantee for the following agricultural purposes: reclamation of land, bunding and other land improvements, preparation of land for orchards and plantations, development of irrigation purchase of livestock, implements, machinery and transport equipment, construction of farm houses and cattle sheds and such other purposes connected with agriculture as the Central Board might determine from time to time.

The Standing Advisory Committee to advise the Bank "on matters pertaining to its Agricultural credit department and subjects allied to those matters" was appointed in July 1951. In less developed regions the Bank supplied loans to state cooperative banks against eligible bills and pronotes fully guaranteed by the respective State Governments. The Bank also organised a series of visits by its officers to various States to help the State Governments in formulating schemes for reorganising the cooperative movement on a sound basis. In addition, the Bank voluntarily undertook inspection of cooperative banks. Some procedural reforms were also made. The former practice of fixing credit limits for total borrowings was replaced by that of fixing credit limits in respect of total amount outstanding on any given date. The cooperative banks could, therefore, now operate upon these limits as a kind of cash credit account and make use of these limits in as flexible a manner as possible by drawing on the same and repaying as and when convenient. Even 'c' class cooperative societies were made eligible for assistance from the Reserve Bank on the strength of the Registrar's recommendation. The area of operation of the Bank was further widened as a result of the inclusion of Part 'B' States within the scope of Section 17 of the Act following the integration of states.

Rural Debentures

With the promulgation of the Reserve Bank of India (Amendment) Act 1955, the National Agricultural Credit (Long-term operations) Fund was established in February 1956 under section (46 A) for making long-term loans and advances up to a maximum period of 20 years to Central Land Mortgage Banks, and to State Governments. A Stabilisation Fund was also set up for making medium-term loans and advances to State Cooperative Banks to enable them to convert short-term credit into medium-term credit whenever such conversion was rendered necessary owing to drought, famine or other natural calamities.

The Reserve Bank was already advancing for short periods under section 17 (4) (a) against the debentures of land mortgage banks. A new scheme of rural debentures, according to which Central Land Mortgage Banks were to issue six or seven year loans for productive purposes, was formulated in 1958 as a means of mobilising rural savings. By way of incentive to land mortgage banks, the Reserve Bank undertook to subscribe to the shortfall in subscription up to two-thirds of any issue. The scheme was recently revised to allow land mortagage banks to float debentures in two sets, one for 7 years to be offered to the public and the other for 15 years to be taken up by the Reserve Bank, the contribution of the Reserve Bank being slighty more than the subscriptions from the public (the proportion being 8 : 7).

From August 1, 1957, the Agricultural Produce (Development and Warehousing) Corporations Act of 1956 came into force and the Reserve Bank was permitted to grant loans and advances to the warehousing corporations established under the Act, through the inclusion of a new clause (4C) under section 17 of the Act. A circular letter issued by the Bank in 1958 exempted advances by scheduled banks against warehousing receipts issued by State Warehousing Corporations from the purview of its directives restricting advances against foodgrains. The rate of rebate was retained at 2 per cent when the Bank Rate was raised to 4 per cent in May 1957. In addition to these steps, the Bank also actively interested itself in the training of cooperative personnel.

The cumulative effect of these various steps aiming at liberalisation of the lending rate, relaxation of statutory restrictions, enlargement of the constitutional framework, procedural reforms, etc, on the cooperative movement may now be examined. As may be observed from Table 1, the credit limits sanctioned to the State Cooperative Banks for financing seasonal agricultural operations and marketing of crops has steadily moved up from Rs 12.40 crores in 1951-52 to Rs 93.55 crores in 1959-60. The total medium-term loans sanctioned between 1954-55 and 1959-60 add up to as much as Rs 21.03 crores. The Reserve Bank's subscription to the debentures of land mortgage banks has been of the value of about Rs 70 lakhs for the period 1949-54 and Rs 16.51 lakhs during 1957-59. The Bank's contribution to the scheme of rural debentures works out to nearly Rs 75 lakhs for 1958-59 and 1959-60. Loans amounting to about Rs 20 crores were granted from 1956-57 to 1959-60 for enabling the various State Governments to contribute to the share capital of cooperative socie-

Table 1 : Reserve Bank's Advances to State Co-operative Banks.
(Rs lakhs)

Year	Short term loans. (*Sanctioned at 2 per cent below Bank Rate*)	Medium term loans	Subscription to Central Land Mortgage Bank debentures	Subscription to rural debentures	Sanctioned for State participation in the share capital of co-operatives (*Figures in brackets refer to amounts utilised by State Governments*)	Under Section 17(2) (bb) or (4) (c) (*sanctioned at 1½% below Bank Rate*)	Under section 17(2) (a) or (4) (c) (*sanctioned at the Bank Rate*)
1951-52	1240	—	13	—	—	—	—
1952-53	1242	—	16.89	—	—	—	—
1953-54	1632	—	15.56	—	—	—	—
1954-55	2121	122	—	—	—	—	—
1955-56	2964	140	—	—	—	—	—
1956-57	3525	167	—	—	289.70 (160.45)	—	—
1957-58	4824	772	14.84	—	604 (583)	205.78	—
1958-59	6543	452	1.67	45.5*	592 (574)	279	90
1959-60	9355	450	—	29.57	504 (493)	245.4	45

Source : Reports of the Central Board of Directors of the Reserve Bank of India (1951-52 — 1959-60)
*includes 24 lakhs, 3 lakhs and 18.5 lakhs to Saurashtra, Orissa and Andhra Central Land Mortgage Banks respectively.

Table 2 :Interest Rates on Advances by Credit Societies
(*Percentages*)

State	Apex Societies			Central Societies			Primary Societies		
	1940-41	1951-52	1958-59	1940-41	1951-52	1958-59	1940-41	1951-52	1958-59
Andhra Pradesh	5-8	5-7½	2¾	6	7½	4½	9-3/8	9-3/8	6¼-7½
Assam	6	6-8	3½	9-3/8	6¼-10	5-5½	12½	12-12½	7½-8
Bihar	5	3½	3	10½	—	5	12¼	—	6¼
Bombay	6	3¾-7-13/16	4¼	5½	3-9-3/8	4½-6½	—	6¼-10-15/16	6¼-7-13/16
Jammu and Kashmir	—	—	1½-4½	3½-7	3¼-6¼	4½	9-3/8	4-9.3/8	6¼
Kerala	—	—	3½	4½-6½	6-6¼	5	7½	6½	6¾
Madhya Pradesh	3	2-9	3½	7½	4¼-12	7½	9	3-12	9
Madras	3½	3½	3	5½	4½	4½	7½	6¼	6-6½
Mysore	3½-7½	6½	2¾	8-10½	—	5	8½	6¼-9-3/5	6½
Orissa	—	3½-5	3¾	6¼	5½-9	6	7½	—	8
Punjab	3½	4	4½	7	5½-8	5½-6	9-3/8	6-12½	7½-9-3/8
Rajasthan	—	—	3½	—	6-9	5½	—	7½-12½	7½
Uttar Pradesh	—	6	4	—	9	6¾	—	12-15	8¾
West Bengal	5	5	3¼	9-3/8	4½-10-15/16	6¼	12½	12½	8-6¼

Source : Statistical Statements relating to the Co-operative Movement in India for the years 1940-41, 1951-52, and 1958-59. Figures relating to Andhra Pradesh and Kerala for 1940-41 and 1951-52 are those of former Hyderabad and Travancore-Cochin respectively and those relating to Jammu and Kashmir, Madhya Pradesh and West Bengal for 1940-41 are those of old Kashmir, Central Provinces and Berar and Bengal respectively.

Table 3 : Margins Maintained by Credit Societies
(*Percentages*)

State	By Apex Societies			By Central Societies			By Primary Societies		
	1940-41	1950-51	1958-59	1940-41	1950-51	1958-59	1940-41	1950-51	1958-59
Andhra Pradesh	2-5½	1½-4	¾	1½	1½-4¼	1¾	2-3/8	¼-3-3/8	1¾
Assam	2-3	3¼-5¼	1½	3-3/8-5	2-3/8-3	1½-2	3-1/8	3-3-3/8	2-2½
Bihar	2	2¼-3½	1	5½	1¾	2	1¾	1	1¾
Bombay	4¼	1½-2	2¼	4	2-3	¼-2¼	—	2¼	1¾-2¾
Jammu and Kashmir	—	—	—	0-3½	—	—	2-3/8	—	1¾
Kerala	—	—	1½	3½-5	2½	1½	1¼-1-7/8	2	1¾
Madhya Pradesh	1	2½	1½	4½	3-4	4	3	3-4	1½
Madras	1½	1-1¼	1	2	1½-2½	1½	2	2¼-2½	1½
Mysore	0-4	1-2	¾	2-8½	Not functioning.	2¼	1	1-2	1½
Orissa	—	1-2½	1¾	2¼	2-3	2¼	1¼	1-1¼	2
Punjab	1	1½	2½	3½	¼-5½	1-1½	2-3/8	¼-6½	2-3-1/8
Rajasthan	—	—	1½	—	—	2	—	—	2
Uttar Pradesh	—	½-4	2	—	4-5	2¾	—	3	2
West Bengal	1¾	1¾	1¼	3-7/8	3-3¼	3	3-1/8	1/8-3	1¾

Figures relating to Andhra Pradesh and Kerala for 1940-41 and 1950-51 are those of old Hyderabad and Travancore-Cochin respectively and those relating to Jammu and Kashmir, Madhya Pradesh and West Bengal for 1940-41 are those of former Kashmir, Central Provinces and Berar and Bengal respectively.
Margin maintained by the apex societies in 1958-59 represents the difference between the rate at which they borrowed from the Reserve Bank (i e 2%), and the rate at which they lent for seasonal agricultural operations and marketing of crops. Margin maintained by the rest of the societies in all the other years represents the difference between the borrowing and lending rates.

Source : Statistical Statements relating to the Co-operative movement in India for the years 1940-41 and 1958-59. Reserve Bank of India Bulletin, 1951, pp 424-425.

ties of which Rs 18 crores have been availed of so far. The total gross disbursements which include loans to State Cooperative Banks and Central Land Mortgage Banks and the amount utilised for purchase of rural debentures out of the National Agricultural Credit (Long-term operations) Fund since its inception in 1956 were estimated at Rs 31.27 crores on June 30, 1960. Of this, the total amount outstanding was Rs 25.7 crores. The total amount transferred by the Bank to this Fund during the same period was Rs 40 crores. The amount to the credit of the stabilisation fund was Rs 5 crores but so far this Fund has not been drawn upon. For financing the production and marketing activities of weavers' cooperative societies, the Bank has sanctioned about Rs 206 lakhs under Section 17 (2) (bb) in 1957-58 and Rs 279 lakhs and Rs 245 lakhs under Section 17 (2) (bb) or (4) (c) in 1958-59 and 1959-60 respectively. Credit limit for another Rs 300 lakhs has been sanctioned at the Bank rate in 1957-58 to meet the working capital requirements of cooperative sugar factories. Further, in order to enable the State cooperative banks to finance bonafide commercial or trade transactions, the Reserve Bank advanced about Rs 90 lakhs in 1958-59 and another Rs 45 lakhs at the Bank rate on behalf of the Apex Weavers' Societies in 1959-60 under Section 17 (2) (a) or (4) (c).

The total number of warehouses established by the Central Warehosing Corporation and by the State Warehousing Corporations were 27 and 157 respectively in 1959-60. The number of cooperative banks inspected by the Bank went up from 2 in 1952-53 and 104 in 1956-57 to 256 in 1959-60. The number of State cooperative banks which took financial assistance from the Bank also increased from 7 in 1952-53 to 19 in 1959-60.

The Reserve Bank's record in respect of the cooperative movement can be looked at from another angle also. In 1947-48, the total credit made available by the rural credit societies was about Rs 10 crores, of which the Reserve Bank's share was only Rs 17 lakhs. In 1951-52, when the Gorwala Committee undertook the rural credit survey, the annual borrowings of agriculturists for short, medium and long term purposes were estimated to be Rs 750 crores, of which only Rs 23.25 crores were reported to have been supplied by the cooperative credit societies. Of this, the Reserve Bank's contribution was about Rs 11.42 crores (Rs 11.29 crores by way of short-term loans and Rs 13 lakhs through long-term loans). In 1958-59 the total borrowing of the rural population was roughly estimated at Rs 1000 crores, of which Rs 126 crores were supplied by the rural credit societies. The extent of the Reserve Bank's contribution was Rs 83 crores. Thus in 1958-59, the Reserve Bank advanced about 66 per cent of the total amount supplied by the cooperative credit societies as against 51 per cent in 1951-52 and 1.7 per cent in 1947-48, and nearly 8.3 per cent of the aggregate annual borrowings of agriculturists as compared with 1.5 per cent in 1951-52. The contribution of co-operatives to the total borrowings of cultivators also registered a perceptible rise from 3.1 per cent in 1951-52 to 12.6 per cent in 1958-59.

Assistance to Credit Societies

To arrive at the total financial assistance rendered by the Reserve Bank to the rural sector, account must also be taken of the dividends due to the Reserve Bank, but now credited to the Integration and Development Fund for meeting the losses incurred by the State Bank in opening new branches. The total amount in this fund was Rs 1.69 crores at the end of 1959, of which a sum of Rs 35 lakhs was appropriated during 1959 under the authority of the Reserve Bank in respect of losses for the years 1957 and 1958 of the new branches established under section 16 (5) of the State Bank Act.

In this context, it may be worthwhile to ascertain whether this enormous financial assistance and the considerable rabate offered by the Reserve Bank has resulted in any reduction of the rate of interest charged by the co-operative societies and thus passed the benefit of low interest rates to agriculturists. Table 2 shows that in a majority of the States a significant improvement in the lending rates has been brought about at almost all levels of co-operative societies. With reference to advances by Apex Societies in 1958-59, the rates on advances were considerably lower compared to the high rates ruling in 1940—41 and 1951—52 in all States for which data were available except Punjab and probably Bombay and Madhya Pradesh. Similarly, in the case of Central Societies, the rates were lower in 1958-59 in many States. As for the primary societies, figures indicate that in 1940—41 the rates varied between 7½—12¼ in almost all States. The position had not improved much by 1951–52, except in Travancore-Cochin and Madras. But by 1958–59 the rates had registered a significant fall in all States, except Orissa and Madhya Pradesh.

This improvement in the overall position is also seen with regard to the margins maintained by the co-operative societies. Table 3 shows clearly that the rate of margin retained for meeting the working expenses of the units has been relatively reduced in the case of all co-operative credit societies in almost all the States. Except for Punjab, the margins kept by State co-operative banks in 1958-59, were much lower than the corresponding rates either in 1940–41 or in 1950–51. In the case of Central financing agencies, excepting Madhya Pradesh, West Bengal and Uttar Pradesh, the margins deducted in most States did not exceed the maximum and minimum limits ranging between ⅛–2¼ per cent. Even at the primary level in 1958–59, there was a reduction in the margin in Assam, Jammu and Kashmir, Madhya Pradesh, Uttar Pradesh, Madras and West Bengal.

It will be recalled that the Agricultural Finance Sub-Committee, the Co-operative Planning Sub-Committee and the Agricultural Credit Organisation Committee were all unanimous in recommending that the rate at which funds are made available to credit-worthy agriculturists should not exceed 6¼ per cent for short and medium term and 4 per cent for the long-term credit. While the performance of the co-operatives in recent years has no doubt been encouraging, judging by the interest rates charged on advances by the primary societies, much leeway has yet to be made in States like Assam, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh, Himachal Pradesh and Kerala (to an extent). Measures to strengthen the co-operative movement, to improve

its efficiency, to mobilise rural savings, to raise funds through local deposits and to rationalise the organisation of co-operative banks and societies, may, therefore, be considered, along with a further reduction in the rebate allowed by the Reserve Bank with a view to bringing down the interest rates payable by the agriculturists in these States.

The above analysis indicates the vital role played by the Reserve Bank in recent years in promoting the development of a sound system of agricultural credit in India. In the words of Chester Davies, "the Reserve Bank has been giving new life and leadership to the co-operative credit movement in recent years. Probably, no other Central Bank in the world is doing as much to help, develop and finance rural credit institutions."

Alternative to the Money-lender

Finally, reference must be made to the role of money-lenders who still dominate the sphere of rural credit in spite of the gradual expansion of the co-operative movement in recent years. The prescription of a ceiling on interest rates by legislation in different States has had no effect on the money-lenders' operations, as has been admitted by the Rural Credit follow-up Survey Committee. The survey points out that private credit agencies continue to supply a major portion of credit availed of by cultivators. The official formalities, institutional rigidities, insistence on self-liquidating and easily marketable securities, procedural vexations, avoidable delays and the inadequacy of loans sanctioned by co-operative agencies appear to have left the small farmers still largely dependant upon the private credit agencies. Elimination of these defects and deficiencies in the organisation and functioning of credit societies is an essential pre-requisite for building up the co-operative credit system as an effective alternative to the money-lender. Now that the State Bank has opened a large number of new branches in rural areas and gathered some knowledge of local conditions, time is ripe for the Reserve Bank to revive the practice of offering rediscount facility at concession rates through the State Bank of bills of approved money-lenders drawn for making advances to agriculturists on the condition that the benefit of low rate is passed on to the cultivators.

Rubber Production

THE measures taken by Government to encourage the production of rubber in the country were detailed in the Lok Sabha on December 16, by the Minister of Commerce, Shri Nityanand Kanungo. The Minister said that a scheme for replanting 70,000 acres of low-yielding land with high-yielding strains in ten years was being implemented by the Rubber Board since 1957. The scheme provided for the payment of a subsidy to the growers ranging from Rs 250 to Rs 400 per acre. An area of 10,645 acres had already been replanted and a subsidy of Rs 20,21,781 had been paid to the growers by the Rubber Board under this scheme. To make the scheme more attractive, the rate of subsidy had been increased to Rs 1,000 per acre, with effect from the plantations undertaken during the current year.



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Economic Conference

R K Hazari

THE 43rd annual session of the All-India Economic Conference was held in Chandigarh at the invitation of the Punjab University from December 21 to 24 jointly with the annual conferences of the Indian Society of Agricultural Economics and the Indian Society of Labour Economics. The subjects for discussion at the Economic Conference were (1) Trade Balance in a Planned Economy, (2) Financial Resources of State Governments and (3) Wage-Profit Relations in a Developing Economy. The current topic was Price Policy for the third Plan. The presidential address of Professor Das Gupta analysed the development of economic thought from the classical school to the present day and described "Marginalism ... as a sort of an interlude in the development of economic theory" provoked by the desire to 'save' economic theory from being turned into an engine of class war. A certain disharmony, he pointed out, is inherent in exchange relations as they operate through the market. The marginalist system cannot, nevertheless, be thrown overboard because it offers a more general theory of resource allocation than the classical system, subsuming the classical labour theory as a special case.

Synthesis

He called for a synthesis between the theory of relative prices and the theory of growth for a comprehensive study of the problem of economic dynamics, in which the future development of economic theory will lie. "How do relative prices behave in (the) process of continuous growth, and in what way does the marginalist analysis of price fit in with the framework of long-run movement? What are the functions that relative prices perform in a continuously growing economy? How is growth in its turn, and technical progress that accompanies it, affected by a given system of relative prices?" It would be too optimistic to expect satisfactory answers to these questions at the next Economic Conference when it discusses Relative Prices and Economic Growth. There is no doubt, however, that Professor Das Gupta has suggested a line of inquiry which what he described as the post-war generation of Indian economists can fruitfully explore.

The contagion of theoretical analysis in the presidential address spread to the discussions as well, thanks largely to the three able rapporteurs, Professor Bhabhatosh Datta, Dr K S Krishnaswamy and Professor K N Raj. The Conference marked a refreshing departure from the previous meetings in that its discussions were conducted, on the whole, at a consistently high analytical level. True, perhaps the discussions were not pragmatic enough and there was not as much application of theory to concrete situations as one could have wished. But unless there is more specialisation and until the quality of papers accepted for the Conference improves, it is not fair to expect sound policy conclusions from the discussions.

Trade Balance

The group discussion on Trade Balance in a Planned Economy centred on four topics: the nature and causes of trade imbalance of a developing country, its policy problems, the effects of recent bilateral agreements concluded by India, and the problems posed by changes in terms of trade. The need for distinction between a trade deficit brought about by market forces and one brought about by a central programme of action was emphasised. Except in a completely controlled economy, imbalances in the domestic sector, it was pointed out, would tend to focus sharply on the 'external accounts'. Much of the discussion on policy matters was concerned with the suggestion that India should be prepared to sell its goods abroad at prices lower than those paid by domestic consumers. Some participants favoured a fuller examination of this proposal in relation to some specific commodities, though it would involve a multiple exchange system and more fiscal burdens.

Opinion on bilateral agreements was divided. According to one view, these agreements have facilitated planned imports of capital goods and maintenance of traditional exports. On the other side, it was argued that the agreements have not diversified exports and that the benefits of the agreements could be established only if it could be shown that these capital goods could not have been obtained on better or equally favourable terms from other suppliers. The discussion on terms of trade seemed to have been confined to an appreciation of the conceptual and technical difficulties involved in their measurement and in evaluating their implications.

Asian Common Market

The general discussion on this subject, initiated by Professor B N Ganguli, was concerned mostly with trade policy and the pros and cons of an Asian Common Market. Dr Ajit Das Gupta was the only speaker to stress the integration of balanced trade policy with the pattern of industrialisation through a consistent long term programme of setting up and encouraging export industries the demand for which is income elastic. Such a programme, Dr K S Krishnaswamy pointed out, would face serious competition from domestic producers in the importing countries but that did not invalidate the argument for imparting an export bias instead of a mere import—saving bias to planned industrialisation.

Professor Ganguli considered that the entry of the U K into the European Common Market was not in India's interests and that abolition of Imperial Preference would not help us. The formation of E C M has reduced the bargaining capacity of individual countries like India. An Asian Common Market, beginning with a close coordination of trade policies between India, Pakistan, Ceylon and Burma was, therefore, necessary as a measure of sheer self-defence. He pleaded, in particular, for better trade relations with Pakistan. Shri R K Amin while supporting the idea of an Asian Common Market pointed out that the gains from this grouping would be small owing to the competitive nature of the economies and their narrow cost differentials. He, therefore, favoured the simultaneous retention of the Commonwealth link. Professor S V Iyer called for integration of the jute trade policies of India and Pakistan to enable them to control the international jute market. Professor Sonachalam pointed out that planninng would have to be inte-

grated with Asian Common Market arrangements and this would, among other things, necessitate revision of priorities for rice production.

Professor D T Lakdawala was against over-estimating the advantages of a Common Market, which depend internally on the amount of mutual trade which is small, and externally on cohesion in the form of common tariffs and restrictions, which is not likely since there is no plan for economic integration. Dr Ambika Ghosh pointed out that a Common Market will not solve the problem of exchange of capital goods against manufactured consumer goods. The solution to this problem lies in reorientation of trade towards the Soviet bloc which needs these consumer goods. Dr Krishnaswamy also opposed the idea of a Common Market on the ground that joint bargaining with other groups implies ability and willingness to reduce imports from outside which, in turn, requires the ability to supply capital goods to one another. The group rapporteur, Professor Bhabhatosh Datta, said that there was a case for Asian grouping on strategic grounds but the ineffective use of bargaining power could lead to greater instability and uncertainty. He advocated regional co-operation in formulating policies for selected commodities.

Professor Das Gupta in his concluding remarks commented on the derailment of the discussion into a side-issue and referred to the possible resurrection of the suspicions of small countries against Japan's co-prosperity sphere. He emphasised the need to integrate trade and investment patterns.

The group on Financial Resources of State Governments generally agreed that the need for additional taxation by the states could not be obviated either by cutting down Government expenditure or by drawing more heavily on the Centre. The consensus of opinion was that rural taxation had not kept pace with the increase in rural income and the benefits of Government expenditure accruing to the rural sector. The group favoured progressive land taxation without affecting agricultural production or investment. Some participants were of the view that increase in land revenue rates together with higher irrigation rates and betterment levies would not be conducive to larger production and that small holdings should be exempt from such levies. Others felt that an increase in land revenue rates was necessary in order to tax the non-monetised portion of rural incomes. There was little discussion on other sources of revenue like centralised sales taxes and profits from commercial enterprises of State Governments.

Professor C N Vakil, who initiated the general discussion deplored the inability—or unwillingness—of states to implement their promises to raise additional resources and their propensity to regard Constitutional arrangements for raising of revenues as conferring rights of private property. He called for scrapping of prohibition which is depriving the states of large amounts of revenue, a plea which was supported by Dr Gyan Chand who also desired more state trading. Dr R N Bhargava pointed out that the resistance to State taxes is greater as compared with Central taxes since they are felt more widely and more directly. He preferred a progressive tax on holdings instead of ceilings on land ownership, scrapping of prohibition, wider coverage of sales taxes and greater dependance on indirect taxes rather than higher profits of state enterprises, which would provide a cover for inefficiency and encourage higher wage demands. Professor Sadashiv Misra thought it desirable, reasonable and necessary to raise more resources from rural areas through taxes and compulsory savings.

Wage-Profit Relations

Summing up, the President stated that if all the suggestions made in the course of the discussions were added up and implemented, the financial gap in the States' programme would be filled up. He made a plea for integration of state finances with regional planning.

The group discussion on Wage-Profit Relations in a Developing Economy started by looking into the conceptional problem of distinguishing wages and profits in the income of the self-employed. It was agreed that such income could not be broken down into wages and profits except on very arbitrary assumptions. The wage-profit distinction, nevertheless, remains meaningful even in some non-corporate sectors, such as large farms employing hired labour, which have a capitalist element. Even if the average share of wages and profits in the national income is not large due to the preponderance of household enterprises, their share in marginal income-increases could be significant. Witness, for example, the disproportionate share of large farms in the increase in agricultural incomes and the tendency of some of them to adopt labour saving techniques for increasing the share of profits. The group then proceeded to examine the classical postulates of wage-profit relationships based on minimum subsistence wages, non-accumulation by rent receivers and the accrual of the remaining national produce in the form of profits to those whose primary motive is to accumulate. The classical assumption that, *ex hypothesi*, all wages and rents are consumed and all profits are accumulated and, therefore, that the share of profits in national income should go up in order to promote accumulation, was held to be inoperative under present conditions. Keynesian analysis, the role of the State in development and the propensity of accumulators to increase their consumption have rendered this assumption untenable. The case for reducing the share of wages in national income is, therefore, not so strong as would appear from classical analysis.

There are hardly any statistical data on the distribution of income. The only available data are from the Census of Manufactures which indicate that the share of wages as distinct from salaries in the 29 industries covered by the Census has tended to decline between 1946 and 1957. Regarding policy issues, it was pointed out that the entry of the State did not by itself ensure that profits would be used for accumulation instead of being consumed.

In the general discussion, Dr Krishnaswamy referred to the dilemma of growth presented by larger profits leading to larger investment and higher income, on the one hand, and larger wages representing higher spending inducing higher investment, on the other. The wage rate may go up but the share of wages in national income may remain constant due to changes in factor combinations. Economic surplus arises from the difference between factor productivity and factor prices, the relationship of which Dr Krishnaswamy pointed out, has to be studied with reference to their

effects on each other, on technology and on the marginal propensities to consume and to save. Professor Datta emphasised the extreme difficulty of establishing a general theory of income distribution as distinct from a theory of factor prices, particularly due to the role of the State in the growth and distribution process.

Dr H K Paranjpe expressed his opposition to allowing the share of wages to go up since the greater part of wage incomes are likely to be consumed rather than saved. Dr K Naqvi said that since savings out of profits are lower than they are desired to be, maximisation of the rate of growth requires modification of wage-profit relations in such a manner that chunks of income, especially profits, accrue directly to the State to secure, say, a marginal saving propensity of the order of 50 per cent.

The President's concluding remarks described the dilemma posed by Dr Krishnaswamy as a difference between wage rate and wage bill. In a dynamic economy having unemployment, disguised unemployment and increasing population, a higher wage bill does not necessarily imply a higher wage rate.

The discussion on the current topic, Price Policy, was initiated on a high theoretical plane by Professor Datta, who admitted the great difficulty of making any definite suggestions. The real problem, he stressed, was not so much of prices of individual commodities nor even of the general price level but of relative prices. One could look into this problem in many ways: (1) prices as molecules in an over-all stable system, (2) the distribution of price changes over a Walrasian system, or (3) prices as tools for planned development which can help (a) in allocation of resources for production and consumption, (b) in framing a policy for inter-personal and inter-temporal distribution of income in keeping with the accepted welfare hypothesis, and (c) in increasing capital formation. All these goals cannot be achieved by a single policy, particularly in a country which desires to move towards socialistic goals with the help of institutions that are essentially not socialistic.

Professor Datta compared the stabilisation of food prices through buffer stock operations to the gold standard mechanism which depended for its working, among other things, upon adequacy of stocks. The food-grains market is much more imperfect, much less organised and its official manipulation far too susceptible to political influences. Three consecutive bad monsoons could, moreover, deplete buffer stocks to dangerously low levels. A State monopoly in the Indian context further implies not monopoly of production but of procurement and distribution. One, therefore, falls back to the pedestrian conclusion of the need for a pragmatic course of action for each commodity according to prevailing circumstances which may not achieve everything that is desired but would at least tend towards it. How such a pragmatic course of action could deal with the problem of relative prices was not discussed by Professor Datta.

Price Policy

Professor V R Pillay considered that the increase in money supply had not been significant in relation to production and increase in monetisation, and that monetary policy could make only a marginal contribution to stability. He was opposed to over-all price control and excessive reliance on indirect taxes, and desired the main emphasis to be placed on direct taxes and loans. Shri P T Subramonian thought that acceptance of the inevitability of a general price rise was wrong and dangerous. He pleaded for greater production of more essential goods and restraints, if necessary, on less essential goods. Dr H K Paranjpe, on the other hand, was in favour of allowing the price mechanism to equate demand and supply except in the case of wage goods. He saw no need for regulation of prices of non-wage-goods, particularly these produced by State enterprises since keeping down of their prices leads to wasteful use of producer goods. The same argument, he said, was applicable to credit, the cheap supply of which encouraged accumulation of inventories. Professor Sadashiv Misra went further to say that a rise in prices was inevitable and that stabilisation of food prices alone was not desirable since it would discourage greater food production and increase the inequality of incomes. Why should production of food, he asked, be regarded always as a non-commercial occupation which needed no price incentives?

Dr P D Ojha pointed out that price policy relates to a particular size and pattern of investment and thus ceases to be an independent entity. Since food targets in the third Plan are higher than food requirements, there is a likelihood, he opined, of downward rather than upward price pressures. He wanted buffer stocks for strategic raw materials in addition to food for meeting year to year fluctuations. Dr Surendra Patel drew attention to the internal inconsistencies in the third Plan which provided for increases in production of 33 to 60 per cent in various sectors of the economy but expected a rise of only 27 per cent in national income. If production of commodities accounting for 60 per cent of consumer expenditure and 75 per cent of commodity consumption increases at a compound annual rate of 6½ per cent, as is implicit in Plan targets, the annual rate of increase in income necessary for preventing an excessive decline in prices would be 8 to 10 per cent, and not about 5 per cent as stated in the Plan. This in turn would require a raising of investment targets, accompanied by restraints on non-basic consumption and private investment.

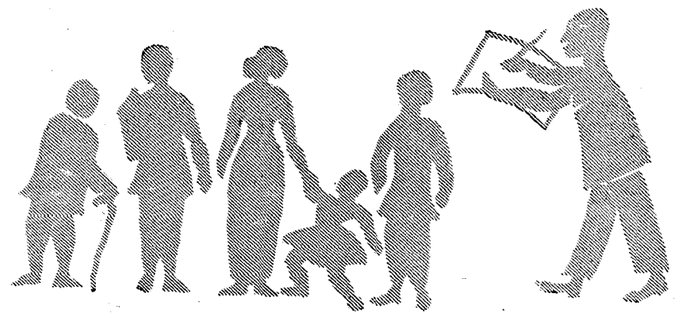
Professor A M Khusro presented an interesting though debatable concept of a 'tolerable' rate of increase in prices. The increase, he said, should not exceed the rate of interest on bonds. True, an increase within this theoretical ceiling would avoid capital depreciation but an annual price rise of 4 per cent would lead to an increase of 22 per cent over 5 years which surely is not a 'tolerable' increase. With a similar piece of reasoning, Professor Khusro stated that the terms of trade between agricultural and non-agricultural sectors had moved against the latter in recent years, that the consequent re-distribution of income was not consistent with the process of industrialisation and that this was partly responsible for the recent decline in absolute savings as well as in the ratio of savings to income.

Summing up the discussion, Professor Das Gupta pointed out that price stabilisation could be considered in the inter-regional as well

as in the inter-temporal sense. Regional stabiliity of prices was desirabl in order to prevent the emergence of pockets of scarcity. Inter-temporal stabilisation in an open economy required some adjustments of the general price level, but it does not rule out the possibility of keeping the general price level stable in the process of development. Relative prices, however, must necessarily change and from this it follows that prices of wage goods would tend to rise.

CENSUS 1961

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Conference of Labour Economists

S D Punekar

THE Fourth Session of the All-India Labour Economics Conference was held at Chandigarh on 21-25 December 1960 under the auspices of the Punjab University. At the same time and at the same place were held the 43rd Session of the All-India Economic Conference and the 20th Session of the All-India Agricultural Economic Conference. For the first time these three economic conferences came together. The experiment in Chandigarh showed that such a confluence could have many advantages. There can be common welcome and inaugural addresses. Economists of different specialisations can come together and benefit from mutual discussion as well as from the deliberations of all the conferences. The fields often overlap; for example, in Chandigarh, the Economic Conference had one of its sessions on a "labour" subject, while the Labour Conference discussed "wage structure" and "labour productivity" even in their rural setting. The presidential address to the Labour Economists discussed in detail the complex problems created by rural over-population and rural under-employment — a subject mainly for Agricultural Economists. In a fast developing science like Growth Economics, specialisations are useful, but only upto a point.

Presidential Address

Dr P S Lokanathan, in his presidential address, covered a very wide ground — problems before Labour Economists; challenge thrown by population growth and consequent unemployment; labour productivity; wage-structure and the problems facing a wage board; wage-differentials; basic tenets of a wage policy; bargaining power of labour; attitude of workers to technological improvements; and the Code of Discipline. He started his address by emphasizing the role of Labour Economics in modern times : "The number of problems which demand attention in this field of economics call for the highest academic discipline and analysis and no one can say that labour economics is less important or less challenging than other branches of economics, applied or theoretical." He enumerated the various problems a Labour Economist has to face, particularly after Independence.

Rural Under-employment

According to Dr Lokanathan, over-population and under-employment in rural areas create the most outstanding challenge to efforts for rapid economic development. Factors such as uneven demand for labour in agriculture over the years and regional variations in the manpower surplus make it difficult to have a correct estimate of under-employment but its seriousness cannot be denied. Surplus manpower in agriculture can be of two categories : one representing the surplus which could be removed without affecting the output and the other which could not be removed but which could make further contribution to production. The first would be available for migration to urban areas, as well as for year-round capital formation or other non-agricultural activities in rural areas. The second is more or less tied to its present location and can take up other employment only during slack periods of the year. A realistic and fruitful approach towards the problem of under-employment would be in raising labour productivity. For tackling it, Dr Lokanathan suggested the creation of a Special Authority with specific responsibility to coordinate all the measures for promoting employment in rural areas and with the direct responsibility for organizing rural public works. To avoid inflation, it should be the responsibility of the Authority to provide for the additional supply of food and consumer goods required and for the supply of essential agricultural tools and implements.

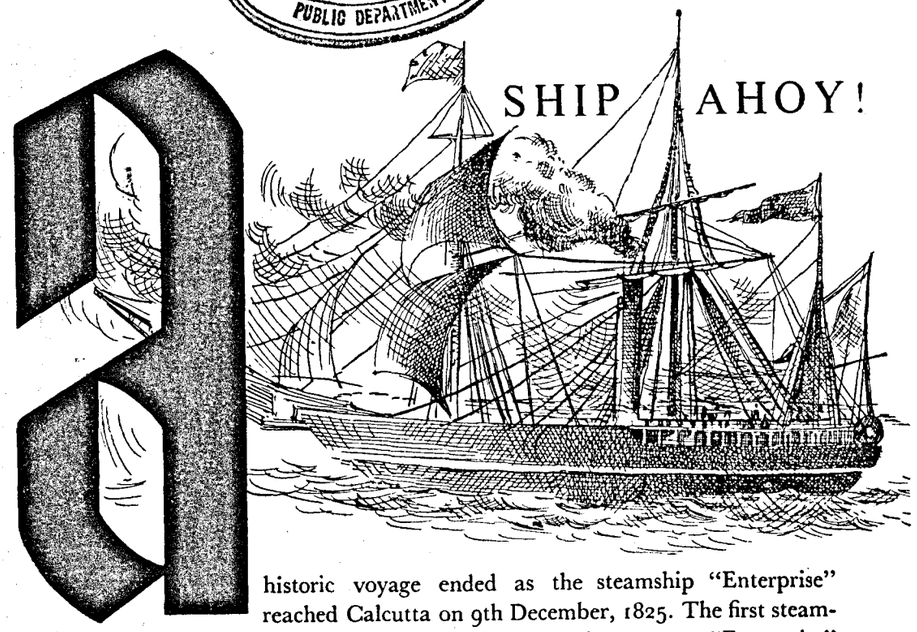
Wages are broadly moulded by (a) the productivity of labour, (b) their bargaining capacity and (c) Government legislation and intervention. Significant changes in productivity have occurred, though they are unevenly spread out, regionally and among the different sectors of the economy. There is a steady increase in productivity in the factory industry and no clear trend yet in other sectors. The bargaining power of labour in organized industry, a sector that has a high and rising productivity, is greater than that of workers in other sectors. This has made workers in organized industry an *elite* among the labour classes and has widened the gap between industrial and agricultural wages. Under these circumstances, social considerations demand that to the extent that increased industrial productivity is utilized for increased consumption, it is desirable to pass the benefits to the workers also in the depressed sectors of the economy, like cottage industries and agriculture, instead of passing it on *in toto* to factory workers.

The basic principle of any wage policy should be to promote a rapid rate of economic development and growth of employment and to secure a fair share of the national output to workers in all sectors of the economy and also to attain economic stability. The purpose of a wage policy is to achieve the economic and social goals set by the society. Against this background Dr Lokanathan examined the wage policy in India, discussing the concepts of "need-based" minimum wage, the "ideal" living wage and the "desirable" fair wage. He explained the various problems faced by the wage boards and the measures adopted by them to solve them. At the end of his address, he referred to the various types of wage differentials and suggested ways and means to reduce them.

Wage Policy

The discussion on wages was taken up in one of the sessions of the Conference and many important points were brought out. For example, two representatives of management explained the unsuccessful attempts made in their industries to rationalise the wage-structure. Though in principle it was agreed that fair wages should be related to fair work-load, difficulties were faced in determining "fairness" in both these fields. Work measurement studies did not prove much useful. Payment of dearness allowance at a flat rate narrowed down wage-differentials. Bonus system, however, has proved harmful for industrial relations. An eminent trade unionist admitted that incremental system of payment

UNDER SECRETARY TO GOVERNMENT
11 JAN 1961
PUBLIC DEPARTMENT

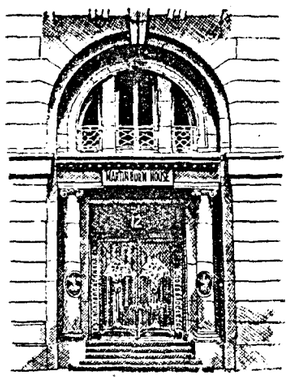


historic voyage ended as the steamship "Enterprise" reached Calcutta on 9th December, 1825. The first steam-powered vessel to make the England-India run, the 500-ton "Enterprise" won a cash prize of Rs. 100,000 offered by Calcutta's trading community for this truly pioneering achievement. Her captain on the hazardous voyage round 'the Cape' was James Henry Johnson, Commander, Royal Navy, and a hero of Trafalgar.

Though the "Enterprise" was the first ocean-going, partly steam-propelled ship to arrive at any Indian port, small steam-powered craft were being built in Calcutta as early as 1823.

Among the oldest and best known marine and general engineering firms in the country, a privately-owned concern known as Reid & Company's Hooghly Dock (founded 1819), the forerunner of The Hooghly Docking & Engineering Company Limited, was already flourishing before the introduction of steam to India.

The 'Hooghly Docks' are a part of the vast industrial and engineering organisation of Martin Burn Ltd., an organisation which is playing an important role in India's industrial progress.



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and multiple rates for the same job would not be conducive to the evolution of a rational wage structure. The problems of casual labour complicated the matters. It is surprising that in spite of wide wage-differentials between skilled and the unskilled, skilled manpower has not been on the increase.

Dr Lokanathan, who presided over this session also, advocated the adoption of living wage which would ensure increased consumption to working classes and thereby set up a healthy chain of better efficiency, higher productivity, larger production and more income. At the same time, higher wages might reduce the volume of employment; the reason for our inability to enforce living wage at present is that at that wage, we cannot have adequate employment. Such factors as cost-induced inflation and the rate of expansion of industry need consideration. The solution lies in higher productivity, which is the key to higher wages.

Labour Productivity

The problems of labour productivity were discussed in another session, over which Shri B N Datar, presided. The speakers brought out the usual difficulties in (a) defining the concept, (b) measurement of productivity, (c) assessment of the gains due to productivity, (d) fixation of norms on the basis of which gains in productivity should be shared, and (e) linking of wages to productivity. Various suggestions were made for increasing labour productivity — training of workers, a change in their attitude, pecuniary and non-pecuniary incentives, better labour-management relations and better physical working conditions. Emphasis was placed on social and cultural factors, which were as important as economic factors. In his concluding remarks, Shri Datar stated that labour productivity was on the increase and the proportion of labour costs to total costs had gone down. For better results, he advocated training schemes for workers, labour-management co-operation, productivity studies and better public relations by employers' and workers' organizations.

There was an interesting discussion on how far does theory satisfactorily explain the various aspects of labour economics, measurement of productivity, collective bargaining, determination of wages, etc. This discussion was of vital concern to the Society of Labour Economists, which, though primarily an association of academicians, devotes itself to the practical problems of labour economics. In fact the Society was founded to study labour economics against the background of operational factors. Theory and facts are inseparable and the growth of a science like Labour Economics depends on study of facts and development of theories explain them. Appropriately enough, the Conference devoted a session for the important subject of "research in labour problems" over which Professor C N Vakil presided. The importance of labour research is being increasingly recognised. The Research Programmes Committee of the Planning Commission set up a year ago a technical sub-committee for research in labour problems and invited schemes for labour research from Universities and other institutions. The Ministry of Labour and Employment convened in September 1960, a conference on labour research to discuss the possibility and desirability of setting up a central labour research organization. The Ford Foundation has recently financed half a dozen schemes for research in industrial relations. Research in labour problems is also being conducted by the Central and State labour offices.

The time has come for a stock-taking of labour research at present being conducted and to find out ways and means of co-ordinating it. For this purpose, co-operation of various parties— Universities, Central and State Governments, employers' and workers' organizations, research institutions, social work organizations, etc — has to be sought. Later on, a list of researchable labour topics should be prepared. One of the handicaps of labour research in India is lack of trained research personnel and also of well-equipped research institutions. Research in India has thus become "person-based". Training of suitable persons in research methodology and in labour subjects has become essential. Adequate labour statistics, compilation of bibliographies and co-operation from employers' and workers' organizations for empirical research are necessary pre-requisites for research. For labour research, an inter-disciplinary approach is desirable and hence Universities, with their social science departments, are the ideal institutions for the purpose.

The Conference discussed most of these problems. However, as the subject is vast and is of primary importance in the Third Plan, it was decided to hold a Seminar on "Research in Labour Problems" some time in April next. This Seminar will discuss labour research in all its aspects—methodology, researchable labour topics, a review of labour surveys at present being conducted, difficulties experienced by labour researchers, and steps to be taken for furtherence of labour research. With this Seminar, the Society of Labour Economists would contribute some practical ideas in the field of labour research.

Hirakud Project

OVER Rs 2 crores annually are the estimated gross receipts from the sale of power generated by the power house, located below the Hirakud Dam in Orissa. In addition, an irrigation potential of 3,80,000 acres has been created by the Hirakud Project in the Sambalpur and Bolangir districts of the State. Another direct gain from the project is the relief afforded to the Mahanadi Delta from periodic floods, as a result of considerable storage of water in the Hirakud reservoir.

For purposes of implementation, the works for the Hirakud project were divided into two stages. The first stage, completed in 1957, consisted of a 16-mile concrete masonry and earth dam across the river Mahanadi near Sambalpur, a power house having an installed capacity of 1,23,000 kW, subsidiary transmission system and a chain of sub-stations, and a canal system. In the second stage, which will be completed by March, 1963, another power house at Chiplima is being constructed, with an installed capacity of 72,000 kW, alonng with the transmission system and sub-stations required for distributing this power. It is also proposed to develop the irrigation scheme in the Mahanadi delta, which will ultimately extend irrigation facilities to 25 lakh acres of land and generate electricity to the extent of 2,32,500 kW.



NOT AS CAUSTIC AS IT SOUNDS

Although one of the strongest alkalies used in industry, Sodium Hydroxide or Caustic Soda when converted to a raw material or process chemical, helps to make mild and gentle products like toilet soap, Milady's hair oil, and her rayon saris—as well as fine mercerised textiles, and the dyes used for giving them just the right delicacy of colour.

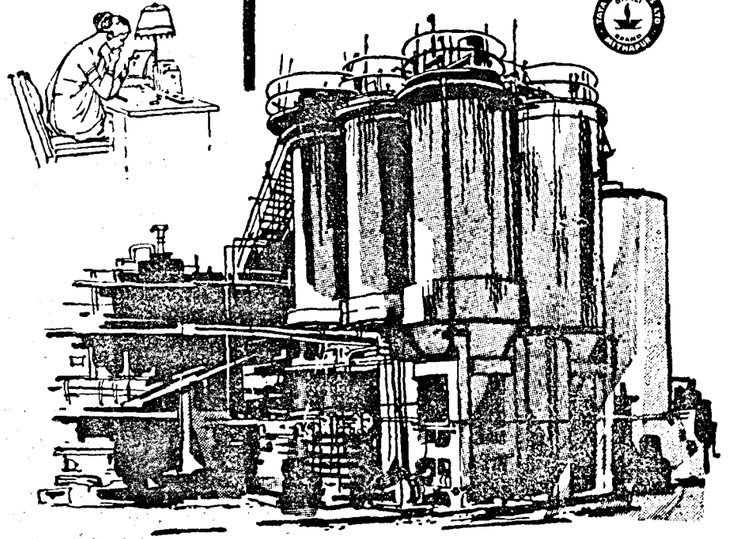
Tata Chemicals manufacture Caustic Soda both by the electrolytic process from salt, and by the chemical process from Soda Ash and lime. The Company's expansion programme includes greater production of this important alkali within a year.

As India's Five Year Plans raise our standard of living, Tata Chemicals make their contribution through comprehensive expansion. Yesterday's planning results in today's progress and in tomorrow's chemicals.

TATA CHEMICALS LIMITED

Bombay House, Fort, Bombay





THIS IS ONLY AN ANNOUNCEMENT—NOT A PROSPECTUS

Consent of the Central Government has been obtained to this issue. A licence has been obtained from the Central Government for the establishment of this new Industrial Undertaking.

A copy of the Prospectus, together with the documents specified therein, has been delivered for registration to the Registrar of Companies, Madras. An application will be made in due course to the Bombay and Madras Stock Exchanges for a quotation for the shares of the Company and permission to deal in them.

The subscription list will open at 10 A.M. on 9th January 1961 and will close at 2 p.m. on the 16th January 1961 or earlier as soon as subscriptions approximating to the amount issued hereunder to the public have been received, but not earlier than 2 p.m. on 12th January 1961.

The Madras Aluminium Company Limited

(Incorporated under the Companies Act, 1956)

AUTHORISED CAPITAL :

2,50,000 Cumulative Preference Shares of Rs. 100 each	Rs. 2,50,00,000
7,50,000 Equity Shares of Rs. 100 each	Rs. 7,50,00,000
	Rs. 10,00,00,000

ISSUED CAPITAL :

1,50,000 Redeemable Cumulative Preference Shares of Rs. 100 each	Rs. 1,50,00,000
4,50,000 Equity Shares of Rs. 100 each	Rs. 4,50,00,000
	Rs. 6,00,00,000

Rights of Preference Shareholders

The preference shareholders will be entitled to a fixed cumulative dividend of 9.3% per annum (free of Company's Income-tax but subject to deduction of taxes at the prescribed rates), payable in priority to the ordinary shares. This means the shareholders will get a dividend of 9.3% less a deduction of tax under Section 18-3 (D) of the Indian Income-tax Act, which at present is 30%.

In the event of winding up, the preference shareholders will be entitled in priority to equity shareholders to re-payment of the capital paid-up at par, plus all accrued dividends, whether earned or declared, or not declared, and also declared but not paid.

The preference shares will all be redeemed at par, on 1st January 1975, on giving three calendar months' notice, with the option to the Company to redeem the whole or part of the preference capital outstanding at any time, at par, after 1st January 1972, on giving six calendar months' notice. The proposed method of redemption, whether from profits or by fresh issue of capital will be decided by the Directors at the time of giving the notice, taking the then circumstances of the Company into consideration.

The voting rights of the preference shareholders will be as per Section 87 of the Companies Act, 1956.

The issued capital is payable as follows :

(1) Along with application at Rs. 25 per share, whether Equity or Preference.

(2) The balance of Rs. 75 per share, whether Equity or Preference, will be called up in three calls of Rs. 25 each, with an interval of at least one month between each call, and the first of such calls will not be earlier than three months from the date of allotment of the respective shares.

Preferential Allotments and Reservation

(1) The signatories to the Memorandum of Association have subscribed for 1,200 equity shares. The promoters, directors and their friends have subscribed for a total of 48,800 equity shares of Rs. 100 each.

(2) The Government of Madras have agreed to the Madras Industrial Investment Corporation Ltd., Madras, underwriting and subscribing for 70,000 preference shares of Rs. 100 each and 80,000 equity shares of Rs. 100 each.

(3) The Life Insurance Corporation of India, Bombay, have agreed to underwrite and apply for 10,000 equity shares of Rs. 100 each and 20,000 preference shares of Rs. 100 each and these will be allotted in full.

(4) There is a specific arrangement with Messrs. Dalal & Co., Madras, for their tendering applications for 35,000 equity shares of Rs. 100 each and these will be allotted in full.

(5) As per the agreement entered into with Messrs. *Montecatini* of Italy, 1,20,000 equity shares of Rs. 100 each will be reserved for allotment to them.

(6) In accordance with the provisions in the underwriting agreement with the Underwriters and Brokers, 28,500 equity shares of Rs. 100 each have been reserved for firm allotment in respect of applications procured and marked for "firm allotment" by them.

Present Issue

The balance that is now unconditionally offered for public subscription is as follows:—

60,000 Preference Shares of Rs. 100 each.

1,26,500 Equity Shares of Rs. 100 each.

THE ENTIRE ISSUE OF 60,000 PREFERENCE SHARES AND 1,26,500 EQUITY SHARES HAVE BEEN UNDERWRITTEN BY THE INDUSTRIAL FINANCE CORPORATION OF INDIA, NEW DELHI, AND BY THE VARIOUS PARTIES, AS PER DETAILS HEREIN GIVEN.

DIRECTORS

(1) Sri R. VENKATASWAMY NAIDU, B.Sc., (Madras), B.Sc. (Tech.) Manchester, Industrialist, 984, *Peelamedu, Coimbatore-4.*

(2) Sri V. RAMAKRISHNA, I.C.S. (Retd.), Industrialist, 38, Mount Road, Madras-2.

(3) Sri T. A. VARGHESE, I. C. S.,
Secretary to the Government of Madras.
65, IV Main Road, Gandhinagar,
Madras-20.

(4) Sri T. K. PALANIAPPAN, I. A. S.,
Secretary to the Government of Madras, Department of Industries, Labour & Co-operation,
Fort St. George, Madras.

(5) Sri G. K. DEVARAJULU,
Industrialist, 2/239, Avanashi Road,
Coimbatore.

(6) Sri T. S. NARAYANASWAMI,
Industrialist, "Dhun Buildings",
175/1, Mount Road, Madras-2.

(7) Sri D. C. KOTHARI,
Businessman, "Oriental Buildings",
Armenian Street, Madras-1.

(8) Sri P. R. RAMAKRISHNAN, M.Sc. (M.I.T.), M.P.,
Engineer, "Jyothi",
6/36, Race Course Road,
Coimbatore.

(9) Sri M. N. M. VEERABADRA CHETTIAR,
Merchant, Bungalow Road,
Near Avanashi Road, Tirupur.

(10) Sri R. K. KANDASWAMY, B.A., B.Sc. (Tech.), A.M.C.T. (Manch.)
"Brindavan", Trichy Road,
Coimbatore.

(11) Sri V. N. RAMACHANDRAN,
Industrialist, "Asoka",
22, Pantheon Road, Egmore, Madras-8.

(12) Sri V. RAMASWAMI NAIDU,
Landlord, 131, Uppilipalayam,
Singanallur, Coimbatore.

MANAGING AGENTS

Messrs. SALCOE & COMPANY,
"Kamala Nilayam" Peelamedu, Coimbatore.

BANKERS

STATE BANK OF INDIA, Coimbatore and Madras.

THE CENTRAL BANK OF INDIA LTD., Coimbatore and Madras.

THE PUNJAB NATIONAL BANK LTD., Coimbatore and Madras.

BANK OF BARODA LTD., Coimbatore and Madras.

THE INDIAN BANK LTD., Coimbatore and Madras.

THE CANARA BANK LTD., Coimbatore and Madras.

UNDERWRITERS

The Madras Industrial Investment Corporation Ltd., Madras.

The Industrial Finance Corporation of India, New Delhi.

Life Insurance Corporation of India, Bombay.

The Investment Trust of India Ltd., Madras.

UNDERWRITERS AND BROKERS

MADRAS :

Messrs. Dalal & Co.
Post Box No. 149,
National Insurance Building,
Madras-1.

Messrs. Kothari & Sons
Post Box No. 267,
"Oriental Buildings", Armenian Street
Madras-1.

Messrs. Maconochie & Co.
Post Box No. 291,
"Mercantile Bank Buildings",
16, First Line Beach, Madras-1.

Messrs. Somayajalu & Co.
Post Box No. 1263,
"Andhra Insurance Buildings",
337, Thambu Chetty Street, Madras-1.

Messrs. Swastik & Co.
Post Box No. 43,
7, Second Line Beach, Madras-1.

CALCUTTA:

Messrs. G. M. Pyne,
"Allahabad Bank Buildings",
14, India Exchange Place,
Calcutta-1.

BOMBAY :

Messrs. Devkaran Nanjee & Co.
17, Horniman Circle, Fort, Bombay-1.

Messrs. Jamnadas Morarjee & Co.
8-10, Dalal Street, Fort, Bombay-1.

Messrs. Merwanjee Bomanjee Dalal
Allahabad Buildings, Fort, Bombay-1.

Messrs. Ramanbhai Lalbhai Sheth
No. 5, Stock Exchange Building,
Apollo Street, Bombay-1.

Messrs. P. R. Subramanyam,
70-A, Stock Exchange Building,
Apollo Street, Bombay-1.

Messrs. Harish Chandra Gutt & Co.
45-47, Apollo Street, Fort,
Bombay-1.

Messrs. A. B. Pandit & Co.
32, Apollo Street, Bombay-1.

BANGALORE :

Messrs. M. Nanjappaiah Jahgirdar,
181, Cavalry Road, P. B. No. 71,
Bangalore-1.

BROKERS

Messrs. Lewis & Jones
"Bank of Baroda Buildings", Apollo Street, Bombay-1.

Messrs. Narandas & Sons
"Union Bank Buildings", Apollo Street, Fort, Bombay-1.

Sri Narendrabhai Lalbhai Sheth, B.A., LL.B.
Stock and Share Broker, Manek Chowk, Ahmedabad.

Messrs. Desh Bandhu Gupta & Co.
45, Stock Exchange Building, Asaf Ali Road, New Delhi-1.

LEGAL ADVISERS

MESSRS SUBBARAYA AIYAR, SETHURAMAN & PADMANABHAN,
Advocates, Pelathope, Mylapore, Madras-4.

AUDITORS

(1) MESSRS. M. S. KRISHNASWAMY & JAGANNATHAN,
Chartered Accountants, R. S. Puram, Coimbatore.

(2) MESSRS. SURI & CO.
Chartered Accountants, 1/29, Mount Road, Madras-2.

REGISTERED OFFICE

"Kamala Nilayam", Peelamedu, Coimbatore-4.

OBJECTS

The Company was incorporated on 31st August 1960 for the several purposes set forth in the Memorandum of Association, and in particular to undertake the manufacture of aluminium ingots and alloys, from the bauxite reserves in the Sheveroy Hills. The plant capacity will be 10,000 tons, of which 7,000 tons will be ingots and 3,000 tons alloys, as per the Licence No. L/1B(1)/N — 7/60, dated 6th May, 1960, granted to this Company by the Government of India.

The Company has also applied to the Government of India for a licence to erect a Rolling Mill, as an adjunct to the proposed factory, for the manufacture of A.C.S.R., and A.A.C. Cables, extrusion, rods, foils, etc., and the licence is awaited.

The rapid progress made by the aluminium industry can be gauged from the fact that world production of aluminium, which was a little over 7,00,000 tons in 1939, has increased to over 3 million tons at the present time.

The development of a large scale aluminium industry is of particular importance to our industrial economy. Aluminium is the only non-ferrous metal for the manufacture of which, on a scale commensurate with our increasing requirements, adequate natural resources are available in the country. And as indicated above, it is a non-ferrous metal with properties which permit its use as a substitute for several purposes for other non-ferrous metals like copper, lead, zinc, and tin, the indigenous production of which cannot be developed to the required extent because of the very limited resources of the necessary raw materials as far as is known at present. It is in this context that the development of aluminium industry assumes a special significance in our plans for industrial progress.

According to the draft outlines of the Third Five Year Plan, the estimated capacity of the Aluminium Industry in 1960-61 has been placed at 17,500 tons and production at 17,000 tons, against the production of 7,300 tons in 1955-56. The 1965-66 targets are estimated at a capacity of 82,500 tons and production of 75,000 tons.

The per capita consumption of aluminium in India is very low at about 0.12 lb. compared to 19 lbs. in U.S.A., 12 lbs. in Canada and 10 lbs. in the United Kingdom. With the growing use of aluminium for Industrial purposes, the demand for aluminium is bound to far exceed production for several years to come.

RAW MATERIALS

Bauxite is the basic raw material for the production of alumina, while electric power is also as vital a necessity as bauxite. Bauxite deposits of Sheveroy Hills are considered to be very suitable for the manufacture of aluminium, because it is so soft and easily soluble in caustic soda in the process for the manufacture of alumina. The deposits in Sheveroy Hills are estimated at about 7 million tons.

In view of the advantages of nearness of bauxite, power, water, transport facilities etc. the factory will be located at Mettur on a plot of about 400 acres reserved for this Company by the Government of Madras. The Madras State Electricity Board have assured adequate power supply at the rate of Rs. 155 kW/y for the Alumina section and Rs. 120 kW/y for the Smelter section.

TECHNICAL COLLABORATION

The Company has been fortunate in having secured the technical collaboration with Messrs. Montecatini of Italy, who are associated with the Neyveli Project of the Government of India, and who are one of the world known names in the manufacture of aluminium products, designing, erection and successful working of aluminium plants. Under the terms of the collaboration, M/s. Montecatini are to supply technical know-how, designs and specifications, procure the required machinery for the Indian Company, attend to erection, to supply required technical personnel and also train Indian technical personnel in their factory. The Government of India have approved the technical collaboration terms under which M/s. Montecatini are to be paid Rs. 45 lakhs for technical know-how, Rs. 40 lakhs for engineering fees, drawings, assistance in purchase of plant and other allied services, and Rs. 35 lakhs for cost of foreign experts, contractors and agencies for the construction, supervision and other service charges etc., and these payments are to be satisfied by the issue of 1,20,000 equity shares of Rs. 100 each. No further technical know-how fees are payable either for expansion of the plant capacity upto 20,000 tons or for the Rolling Section.

COST OF THE PROJECT

The cost of the project, as estimated by Messrs. Montecatini, for a plant capacity of 10,000 tons of aluminium of which 7,000 tons will be ingots and 3,000 tons alloys, is approximately as follows :

	Rs.	Rs.
Foreign Side:		
Plant and Machinery (to be imported)	3,40,00,000	
Technical Know-how	45,00,000	
Fees for designing, specifications etc	40,00,000	
For technical services	35,00,000	
		4,60,00,000
Indian Side:		
Land and Buildings	1,70,00,000	
Fabrication of machinery	1,00,00,000	
Customs Duty, freight, and Insurance	75,00,000	
Erection and implementation expenses	40,00,000	
Pre-operating expenses (plant trial expenses including raw materials)	13,00,000	
Bank guarantee commission for 3 years for deferred payment	15,00,000	
Preliminary expenses, Underwriting Commission Brokerage and Share Issue expenditure	18,00,000	
Working Capital	50,00,000	
Contingencies	19,00,000	
		5,00,00,000
Total		9,60,00,000

The estimated foreign loan requirements (less Montecatini's share participation) of about 5,000 million Italian lire, equivalent to about Rs. 3.80 crores would be financed by a long-term loan under deferred payment arrangements, by "Mediobanca" of Italy, for repayment in nine years commencing from 1st January 1965 in which direction preliminary negotiations have been completed.

The Industrial Finance Corporation of India have agreed to give the guarantee for the foreign loan plus interest on the terms and conditions specified by them, one of which is mortgaging all present and future fixed assets in favour of the said Corporation for the duration of guarantee commitment.

ESTIMATE OF PROFITS

Aluminium ingots are now imported to meet the needs of the Rolling Mills in India. Secondly, rolled metal fetches good prices. The Company intends to instal upto-date machinery and equipment and utilise the latest methods in the manufacturing processes. Based on current market conditions, the Directors anticipate that the operation of the factory will yield a satisfactory return on the capital invested.

COMMENCEMENT OF BUSINESS

After incorporation of the Company on 31st August, 1960, in order to facilitate carrying of all the arrangements and entering into early contracts for going ahead with the project, the Company obtained the certificate of Commencement of Business on 26th December 1960 from the Registrar of Companies, Madras, after filing the Statement in lieu of Prospectus.

MANAGING AGENTS

Messrs. Salcoe & Co., a partnership firm consisting of Sri R. Venkataswamy Naidu, Sri P. R. Ramakrishnan, Sri T. S. Narayanaswamy, and Sri V. Radhakrishnan as partners, are proposed to be appointed as the Managing Agents of the Company for a period of ten years, as per the terms and conditions laid down in the draft agreement, with such modifications as may be suggested by the Central Government, and approved by the Board at their meeting held on 20th September, 1960, based on which an application has been made to the Central Government for approval of the appointment of the said Messrs. Salcoe & Co., as the Managing Agents of the Company.

DIRECTORS

The number of Directors shall neither be less than four nor more than twenty-one.

The qualification of a Director, other than the Ex-officio Directors, Italian Directors, if and when appointed by virtue of clause 135 of the Articles of Association, Corporation Director, Government Director, Debenture-holders' Director and Alternate Director shall be the holding of at least fifty Equity Shares of Rs. 100 each in the Company, of the total nominal value of Rs. 5,000.

PAYMENT TO PROMOTERS

No amount of benefit has been paid or given or is intended o be given to any Promoter or Director of the Company, apart rom the sitting fees for the Directors and the Managing Agency Commission to the three Directors, Sri R. Venkataswamy Naidu, Sri T. S. Narayanaswami and Sri P. R. Ramakrishnan, as partners of the proposed Managing Agents, Messrs. Salcoe & Co.

UNDERWRITERS

The Industrial Finance Corporation by their Letter No. U. C. 12/60—20657 dated 24th December 1960 have agreed to underwrite 60,000 equity shares of Rs. 100 each and 60,000 Redeemable Cumulative Preference Shares of Rs. 100 each, and these 60,000 equity shares and 60,000 cumulative preference shares are offered unconditionally for public subscription.

In addition to the specific underwriting arrangements with the Madras Industrial Investment Corporation Ltd., Life Insurance Corporation of India, and Messrs. Dalal and Co., set out in the paragraph under "Preferential Allotments and Reservation" the Company, has entered into underwriting agreements with the following patties, who have agreed to underwrite the number of equity shares set out against each of their names. The number of shares for which they will be tendering applications for full allotment (marked for "Firm allotment") has also been shown as a deduction from the number of shares underwritten, in order to give clearly the number of shares offered unconditionally for subscription by the public.

	Number of shares underwritten	Less firm allotment promised	Balance offered unconditionally for public subscription
MADRAS			
1. Messrs. Dalal & Co.,	12,500	3,750	8,750
2. Messrs. Kothari & Sons	5,000	1,500	3.500
3. Messrs. Maconochie & Co.,	5,000	1,500	3,500
4. Messrs. Somayajulu & Co.,	3,000	900	2,100
5. Messrs. Swastik & Co.,	3,000	900	2,100
6. The Investment Trust of India Ltd.	5,000	1,500	3,500
BOMBAY			
7. Messrs. Devkaran Nanjee & Co.	10,000	3,000	7,000
8. Messrs. Jamnadas Morarjee & Co.	10,000	3,000	7,000
9. Messrs. Merwanjee Bomanjee Dalal	5,000	1,500	3,500
10. Messrs. Harish Chandra Gutt & Co.	10,000	3,000	7,000
11. Messrs. Ramanbhai Lallbhai Sheth	10,000	3,000	7,000
12. Messrs. P. R. Subramanyam	5,000	1,500	3,500
13. Messrs. A. B. Pandit & Co.	5,000	1,500	3,500
CALCUTTA			
14. Messrs. G. M. Pyne	3,500	1,050	2,450
BANGALORE			
15. Messrs. M. Nanjappaiah Jahgirdar.	3,000	900	2,100
Total	95,000	28,500	66,500

The Directors are of the opinion that the resources of the Underwriters are sufficient to discharge their respective underwriting obligations.

All the Underwriters will be paid an underwriting commission of 2½% of the nominal value of shares underwritten by each of the them.

BROKERAGE

Brokerage at the rate of 1% will be paid on all allotments made in respect of applications bearing the stamp of any Bank or recognised Broker.

Brokerage on the same basis is payable to the Underwriters, in addition to the underwriting commission, as mentioned in the preceding paragraph, on allotments in respect of shares allotted on applications made or procured by them and bearing their stamps.

APPLICATION FOR SHARES

Copies of the Prospectus and application forms can be had from the Registered Office of the Company, or from the Underwriters or Brokers or from the Bankers of the Company, or from the Branches of such Bankers, at Madras, Bombay, Calcutta, Delhi, Bangalore, Coimbatore or Ahmedabad.

Around Bombay Markets

Equities Continue to Drift

D P Sharma

Thursday, Morning

DALAL STREET had only five hours of official trading last week. Even so the market was unable to put on a lively appearance. Business was limited. Stockbrokers did not report any accumulation of orders because of the year-end holidays. The turn of the year has brought no change in the mood of the market. Equities continue to drift lower, due mostly to lack of fresh support. Though sellers predominated, they were never aggressive. Bulls were cautious and investors were reserved.

Last week's decline is merely a continuation of the downward movement which has been in progress for quite some time. But the further cut in ex-mill prices of cloth and the growing stringency in the short-term money market which has pushed the inter-bank call money rate to a recorded high of 5¼ per cent have contributed not a little to the further deterioration in the general trading sentiment. Some uneasiness has also been caused by the recent developments in Laos.

The stock market does not seem much bothered about the current Congress session because there is hardly anything left for the Congress Working Committee to talk with which the stock market is already not familiar. The market's attitude might possibly have been different if it had been standing on a high plateau. But the heavy decline since about the end of July has brought the market very close to the 1960-low point, notwithstanding the fairly impressive improvement in industrial production and the persistence of inflationary pressures in the economy.

Between December 26, 1959, and December 24, 1960, the Reserve Bank's all-India index for variable dividend securities has recorded only a modest net rise from 160 to 165.7. The regional index for Bombay is up from 164.9 to 168.7, that for Calcutta from 149.6 to 154.7 and that for Madras from 174 to 185.1. During the year, the all-India index had touched a high of 182 and the highest points reached by regional indexes were 189.1 for Bombay, 165.9 for Calcutta and 196.6 for Madras. Judged by the net gains over the year, both 1958 and 1959 had been much better than 1960 which saw prices sky-rocketing about the middle of the year. For the decline that occurred in August and September was far more steep than the preceding spectacular boom.

Once bitten twice shy. Both bulls and investors have become very cautious. They are scared of staking a big fortune before the Budget is out of the way. Being the first year of the third Plan, great significance attaches to the 1960-61 Budget Mobilisation of resources for the Plan will call for massive effort, but it is unlikely that Shri Morarji Desai will do anything which will in any way harm the cause of the private sector. Equities will probably continue to drift lower for some time and investment inquiry might not show any noticeable improvement in the immediate future, but the distant outlook for equities can be viewed with optimism because of the steady increase in the volume of investible funds.

Oilseeds

Marked Strength

THE oilseeds market continues to show remarkable strength. Last week groundnut February were bid up to Rs 218.50 per 250 kilos and linseed May to Rs 36.25 per 50 kilos —both new highs for the season. Castorseed and cottonseed seemed merely to follow groundnut and linseed. Speculators could hardly be blamed for marking prices up. For the strength was more pronounced in the spot material. Both groundnut and linseed, ready, are commanding substantial premiums over futures. In Hyderabad, groundnut K G are quoted as high as Rs 240 per 250 kilos. The premium in respect of linseed ready is around Rs 15 per 250 kilos. Business in futures has dwindled to negligible proportions because of the heavy margins. A bull in groundnut has to pay a margin of Rs 10,000 per unit of trading (25,000 kg.)

The growing strength in groundnut is attributable to the rather slow pace of arrivals and continued good consumer inquiry and off-take by vanaspati manufacturers. The slow pace of arrivals does not necessarily indicate that the crop is not quite satisfactory. There has come about a marked change in the pattern of marketing. The producer does not now rush to the market his crop soon after it has been harvested. His holding power has improved considerably. Linseed have been marked up recently mainly because of their relative cheapness. Linseed oil is still nearly Rs 30 per Bengali maund

Range of Security Prices in 1960

Shares	Close on 24-12-1959	1960 High	1960 Low	Close on 23-12-1960
Bombay Dyeing	63.00	72.70	60.40	60.50
Century	456.00	544.00	431.50	455.00
Kohinoor	337.00	372.00	262.75	267.50
Standard	861.00	2100.00	736.00	1025.00
Swadeshi	278	286	220	224.50
A. C. C	151.50	152.50	137.50	148.50
Indian Iron	23.40	26.55	21.84	23.12
Tata Steel	159.50	164.50	138.75	140
Scindia	17.32	17.40	13.32	15.40
Belapur Sugar	335	435	310	339.50
Hindustan Motor	16.40	23.64	14.32	19.56
Bombay Burmah Old	576.50	658	524.50	557.50
National Rayon	378	617	346.50	481
Premier Construction	366.50	390	280	288.50
Tata Chemicals	16.80	22.04	15.08	17.16
Tata Locomotive	214	349	200	295
Voltas	197	307	183	264



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cheaper than mustard oil. Little wonder that linseed oil is being eagerly sought for mixing. The market is experiencing acute shortage of stocks, being the fag-end of the season. The new crop will move into the market in quantity only towards the end of February.

Exports

The export quota for 20,000 tons of groundnut H P S released on December 8, has been exhausted and the trade is hopeful of a further quota for 20,000 tons before the end of the month. The U K, Continent and Canada are reported to be keen buyers and the quotation for Bold quality is mentioned around £ 88 per ton. Export houses reported good business in groundnut extractions and prices realised were also considerably higher than a fortnight ago. The U K quotation for extractions 50 per cent January shipment has risen from £ 27-15 to £ 29-10 over the past two weeks. This is attributed partly to the cancellation of a few steamers which were to carry extractions this month. The freight for oilcakes from February will be 10 shillings per ton higher. The improvement in overseas prices for extractions is due partly to the spurt in soyabean prices from £ 31 to £ 36-10 because of the serious damage to the Chinese crop. China which has always been an important seller of soyabeans is reported to be buyer this season. Overseas inquiry for linseed cake was also reported to be satisfactory but business was limited by the availability of cake of good quality. The U K paid about £ 29-15 per ton against £ 28-10 a fortnight earlier.

Export of groundnut oil and linseed oil continues to be at a standstill and in view of the wide disparity—nearly £10 per ton—between Indian and world prices there is little hope for export business to revive. Recently the Government had linked the import of certain spices with the export of groundnut oil. Now there are market reports that crushers of copra might have their import quotas linked with groundnut oil export. Some oil might go under these schemes, but this could hardly be called export promotion. It is doubtful whether the Government would agree to give adequate incentives to the established shippers of oil. Indeed, incentive schemes cannot be operated economically under the present set up of the market.

About Castor

After keeping a little subdued for some time castor futures have also developed considerable strength. The May contract which had been marked down to Rs 174.87 on December 27 was bid up to Rs 178.75 on January 4. Improvement near the week-end was attributed to sustained export house buying induced presumably by the hope that the recent developments in Laos and the consequent deterioration in the world political situation might revive the demand for Indian castor oil. No important business has taken place over the past several weeks and the stocks of castor oil in the U K are reported to be on the low side. Offerings from Brazil to the U S and other markets are also reported to be poor. Sentiment has also been helped by the recent cold spell which, if continued much longer, is likely to harm the castorseed crop. It will be some time before new crop arrivals become a burden on the market. Even so castorseed prices might not decline much because they are already quoted Rs 50 to Rs 60 per 250 kilos lower than groundnut. The spread between groundnut and castor has seldom been so wide. In the past, castorseed have often fetched a higher price than groundnut. With record export of nearly 53,000 tons of castor oil in 1960 there is hardly any important carryover. The new crop is smaller than in the previous year. Estimates vary from 110,000 tons to 125,000 tons.

Cotton

Futures Irregular

COTTON futures continue to fluctuate irregularly in a narrow range. This is because there is little in the demand-supply position to enthuse either bulls or bears. The 1960-61 crop is fairly good—only when compared with the previous season's crop because despite normal weather conditions the crop will be some 15 lakhs below the target set for the Second Plan—but this will only mean an increase of some 3 to 4 lakh bales in the carryover which had fallen to a dangerously low level of 9.8 lakh bales. Arrivals are steadily increasing but they are being readily absorbed. The textile industry has been obliged to accept a further cut in cloth prices, but with the uncertainty about prices now over, cloth off-take is expected to pick up apprreciably. This will relieve the industry of the burden of carrying large stocks. Besides, the industry has been assured of help from the Government in increasing its output.

Cotton prices this season are substantially lower than in the previous season. Many varieties are now available at or a little more than the ceiling rates. Last season prices were quoted, unofficially of course, Rs 125 to Rs 200 per candy above the ceiling. L 147, O 394, C O 2 and Moglai lower quality—all these cottons are quoted considerably lower than the ceiling rates. Jarilla 197/3 and 320 F are still at or slightly above the ceiling. Bengal Deshi, however, continues to command fancy premiums with superfine variety quoted nearly Rs 250 per candy higher. About 19.5 lakh bales out of a crop estimated between 48.5 and 50 lakh bales, are reported to have been marketed by now. Of these nearly 12 lakh bales have been pressed. Arrivals are expected to show considerable improvement in coming weeks and the increased tempo is likely to be maintained until about the end of April. Prices might ease further under the pressure of arrivals during this period.

It is stated that out of the shipping bills passed for 47,500 bales of Bengal Deshi, the shippers' share in the 50,000 bale, quota export duty has been paid on only 37,500 bales . The balance of 10,000 bales has been detained because according to the *ad hoc* Committee this cotton is 'fine' in grade which is not eligible for export. This cotton is said to have been passed as 'superfine and above' by the Regional Survey Committee. The trade continues to be optimistic about the release of a further quota for 50,000 bales of Bengal Deshi for export because the country has an exportable surplus of Deshi and overseas demand is keen.

The textile industry has strongly opposed the plea made by the growers in Gujarat for an increase in the ceiling prices of Kalyan and Vijay 'B', on the argument that it runs counter to the Government's policy of keeping cloth prices under check. The industry has made it clear to the Government that it had accepted the recent cut in cloth prices on the understanding that cotton prices would not be raised.

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Development of Calcutta

THE World Bank, it is no secret, had looked askance at our coal policy. This part of the Hoffman Report, which was supposed to be highly confidential, was the first to leak out, and as usual in Delhi, it was the trained seal which caught the fish. The leakage might have been deliberate, considering that it was followed, soon after, by action. The coal policy has been revised; restrictions on private sector collieries to open new fields have been relaxed. And having thus made due amends, Swaran Singh may expect an injection of foreign funds—*via* some subsidiary of the World Bank. presumably—*to tone up* coal production in the private sector.

The development of the City of Calcutta and its environs, for which the Hoffman Team had made out a forceful case, was cold-shouldered at first. Even the Chief Minister of West Bengal was not officially informed of this recommendation nor was a copy of the confidential report supplied to him. But things have now started moving in a big way—but only after the West Bengal Assembly passed unanimously a non-official resolution, calling upon the West Bengal Government to set up a Statutory Calcutta Metropolitan Board to implement the scheme of development which had been drawn up by an earlier W H O Team of Experts. The latter, primarily concerned with public health problems, had confined themselves to water-supply, drainage, sewerage and disposal of garbage. Even for that purpose, they had found that the constitution of a superior authority would be necessary, covering the area now being very inadequately served by the Calcutta Corporation and a number of petty municipalities. The resolution read as follows:

"Resolved that whereas the problems of drainage, sewerage, disposal of garbage and drinking water-supply of Greater Calcutta area are very serious and require urgent consideration;

"That whereas the W H O team have strongly recommended the early creation of a Statutory Calcutta Metropolitan Board covering an area of about 270 square miles in and around Calcutta on either side of the river Hooghly in order that a composite and detailed scheme for providing a sufficient supply of drinking water, for efficient drainage of the area, for providing sewerage in the area, and for effective removal of garbage;

"This Assembly requests the Government to take early steps for creating the necessary machinery for the purpose."

Dr Roy's Government took this opportunity to publicise, along with the scheme for setting up of a Metropolitan Board, the other scheme for building a brand-new city or satellite town to the South of Calcutta to provide room for Calcutta's over-crowded population and growing industries. The layout of the new city, which is to accommodate some 14 lakh people, has been published. In it areas have been marked out for housing, commercial establishments, industrial sites and communal facilities like parks, schools and colleges, and provision has been made even for a green belt. All this must be regarded as highly tentative—no more than the faint outline of a brilliantly imaginative idea rather than a blueprint. For, city-planning means integration of several diverse things: housing,

work centres, transport, sanitation, water supply and so on. This cannot be achieved merely by building a brand-new city, as a counter-magnet within the metropolitan region. An integrated, carefully-planned inter-linking of all these is the very first step in city development. Dr Roy fully realises it and has requested the Ford Foundation to select a handpicked team of city-planning experts to undertake this job, of course, with the approval of the Centre.

To develop properly a metropolitan region of the dimensions of Calcutta and its industrial environs is obviously not a job that can be accomplished overnight. It can be viewed realistically only with a 20 or 25-year perspective, and implementation has to be taken up, stage by stage, once an appropriate plan has been carefully drawn up on the basis of a thorough and minutely detailed study. The Ford Team is expected to do just this.

And finally, to make his dream come true, Dr Roy will need funds. Wonder of wonders, it is now reported that the Planning Commission, which had so far been cold and at best lukewarm, has had second thoughts, relenting to the extent of including Calcutta City Development among the projects approved for the Third Plan, agreeing to make a token provision of Rs 50 crores for the purpose. This is one of the things which are likely to come up at the meeting of the National Development Council this weekend.

Once it is an approved Plan project, with an appropriate authority set up to handle it, the next step will be to break up the project into its component parts and *negotiate* for financial aid from the Centre as also from various international agencies and aid-giving countries, so that the implementation can be taken up stage by stage. Calcutta City Development appears to be getting off to a surprisingly fine start, considering that everyone, Pandit Nehru downwards, would seem to have written off Calcutta as being beyond all hope of redemption. The Hoffman Team had to fight against heavy odds. And when Dr Roy entered the arena, he had a very bad press. The Bengal papers, without a single exception, misconstrued the Hoffman Report as recommending the scrapping of the fourth steel plant and diverting the funds for Cacutta City Development. Nothing could have been better calculated to damn the project. And at the very start, the prospects for the project were dimmed and darkened by all manner of speculation about PL-480 Funds and Dr Roy's supposed attempts to enlist the financial support of the U S Government through the American Embassy in New Delhi. All such mischievous or misinformed speculation will be laid to rest, once the Planning Commission steps in.

There is one big snag, however. To make the thing complete, something has to be done to the Hooghly river. Dredging alone will not save the Calcutta port, nor will it ensure water supply for the metropolitan area even if Dr Roy can commandeer all the resources in men and money. The river cannot be saved unless the flow of water in it is augmented substantially by diversion of water from the Ganga by constructing a barrage. Such a barrage has often been talked of, technical committees have investigated its possibilities, but Delhi has sat on all the reports and kept mum for fear of raising another dispute with Pakistan. The slightest draft on the waters of the Ganga may be construed by Pakistan as an infringement of its riparian rights, though the Ganga flows into the Padma and then runs waste into the sea, not a drop of its water being utilised for irrigation or any other purpose in East Pakistan. Yet this question has to be faced. A supplementary port, and even a complete substitute for the dying Calcutta port, may be built down south. The immensely expensive and troublesome transport realignments necessary to link this new port to Calcutta may not be an impossible technical proposition. But what about Calcutta's water supply? The salinity of the river Hooghly, from which Calcutta draws its water supply, is already far above the limits of tolerance and going up in an alarming manner. There is no alternative source that can be tapped. The ground level water is neither adequate nor of the quality which can possibly meet the City's needs. The waters of the Damodar are already appropriated, so to say, with no surplus left to meet the needs of the City. Unless the Hooghly is revived, Calcutta will have to be deserted some day because of the shortage of drinking water! This is not a fanciful scare raised by perverse Bengali imagination. It is, unfortunately, the finding of the W H O Team of Experts who investigated the question deeply and very, very carefully.

There is absolutely no reason why a dispute with Pakistan should arise if the waters of the Ganga are diverted to the Hooghly since there will be no shortage of water in consequence, either for agriculture or for any other purpose in East Pakistan. A friendly settlement should be possible; and, if necessary, the good offices of the World Bank can always be sought to bring about an agreement on this question which is as necessary for saving Calcutta as the finding of large funds and pursuit of large-scale redevelopment as well as new development. Calcutta certainly presents the biggest challenge to city-planners anywhere in the East. If the present expectations are fulfilled and Dr Roy can realise his dream, it will be an achievement of tremendous significance to the whole of South-East Asia.

Annual Number 1961

THE Twelfth Annual Number of *The Economic Weekly* will be out on February 4. Therefore, there will be no Issues on January 28 and February 11.

The Annual will contain a minimum of 180 pages and will be priced at Rs. 3/- 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

Disentangling Laos

THERE is such a confusion in the minds of the outside world as to what precisely is taking place in Laos that one is impressed with the candour of the British suggestion that some means must be found, with the consent and approval of the Laotians, of posting international observers to establish the simple facts of the situation. Apart from whether or not the Russians are airdropping a lot of food and supplies for the benefit of Captain Kong Lae's men, and apart also from whether and how much fighting is actually taking place, it even seems necessary for the West to make a better effort to understand the *dramatis personae* of this story.

Is, for instance, Prince Souvanna Phouma really a communist in neutralist clothing or — which is perhaps worse — an ineffective neutralist whom the communists are bound in course of time to exploit beautifully to their own advantage? Again, is General Phoumi really as staunch a camp-follower of the West that he can be relied for all time to play the role of a Chiang Kai-shek in Vientiane? Before the United States, or any of its more cautious allies, rushes into answering that question in the affirmative, they might do well to remember that at one stage, not very long ago, the General had accepted a portfolio in the Souvanna Phouma cabinet which was also to include representatives of the Pathet Lao.

The West, and the United States in particular, also needs to get a few of the basic facts clear about the situation in Laos. The foremost among these is the absolute need for Laos to stay neutral; and if the absoluteness of this need is questionable in American minds, it might be easier for them to overcome their doubts with the assistance of British, instead of Indian or Russian, arguments.

Once the West is able to appreciate that this is the only effective solution to a problem which seems to be gathering complexity every day, then it will begin to realise how great was its folly in having helped to dislodge the Government of Prince Souvanna Phouma; for he was (and remains) precisely the man for the job. With his younger half-brother heading the Pathet Lao movement, there was a real chance of his coming to reasonable and honourable terms with that communist force. At the same time the fact that General Phoumi too had at one time expressed his willingness to serve under him in an all-party Government shows that the Prince's neutralism was accepted on all hands as the genuine thing. Add to these advantages the acknowledged standing of the Prince as the ablest of all politicians in Laos, and it becomes clear how grievous is the loss resulting from the United States manoeuvres against him and his efforts.

The one hopeful factor emerging from last week's international consultations on the Laotian crisis is the sudden anxiety of everyone concerned (the U S not excluded) to limit the war and find a generally acceptable solution for the political tangle. The main question now seems to be whether to attempt this two-fold task in an international conference of the type suggested by Cambodia, or whether to reactivise the Laos Commission itself. The controversy on this point would be futile but for the fact (which Pandit Nehru alone has so far been able to see) that an international conference would lose some of its value if held against the background of active fighting in Laos, and also that unless the fighting was stopped first, the fortunes of war would divide the attention of the interested countries trying to hammer out a solution. It is important to silence the guns first; and by the very nature of things the Commission is the only competent body which can usefully undertake that task. Once the ceasefire has been achieved, the climate will be right for attempting the larger agreement.

Resolution on Integration

WHY did the fundamental unity of India which inspired the national struggle crack up just when freedom came? Why is it eluding us today, so that the Congress has to pass a resolution on national integration? A close study of the resolution adopted at the plenary session of the Congress at Bhavnagar will give the clue. To discover unity in the midst of diversity, the thinkers and scholars of the day had to delve deep into the past. What they found might not have stood the scrutiny of the historian searching for brute facts and recorded evidence, but it served the purpose that they had in mind. India was not a nation; it had only been brought under one administration by force. The thought that India could be one captured the imagination of the people and it became emotionally one. Where are the snows of the yester year? It is idle to ask. The Congress resolution is dated; its language is that of the inchoate yearning for something which was still dim and distant. It does not show any awareness of it that 1947 *is* a dividing line.

When the Congress meets at a plenary session or the AICC holds one of its periodical meetings, the party and the Government get mixed up. So one never gets to know what the party thinks of those whom it has charged with the responsibility of running the Government, whether the Government was carrying out the wishes of the party, where it had failed and why. To work up the enthusiasm of the people for a cause is something different from running a Government, which has to uphold the Constitution.

If the Congress as a party believes in a national integration and wants to make it a reality, it has to act by exerting such pressures on its erring members as is open to a political party in order to keep them on the narrow and strait path. What has the Congress done to pull up its party organisations in those States which have flagrantly violated the principles of integration of the people which it swears by? Is there any guarantee and was there any demand for it from the party that, in selecting candidates for the next election, the Congress will not be guided in its choice by caste or communal considerations? It does not lie in the mouth of a party to say that, when it can form an alliance with a communal organisation for capturing and retaining power in a State Government, Wording of a resolution in immortal prose is no way of putting principles into action.

Weekly Notes

Fateh Singh's Fast and After

THE end of Sant Fateh Singh's fast and the release of Master Tara Singh have relieved the growing tension in the Punjab which otherwise might have exploded in an ugly fashion. Though this is welcome in itself, it does not promise to lead to any easy or early settlement of the Punjabi Suba demand. Prime Minister Nehru's statements on the issue have not been clear. Beyond declaring that there was no question of discrimination against the Punjab or the Sikhs, which needed no verbal assertion, and that 'the Punjab itself, broadly speaking, is a Punjabi Suba and Punjabi is the dominant language there', which has been evident enough, Panditji had nothing more to say on the problem. That, nevertheless, these well meaning platitudes served to induce Sant Fateh Singh to give up his fast at a rather crucial moment and also helped to put a large number of Akalis in a fairly reasonable frame of mind is gratifying. But what next? Sant Fateh Singh will, of course, be having discussions with Panditji when he is well enough to undertake the journey to Delhi. These discussions, however, cannot lead to any tangible results at least in the immediate future, with Panditji firmly set against the division of the Punjab on a linguistic basis and extremists among the Akalis, if not some of the top leaders like Fateh Singh, equally bent upon linguistic reorganisation. Master Tara Singh himself has been blowing hot and cold, obviously under the unavoidable necessity of holding the balance between the moderates and extremists.

Indeed, the task facing the Sikh leaders is not so much of placating the more stubborn of their followers as of allaying the misgivings and fears of the members of other communities, particularly Hindus, and of winning their support to the demand for a Punjabi-speaking State. But the fact that the Hindi-speaking areas in the Punjab have themselves clamouring from time to time for separation and also incorporation in the neighbouring Hindi-speaking areas to form a new State or to continue as part of an existing Hindi-speaking State should, if turned to account wisely, make the ultimate solution of the Punjabi Suba issue somewhat easier. Statesmanship dictates that the Sikh leaders either try to woo the opposing elements, by no means inconsiderable in size, or content themselves with an improvement on the earlier regional formula which, while assuring the Punjabi language its rightful place, does not lead either to antagonism in other quarters or to any radical change in the present structure or jurisdiction of the State of Punjab.

Agrarian Structure and Policy

BETWEEN the rather tall claims of Government for the success of its land reform legislation and the severe criticism of those who complain that it has only led to confusion and uncertainty, it has been difficult to see the wood for the trees. Professor M L Dantwala's assessment of the situation in his presidential address to the All-India Agricultural Economics Conference was "that the agrarian relations are today more rational and less inequitious compared to the situation before Independence", though the intentions of the legislation have not been fully translated into reality and there have been more evictions than ever before in the wake of tenancy reforms. On the basis of N S S data on land holdings and cultivation for 1954-55, he came to the conclusion that the extent of 'excessive' ownership amounted to only 6 to 18 per cent of the land and that the belief held even in the highest quarters that those who lease-in lands are necessarily small farmers and those who lease-out are big absentee rentiers was not correct. Professor Dantwala did not, unfortunately, pursue this line of reasoning further. One is, therefore, left guessabout his present views on the more radical features of land reforms like ceilings on ownership and compulsory acquisition of ownership rights by tenants.

The address was more explicit when it came to questioning the unduly large Government assistance to cooperative sugar factories whose owners are by no means an underprivileged group of farmers and the frequent changes of Government policy on the coverage of cooperative farming and marketing. Critical of the policy of striving for a uniform pattern of cooperatives, Professor Dantwala wanted a ceiling for the size of cooperative farms also. He took particular objection to the Central Government circular to States in September last year which prescribed a *minimum* but not a *maximum* size for cooperative farms qualifying for special assistance. A large-scale programme of cooperative farming must result in the break-up of employment into two distinct components—full employment and overt unemployment. The difficult choice in policy-making, he said, "is how far and when . . . disguised unemployment should be brought into the open and broken up into its two components—employment and unemployment, and by implication accept the organisational, if not also the moral responsibility for the emerging situation". To obviate these difficulties, he suggested the retention of household enterprises in agricultural production and trade for disguising widespread unemployment and as a defensive mechanism against the stresses and strains of backwardness.

Regarding the measures contemplated to give an impetus to the development of cooperative marketing, he pointed out that if supplies, markets, prices, share capital, loans and subsidies and managerial staff are provided, the marketing "societies have hardly anything to do except to collect the financial assistance and the trading privileges provided under the scheme". The qualities of entrepreneurship, he feared, would be lacking if management of these societies is entrusted to a disinterested salaried class.

While supporting the extension of the cooperative sector to all fields of agricultural economy, Professor Dantwala emphasised that it should not become indistinguishable from the State, that it need not aim at eliminating individual operations and that cooperatives should not develop into giant, impersonal managerial organisations manned by a salaried class.

Problems of Plantations

ASSESSMENT of the problems of plantation industries, like tea and coffee, is made difficult by questions of quality and variety, which

are not easily understood by the outsider. Data about production, export and consumption are not available in terms of the categories which are significant. The outsider does not understand the variety of crop produced and the factors on which its quality depends and is, in any case, not in a position to judge how these factors have operated from time to time. The technical experts and those who form part of the industry presumably understand these matters, but they apparently suffer from a narrowness of vision with regard to the wider implications of various policies and programmes. The result is that the problems of these industries are rarely tackled satisfactorily.

This is unfortunate, because plantation industries form an important part of the economy of the country, especially in view of their foreign exchange earnings, fluctuations in which are liable to disturb the economy considerably. Little, however, seems to have been done so far to reduce the incidence of such fluctuations. The difficulties in planning suitable programmes for these industries are accentuated by fluctuations in supply of and demand for their products from year to year, both within the country and throughout the world. Since there is a time lag between planting and the first crop, the industry tends to adjust slowly and erratically to changes in demand and supply conditions, though some adjustment is possible by eliminating or retaining plants which have passed their peak.

Into this complicated picture one has to introduce the special marketing organisations which have been set up for these industries, both in this country and outside. The policies followed by these organisations are supposed to mitigate the effects of the complicated forces to which these industries are subject, but generally they only succeed in adding an additional element of uncertainty.

Both tea and coffee have run into difficulties this year in the international market. Much attention is therefore, being devoted to programmes to solve these difficulties. But as long as the basic problems of the plantation industries are not more widely understood, it is unlikely that effective remedies for their problems will be found.

Tea Exports

THE continued fall in our export earnings from tea in recent years has been the cause of much concern to the industry. In 1959 our tea exports declined to Rs 126 crores from Rs 136 crores in 1958. This trend was maintained in 1960 and the figures for the first nine months of the year indicate that exports fell further to Rs 69 crores as against Rs 76 crores in the corresponding period of 1959.

As a proportion of total world tea exports also our exports declined from 45 per cent in 1956 to 43 per cent in 1959. In this context it is significant that exports of our chief competitors in the world tea market have shown distinct upward trends in recent years. Thus Ceylon stepped up her exports from 31 per cent in 1956 to 35 per cent in 1959, while East Africa increased hers from 5 per cent to 7 per cent. Our exports to Britain, the most important market, declined from 300.6 lbs in 1956 to 284.2 lbs in 1959 while that of Ceylon increased from 125.8 million lbs to 137.5 million lbs and that of East Africa from 47.2 million lbs to 52.1 million lbs during the same period. More spectacular even is the performance of China, in the U K market, which increased its exports from 2.1 million lbs to 7.8 million tons between 1956 and 1959. As a per cent of Britain's total imports of tea, our share during this period fell from 59 per cent to 55 per cent. Ceylon on the other hand, increased her share from 25 per cent to 27 per cent and East Africa, hers from 9 per cent to 10 per cent.

A report issued by the World Trade Department of the Indian Chamber of Commerce traces this decline in tea exports chiefly to the fact that the cost of Indian common tea is higher than that of our competitors. This higher cost, it is pointed out, "is the result of several factors such as excessive taxation and the obligations imposed by the Plantation Labour Act and other welfare measures." At present the incidence of taxation on every pound of tea is somewhat like this: export duty (24 nP), excise duty (2 to 12 nP), W Bengal entry tax (6.25 nP) and export cess (2 nP). While it is true that some tax relief, say, a reduction in the export duty, may act as a temporary fillip to exports by removing, partly, the cost disadvantage under which Indian tea appears to be labouring at the moment, it is not enough to blame either high taxation or labour costs for our falling exports. As a matter of fact, we have a distinct wage advantage compared to Ceylon which, however, is not reflected in the cost of our tea.

In the ultimate analysis the fall in exports must be traced to the trends in the quality and quantity of our tea production. It is estimated that India produces about 36 per cent of the world's total tea output, with Ceylon, China, Indonesia and East Africa producing 20 per cent, 11 per cent, 5 per cent and 4 per cent respectively. In recent years, however, our production of tea has not been able to keep pace with the increase in world production. Total world production of tea increased by 674 million lbs, from 1356 million lbs in 1950 to 2030 million lbs in 1959, or an increase of 50 per cent during the ten years. India's production during this period increased by 20 per cent, Ceylon's by 36 per cent, Indonesia's by 23 per cent and East Africa's by 98 per cent. During the Third Plan, production of tea is expected to be raised from 723 million lbs in 1959-60 to about 850 million lbs by 1965-66. Set against the rapid increase in production in other countries, the target of 17 per cent increase over the five years is clearly disappointing.

It has been a long-standing complaint of the tea industry that its allocation of fertilisers is too little compared to its requirements. Thus in 1959-60 the industry was allotted a total of 51,000 tons of fertilisers whereas its demand was estimated at 70,000 tons. It is hoped that with the substantial increase in the production of fertilisers that is con-

CHANGE OF ADDRESS

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A Fernandes
Business Manager

templated in the Third Plan, the tea industry will not be denied its requirements of fertilisers. Further, the Tea Board had recommended a loan of Rs 15 crores by the Government to the tea industry for replanting some 50,000 acres, constituting about 6 per cent of the total area under tea, with improved types of seedlings during the Third Plan. While the Government's decision in this matter is not known, it should be obvious that the case for granting substantial assistance to tea planters for uprooting old tea and replanting is very strong in the light of recent trends in our tea exports.

Closing the Rift in U P

THAT the long-standing feud in the U P Congress Party is far from settled yet is obvious from the importance that is attached in Congress circles to the proposed meeting between former Chief Minister Sampurnanand and Prime Minister Nehru at the latter's request. For all their open-hearted avowals to let bygones be bygones, the new Chief Minister and his colleagues have apparently failed to inspire confidence among their erstwhile opponents. This is not surprising, considering that after assuming office the new Ministry has not let the grass grow under its feet in removing, one by one, the former Chief Minister's supporters from all important positions in the State Congress organisation. The Union Minister for Oil, Shri K D Malaviya, and the former Food Minister, Shri Ajit Prasad Jain, are among the half a dozen leaders, suspected by the new Ministry of having favoured Sampurnanand in last year's struggle for power, who have lost their seats on the U P Congress executive.

The Sampurnanand group also allege that the new Ministry has been carrying on a deliberate campaign to discredit the former Ministry. It is true that some of the new Ministers, including the Chief Minister, have often lapsed into public criticism of the old Ministry, alleging misuse of power and public money. In this light, Shri C B Gupta's apparently innocent disclosure at a public meeting that the former Ministry had completely used up the discretionary funds at the disposal of the Government takes on a new meaning.

This has roused the ire of the ex-Ministerialists, embittered as they are over what they allege was the unfair intervention of the Congress High Command in the affairs of the Provincial Congress Committee to tip the balance in favour of the then 'rebels'. Thus, a spokesman of the Sampurnanand group told newsmen the other day that they had evidence in their possession against the present Chief Minister and many of his colleagues many times more damaging than anything their opponents could muster against them. The rival Congress groups thus appear poised for a mud-slinging campaign.

The disappointment of the High Command, which had hoped that a change in leadership would close the rift in the U P Congress is, therefore, understandable. The Prime Minister whose intervention last November was decisive in Shri Sampurnanand's decision to quit office is known to be having second thoughts on the wisdom of his action. Whatever the Prime Minister may feel about it now, it is time the High Command realised that the only chance of a rapprochement between the U P Congress Party factions has in persuading Shri C B Gupta and his colleagues that they must reconcile themselves to sharing the responsibilities of the P C C with Dr Sampurnanand's supporters and create a suitable political atmosphere so that the more important of the former Ministers, whose influence and importance in the State Congress make it dangerous to keep them out of power, can join the new Ministry.

Maharashtra Land Ceilings Bill

THE Land Ceilings Bill of Maharashtra which has just been published seeks to impose a maximum limit on the holdings of agricultural land in the State. It provides for acquisition of land held in excess of the ceiling, and its distribution among landless labourers, small holders and co-operative farming societies. The State has been divided into 74 local areas for the purpose of fixing ceiling areas. The ceiling for dry crop land varies from 84 to 156 acres and for wet crop land from 16 to 48 acres. These ceilings are for families consisting of not more than five members. Larger families will be allowed extra land to the extent of 1/6th of the ceiling area for each member in excess of five, subject to the maximum of two ceiling areas. The lands declared surplus will vest in the State, which will pay compensation in terms of multiples of assessment. The rate of compensation per acre varies from 55 to 195 times the assessment for dry crop land. A suitably graded rate of compensation has been fixed for irrigated lands. Where the land is held by tenants, only two-thirds of the compensation would be payable to landlords and the remaining one-third to tenants. The compensation will be paid in the form of 3 per cent 20-year transferable bonds.

The surplus lands will be offered at a price equal to the compensation to dispossessed tenants, persons deprived of their lands due to irrigation projects, co-operative farming societies, small holders and landless labourers. Occupancy prices can be paid either in a lump sum or in annual instalments not exceeding fifteen. The allottees will not have the right to transfer or partition such lands without the prior sanction of the District Collector except where the land had been mortgaged with a Land Mortgage Bank for obtaining a loan.

To prevent evasion of the ceiling through fictitious transfers or bogus partitions, any transfer or partition made on or after January 15, 1959 will be ignored. Lands held by co-operative farms will be exempt from the ceiling only if each of their members held an area not exceeding the ceiling area prior to joining the co-operative farming societies. Provision has also been made for the application of ceilings to lands which may receive the benefits of irrigation hereafter.

Ceilings and Sugar Factories

THERE is no doubt that Deccan sugar factories will be seriously affected by the provisions of the Land Ceilings Bill. The high profits that have been made by the Deccan sugar factories is partly because of the heavy agricultural profits and partly because of better recovery. Now that the former is disappearing and the latter is slowly being eaten up by higher cane prices and higher labour wages, it is clear that the writing is on the wall for the sugar mills run as joint-stock companies. The Bill is certainly a step in the right direction if the peasants are going to participate in the economy of the country. It is argued that by handing over sugar plantation to small farmers, production is bound to suffer, but no satisfactory reason is given why it should suffer.

The aspect of the Bill which should, however, be seriously considered is how the actual change-over will take place from the present owners to the new owners. Sugar-cane farming is essentially a continuous process, and the continuity of it should not be broken by the introduction of the Bill. For instance, land has to be prepared for planting the crop which will be harvested at the end of 1962—who will bear the cost of preparation? The land will have to be ploughed, furrowed, etc, and these costs will not be borne by the present owners, if they are not to reap any benefit. Secondly, adequate compensation will have to be given for permanent structures that have been built by the present owners in the way of wells, buildings, irrigation channels etc. No thought has been given to such problems, nor has any date been fixed for the managerial change-over that will have to take place, if the State is going to take over the farms. If production of sugar-cane is not to be affected for the coming seasons, it is most important that the Government immediately prepare a detailed scheme for the take-over so that everyone knows where he stands.

The Government has also promised that adequate cane supplies will be given to all sugar factories, but it is not clear what measures will be taken to assure adequate supplies. The problem is not nearly so simple as in U P where the factories are fairly well spread-out, so that the sugarcane growing areas can be divided into suitable zones to supply cane to the mills. In the Deccan, however, sugar factories are very close to one another in location which will make it very difficult to have a territorial zoning system. Before the Bill is passed, it is important that proper schemes are prepared by the State and the sugar factories for the take-over. One such might be to allow the factories the management of the farms on a commission basis, although of course no such scheme will meet the expressed purpose of the Bill of giving land to the landless.

Targets of Cloth Production

THE setting of production targets for the cotton textile industry in the Third Plan has not created as much controversy as in the formulation of the Second Plan, but available reports indicate, nevertheless, that the approach of Government and various interests in the industry to sector-wise targets has not altered to any great extent. The Draft Outline has set an aggregate target of 9,300 mn yards, consisting of 5,800 mn yards for the mill industry against an estimated production of 5,000 mn yards in the current year (it had reached 5,300 mn yards in 1956 and 1957) and 3,500 mn yards for decentralised sectors against their estimated total production of 2,600 mn yards in the current year. The mill industry had earlier suggested a target of 6,300 mn yards for mills and 3,300 mn yards for the decentralised sectors. Its attempt to secure a share larger than that allowed in the Draft Outline has been matched by the demand of khadi and handloom interests to peg mill output at 5,000 mn yards. Government's policy of a common production programme has thus achieved a balance of countervailing power in the industry, but has not been able to fulfil its primary purpose of expanding handloom and khadi output to the extent desired.

Production of handloom cloth was expected to increase during the Second Plan period from 1,500 mn to 2,500 mn yards, but actual production is expected to reach only 2,125 mn yards. Even this figure is an over-estimate because handloom production is computed by the application of an arbitrary conversion factor to the delivery of yarn by mills. It has been recognised for a long time that a larger part of this 'free' yarn than is officially admitted goes to powerlooms instead of being utilised by handlooms. Powerloom output is officially estimated to reach 405 mn yards this year against 200 mn yards at the end of the First Plan and 400 mn yards targetted for the Second Plan. These figures are known to be under-estimates, partly because many powerlooms are not registered at all. The performance of khadi has been even more disappointing than that of handlooms. Its production this year is expected to be only 80 million yards.

The Draft Outline does not lay down separate targets for handlooms, powerlooms and khadi. These will presumably be set out in the final version of the Plan. Since massive Government assistance to handlooms and khadi cannot continue indefinitely, a larger part of output from the decentralised sectors would have to come from powerlooms which have already shown their capacity to increase production in a substantial measure.

Ownership and Control

ERRATA

IN the article "Ownership and Control" by Dr R K Hazari published in the issues dated November 26, December 3 and December 10, 1960, the following corrections have to be made in addition to those published in the issue of December 10, page 1804.

In Table 2, on page 1756 in issue of December 3, some figures in the first row were inadvertently transposed. The figures should read as under :

	(Rs lakhs)	
	Ord	Pref
Tatas	88,38	17,38
Birlas	52,89	15,35
Mafatlals	5.69	2,16
Walchands	17,75	2,02
Mahindras	1,25	70
Total	1,65,96	37,61

On page 1758, Table 5, the figure of Total Ordinary share capital in the first row should be Rs 19,38 lakhs and not Rs 19,58 lakhs. On page 1760, Table 12, the number of Birla companies under 'Industrial' should be 106 and not 109.

In the issue of December 10, page 1803, col 3, line 10, read 'countries' for 'companies'.

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Letter to the Editor

U-Pockets and Improvident Expenditure

ONE aspect of the task of the recently-appointed National Income Distribution Committee does not seem to have attracted much attention. While the Committee is particularly expected to ascertain the extent to which the operation of the economic system has resulted in the concentration of wealth and means of production, it is also required to review changes in levels of living during the First and Second Plan periods. Assessment of changes in the levels of living of different strata of society may in fact prove to be much more complicated than the determination of concentration of wealth and income. From the point of view of formulation of policy, however, such an assessment has important implications.

Admittedly, in tracing the contours of the movements in levels of living in the economy as a whole, the emergence of the U-Sector would be a pointer to certain definite trends. But that is only part of the story. In point of fact, the plan benefits seem to have percolated to sections much beyond the narrow confines of the U-Sector, although the benefits in such cases may not be so conspicuous and spectacular. These sections are scattered among the different classes of society and their numerical preponderance may not be impressive. Nonetheless, in reviewing the changes in levels of living, it would be helpful to locate precisely, what may be called, the U-Pockets, which have emerged even among the middle and lower classes. It would, for instance, be agreed that the Bombay textile worker is better off than his confreres in other industries and that workers in the BEST and in some foreign concerns are relatively better-placed than those in comparable positions elsewhere. Similarly, apart from the benefits flowing from generally favourable agricultural prices, the medium cultivators might have benefited from large investments in the rural sector, especially through projects like Community Development. In areas where large-scale construction works are located and where mining is undertaken, even the small cultivators and agricultural labourers might have benefited substantially. The pertinent question that needs to be posed is: Has the increment in income that has thus come about really resulted in the improvement in the levels of living of the sections concerned?

One has to move on very uncertain grounds in this field. There are no studies on the basis of which firm and quantitative conclusions could be drawn. Changes in the standard of living or levels of living do not lend themselves easily to precise statistical measurement.

Improvement in levels of living could manifest itself, broadly, in two ways. In the first place, the families concerned might undertake capital expenditure in the creation of tangible domestic assets like, say, furniture, utensils, etc. Secondly, improvement may also come about by undertaking current expenditure designed to improve health and knowledge, thereby increasing the productive capacity of the individual. Expenditure on more nutritious food, education and health may be grouped under this category.

Keeping these two facets of improvement in mind, if one looks into the expenditure patterns of persons belonging to the U-Pockets, one gets the impression that the increase in income instead of being absorbed in an improved standard of living is being dissipated in improvident expenditure.

Why does such a reversal of priorities come about in the case of those belonging to the U-Pockets? There are at least two explanations. In the first place, there is the usual lag in the adjustment of expenditure to income. Certain rigidities help to perpetuate the existing pattern of expenditure, especially the consumption-pattern. Dietary habits, for example, die hard. It would be interesting, if family budget studies could bring out the changes, if any, in the composition of the 'food basket' of U-Pocket industrial labour. Ignorance of more nutritious diet may possibly be another element responsible for the continuance of rigidity on dietary habits.

The second explanation lies in what is called in economic jargon, the "demonstration effect" on the consumption-pattern. Expenditure on laundry is a good instance in point. It reflects the attempt of industrial workers to emulate the middle classes. Much the same, it appears, could be said with regard to rural labour.

All this goes to emphasise the need for directing the increments in income to more urgent channels. Increments in income are frittered away, perhaps, because more productive and desirable ways of spending are not known to the section concerned. Dissemination of knowledge about improved diets itself might go a long way in altering the expenditure pattern. Similarly, increasing emphasis has to be given to the need for education. Trade Unions could play a more positive role in this sphere.

Given this kind of direction, one could confidently expect an improvement in the economic condition of U-Pockets, because improvident expenditure now incurred will be redirected to more productive uses. Not only that. In some cases at least, elimination of improvident expenditure may actually result in the generation of savings. The small savings scheme in Maharashtra provides instances which reflect admirable receptivity to such direction. In 1958-59, industrial labour contributed as much as 50 per cent of total collections in Greater Bombay. Similarly, Bhir and Ratnagiri, both backward districts, far exceeded the targets set for them.

The location of U-Pockets calls for research and investigation. Family budget studies could indicate the extent of improvident expenditure. The remedies intended to alter the expenditure-pattern would naturally vary from one section to another. Although the U-Pockets may not pose so serious a problem as the U-Sector, it cannot be altogether denied that the social and economic implications of improvident expenditure are serious enough to deserve the attention of the Committee.

Bombay **Non-U**
January 11

Letter from America

Transition without Turmoil

"God looks after dogs, drunkards and the United States of America"
—Attributed to Bismarck.

IT is generally agreed that the political procedure for the transition of the national administration from the President of one party to that of another suffers from lack of preparation and harmony in spite of its unbelievably leisurely pace. This time also there is an uneasy interregnum of two and a half months from the election of the new President on November 8 to the assumption of office on January 20, during which the process of making policy decisions and executing them is seriously impaired if not totally immobilized. (One may also speak of a "six-month election holiday" starting sometime around July following the ballyhoo of the national conventions and continuing through the election campaign, when the heart of the administration is really at the husting, right up to the day of inauguration). And if the transformation of power involves change of parties, as at present, then the channels of communication between the out-going and the in-coming Presidents and their respective administrations are clogged by tempers frayed from long and exhausting electioneering.

Executive Decisions

One reason why concern with these matters has been neglected in the past is the infrequency of the occurrence of such *transitions*. In the last three decades there have been only two transitions, including the present one, and in the last five decades, there have been no more than five. The current significance of the problem arises from the fact that executive decisions have become more and more consequential and far-reaching; decisiveness and speed with which they are taken are, therefore, vital.

In 1952 President Truman gave more attention to the problem of transition than perhaps any past President. Immediately following his nomination, Senator Kennedy requested Clark Clifford to study and report on the matter. Clifford has since been operating on Kennedy's behalf. Last Spring, under a Carnegie grant, the Brookings Institution launched a study of the 'practical' problems involved in the transfer of Presidential responsibility. The recent publication of a major historical study, *Presidential Transitions*, by Laurin L Henry provides an authentic and fascinating account of the past four transitions with some guide-lines for the future.

Wilson Goes to Bermuda

Before the passage of the 20th Amendment to the American Constitution the nation elected a new President in early November, who did not shoulder any responsibility till the following March. Meanwhile the 'lame-duck' Congress wobbled in and out of Washington, having been superceded by a new one, to enact "miscellaneous legislative mischief" which bedevilled the last days of the old President and the first days of the new one.

In 1912 Woodrow Wilson took a month's vacation in Bermuda after his election and when the cable system broke down he is said to have relished his haven of isolation for five days. Not more than a week before his inauguration did Wilson complete the job of picking a cabinet.

Warren Harding, following Wilson, was not even invited to Washington to discuss the problems of transition and had to be satisfied with formal tea at the White House on March 3. Only Mrs Harding had the privilege of being shown round the White House, "everything but the kitchen and the President".

Herbert Hoover did not give up his attempt till the mid-night before he relinquished office to get Franklin Roosevelt involved in his drive to save the gold standard at any cost when depression had brought people to the verge of a revolution. And when Communist Hunger Marchers prevailed upon Roosevelt to describe the serious situation to Hoover, he had to say. "I can't tell the President to do anything. I'm simply a private citizen so far as the Federal Government is concerned" (quoted in Schlesinger's *The Crisis of the Old Order*). From Warm Springs he waited and watched the plight of the people till he could launch the New Deal, declaring that "the only thing we have to fear is fear itself."

The Ten-Week Transition

In more recent times the demands of Presidential responsibility have grown to an unprecedented extent and the reduction of the transition period to ten weeks and the advancing of the first session of the new Congress to January 3, giving the law-makers a jump on the President have not eliminated the problems of transition. The Truman-Eisenhower transition was, however, a substantial improvement over the Taft-Wilson, Wilson-Harding and Hoover-Roosevelt transitions.

In addition, President Truman did a vast amount of advance planning commencing as early as March 1952, for his successor's benefit, particularly, in the realms of the budget, military affairs and foreign policy (including the present of a three-volume briefing book summarizing American policy country by country, with intelligence information of all sorts) and thereby setting good precedents. Mr Henry maintains that if the in-coming Eisenhower administration had availed itself of all the opportunities provided to it a great deal of later inconvenience would have been avoided.

Kennedy's staff has been working on the problems of transition ever since his nomination last July. In recognition of this problem, President Eisenhower arranged for intelligence briefings for Senator Kennedy during the election campaign and after the election the two men huddled together for three and a half hours with apparent cordiality.

The Kennedy cabinet has been designed in part to ensure a smooth transformation of power from the Republican administration. The following imaginary scene was humorously reported in the *Washington Post*. On the doorstep of the Kennedy home stood the President-elect, in his familiar manner of announcing cabinet appointments. Others present were Douglas Dillon,

present Under-secretary of State and Secretary of Treasury-designate, Dean Rusk, the next foreign affairs chief and his deputy, Chester Bowles. A reporter is supposed to have asked, "Is this a transition conference or a meeting of the new administration?"

The Power Vacuum

While the oldest President ever to adorn the White House prepares to leave and the youngest President-elect sets about the task of getting together a team to assume power on January 20, the power vacuum in Washington haunts an expectant world. Some of the measures to combat domestic recession and distress have been spelt out but little is known about U S policy on the crisis-ridden situations around the world. Even the most daring of newsmen, Drew Pearson, hesitates to make predictions on his *Things-to-Come* radio programme.

Perhaps the greatest consternation at the luxury of a ten-week transition in the United States is felt in Europe, concerned as it is about the growing American interest in Asia, Africa and Latin America at the expense of European 'allies'. On new year's eve the state of NATO appears to be a sorry one—the increasing unpopularity in this country of the colonial policies of the member countries of NATO, the threat of a pull-out of American troops to check the gold exodus and, finally, Kennedy's reluctance to be hustled into a meeting with Western European leaders have all contributed to European fears of a revival of American isolationist tendencies. Walter Lippman, the astute political analyst, writes from Washington that "there is no more need for baby talk, or a bedside manner or for a nanny in Washington". To this, Sulzberger of the *New York Times* replies from Paris that "Western Europe, meaning NATO, doesn't want a nanny. But it does want a leader."

Most leaders of "the hungry bloc" are eagerly waiting for their first chance to clamour for massive aid and the news that Kennedy has recently consulted Senator Fullbright, Chairman of the Foreign Relations Committee, on providing economic aid on a long-term basis, is encouraging.

Many countries are hopefully looking forward to the new administration to take a bold stand to ease the situation in the danger zones all over the globe. Also, with what appears to be an open mind, Khrushchev has been sounding the idea of an early summit. Under these circumstances the American holiday from policy-making, extending over several weeks, is fraught with grave risks and dangers. But to an average American, Laos and Congo are only a few miles closer to America now than the Balkans were around 1912. If in all the past four transitions of this century, God has looked after the United States, he might say, there is no earthly reason for the fifth to be an exception.



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Official Papers

Economic Coefficients

Need for Uniformity in Methodology and Concepts

Small-Scale Industries — An Analysis of Investment and Production per Person. Labour and Employment Division, Planning Commission, New Delhi.

ECONOMIC coefficients have a strategic role in economic programming. To the planners they provide the necessary yard-stick for resource-allocation and help to bring about a least-cost factor-combination to achieve maximum marginal returns, consistent with a given pattern of factor-endowment. But here, as in other spheres, data are sadly lacking for different segments of our industrial economy. The unorganised sector is naturally the worst affected by this handicap. Further the available data are limited in many respects so that no meaningful comparisons and generalizations can be made on the basis of these data.

Such limitations are partly the result of regional variations which are naturally reflected in regional studies. But mostly, they can be attributed to a general lack of uniformity in approach and the concepts employed by various surveys in different parts of the country. What is unfortunate is that even in the regional surveys aided by the Research Programmes Committee (R P C) of the Planning Commission, where the above shortcomings could well be reduced to the minimum, if not eliminated altogether, they are found in abundant measure. The need to evolve uniformity of approach and objectives is highlighted in a Note prepared by the Labour and Employment Division of the Planning Commission.

The Note purports to be an attempt (and only an attempt) to work out certain average economic coefficients for a few industries on the basis of (1) the model schemes prepared by the Development Commissioner for Small-Scale Industries, and (2) the various regional surveys carried out by individuals, organizations and official agencies including those sponsored by the R P C. The Note is an exercise in research methodology. It highlights the existing differences in methods and the serious problems they present in making use of such data operational research. Besides, it also underlines tacitly, the need for the various sponsoring authorities to agree on basic definitions, concepts, objectives and approach. In view of the importance attached to the 'methodological' shortcomings, it is proposed to review this aspect of the Note before going into the average coefficients worked out in the Note.

Clarification of Concepts

Let us take the question of definitions adopted in the various surveys. As the Note points out four broad sets of definitions can be discerned. First, there is the composite definition adopted by the Development Commissioner for Small-Scale industries which defines small-scale units on the combined test of capital, employment and utilization or otherwise of electric power. Second, there are surveys which classify industrial units solely on the basis of employment without reference either to capital employed or the technique of production used. Third there are surveys employing the single yard-stick of utilization of power. Further, the criterion of the Factories Act—units not falling under the Act being treated as small-scale—is also used in many cases. No wonder, therefore, that results obtained by surveys which do not agree on the basic question of the size or nature of units under survey do not lend themselves to comparative analysis. The Note refers to many more such divergences.

Two points need to be clarified in the conceptual elucidations offered by the Note in respect of fixed capital and the problem of estimating working capital. The Note emphasizes, rightly, the merit of replacement cost as a tool for estimating and analysing fixed capital, because the concept of replacement cost steers clear of market appreciation of the cost of a given fixed asset and not because "it reflects the actual cost of securing *new and improved machinery*." (italics added). Replacement cost merely reflects the cost involved in replacing the existing set of fixed assets with identical sets having more or less equal capacity and able to produce the same volume of output. It is in this sense that concept of replacement cost is supposed to assume a "developmental aspect", and not because it "reflects the cost of securing new and improved machinery". The concept is purely a notional yard-stick and may not have much significance in fact because the statistical computation of "true replacement" cost is bound to be arbitrary.

Another such slip (and one really hopes it is just a slip) consists, as pointed out earlier, in the estimation of working capital, and can be noticed from the following quotations from the Note. "The components of working capital also vary from survey to survey. In the case of Model Schemes and the Bhilai Survey, working capital covers all items of recurring expenditure, including wages; in other surveys, however, working capital includes items such as raw materials, semi-finished goods, fuels and power consumed, cash in hand and in banks, *but excludes the item of wages*" (italics added). The fallacy implicit in this statement is obvious. The two methods stated are perfectly legitimate procedures for computing working capital estimates. While the first method attempts to size-up working capital with reference to a period of time, the second views it with reference to a point of time. The second method consists in estimating working capital as comprising of (1) stocks of raw materials and fuels, (2) stocks of finished products, (3) semi-finished products in stock or in process, (4) cash in hand and in banks, (5) credit due to the unit and so on. It may be noted that what constitutes the normal working capital is not the aggregate of expenditure on all these items as is assumed in the Note, but the aggregate of the stocks of these materials at a point of time, say, as on the day of investigation.

items such as wages (the exclusion of which is highlighted in the Note), rent, contingencies, power, are already represented in each of the items referred to above and their separate inclusion would only lead to double-counting.

The Coefficients

The coefficients attempted in the Note are the averages per worker of fixed capital, working capital (per year) and annual production of individual industries. These are given in Table 1. No sanctity, statistical or otherwise, is attached to the set of averages worked out in the Note. The Note itself admits with disarming frankness that "the only advantage claimed for these estimates is that they are not based entirely on the Model Scheme estimates but have been scaled down in the light of data on comparable industries contained in other surveys". The "advantage claimed" is over similar figures computed by the Perspective Planning Division and the Village and Small Industries Division of the Planning Commission. These Divisions worked out a set of average coefficients based on the Model Schemes prepared by the Development Commissioner for Small Scale Industries. Incidentally, it will be interesting to note that though both these Divisions based their estimates on the same source, considerable variations are noticed in the averages arrived at by them, as can be seen from Table 2.

Excepting wages per worker per annum, where the two figures do not differ considerably, other items are not comparable. Besides the usefulness of these estimates is seriously conditioned by the fact that they are based on data which assume the application of improved techniques and the latest machinery, an unrealistic assumption to make in the case of small-scale units. These and other shortcomings are perhaps inherent in the organization of small-scale industries. However, it cannot be denied that the number of complexities and divergencies can be reduced considerably if coordinated attempts are made to achieve the maximum uniformity in the methodology for analysing the problem. And no organization other than the Research Programmes Committee of the Planning Commission is in a position to enforce such uniformity, at least in the surveys which are sponsored by it.

Table 1 : Some Technical Coefficients for Small-Scale Industries

Industry	Per worker		
	Fixed Capital	Working Capital	Annual production
Tool Room Shop	4,200	—	—
Small Centre Lathes	4,200	—	—
Writing Ink	400	—	9,000
Electroplating	1,900	1,300	—
Roofing Tiles	—	700	1,500
Plastic Toys and Articles	—	—	3,000
Model Carpentry Workshop	1,700	1,000	2,200
Footwear	2,100	1,600	3,200
Handmade Matches	2,100	700	4,400

Table 2 : Variation in Estimates of Average Coefficients

Average Coefficients	P P D Estimates	U & S I Division Estimates
Employment per Unit (Nos)	2	36
Capital Employed per Worker	Rs 4,800	Rs 5,600
Value Added per Worker	Rs 2,000	Rs 3,200
Wages per Worker per annum	Rs 1,000	Rs 1,200
Surplus Value Added per Worker	Rs 1,000	Rs 2,000



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Book Review

Finding the Buyers

Thompson Consumer Index of Markets, Compiled by Market Research Department, J Walter Thompson & Company (Private) Limited. 1960. *Price not mentioned.*

HOW can we accurately assess the relative potentialities of different localities as markets? Size of population has hitherto been taken as the chief indicator. But, clearly, this is not satisfactory because two towns with equal populations may vary vastly in the amount of purchasing power they command. Other factors, besides the population should, therefore, be taken into account.

J Walter Thompson Company in this report, *Thompson Consumer Index of Markets*, has made an assessment of the 504 most important towns of India on the basis of 12 factors. These have been arranged in order of their purchasing ability and each town has been assigned an index number. The importance of the study is indicated by the fact that the Chief Minister of Maharashtra, Shri Y B Chavan, has written a foreword to it.

Twelve Factors

The twelve factors taken into consideration in computing the index are : (1) population, (2) population other than farm and factory labour, (3) increase in population, (4) number of literates, (5) number of domestic radio sets, (6) number of private cars, (7) number of banks, (8) number of doctors, (9) number of chemists and druggists, (10) and (11) number of cinemas and number of cinema seats, and (12) domestic consumption of electricity.

The difficulties of obtaining suitable data for so many towns have determined why these, and not other factors, were taken into account. That is not to say that the importance of the indices chosen cannot be questioned. Is there, to take one instance, any correlation between literacy and purchasing power? Towns in Kerala with higher literacy than towns of similar size in the Punjab may command much smaller purchasing power. Again, does the inclusion of a large number of factors necessarily make the indicators more reliable? Take the second factor mentioned above. To determine the importance of this factor, weights inverse to the numbers of farm and factory workers are used. It is explained in the report that "prospects with 'discretionary spending power', i e, money to spend on consumer goods and the desire to spend it, are found mostly amongst the non-labouring class people." This may perhaps be true of agricultural labourers, but is it also true of factory workers?

Calcutta Example

Take, for instance, the position in Calcutta. The socio-economic survey carried out by the Department of Economics of the Calcutta University shows that for 1957-58, 17.1 per cent of total earning population of the city were employed in the manufacture and processing of consumer and capital goods. Their total income accounted for 17.5 per cent of all incomes. In contrast, 27.4 per cent of the earning population were engaged in the distribution of consumer and capital goods. Their share of incomes, however, came to only 24.7 per cent of all incomes. Factory workers, specially of larger establishments, often earn more than shopkeepers.

The exclusion of factory workers has pushed industrial centres like Tatanagar (Jamshedpur) down the list of important markets. Towns like Mysore, Salem and Trivandrum, are 20th, 21st and 22nd in order of importance while Tatanagar which has about the same population is only 36th. Since the proportion of factory workers to total population varies widely even in different 'class 1' towns, the exclusion of factory workers may have appreciably affected their arrangement in order of importance.

It is perhaps for such reasons that Shri Chavan, in the last paragraph of his foreword, says, "I am sure the authors of this index would be the first to admit its limitations". The onus of proving that the index provided here is a more reliable indicator than one based on the size of population alone is with the authors. Nevertheless, it is commendable that the J Walter Thompson Company has tried to break away from accepted methods.

Bank of America

IN its statement of condition the Bank of America revealed an all time high in total resources, deposits, loans as well as earnings last year. Commenting on the report, President S Clark Beise said, "Our loans outstanding at the year-end totalled $ 6,699,494,437 as compared with the previous high of $ 6,599,668,231 at the close of 1959." The Bank's total deposits on December 31, 1960 stood at $10,805,891,450 compared to $ 10,624,958,182 a year ago. Total resources of the Bank amounted to $ 11,941,981,259 at the end of last year as against $ 11,669,404,346 in 1959. Investments in securities totalled $ 2,702,508,087 in 1960. The figure for 1959 was $ 2,725,392,943.

Referring to the extension in the Bank's activities, President Beise said, "During the year we added 43 new branches to keep pace with the continuing growth of our State. We also brought into operation 7 additional E R M A centres, thus putting behind us the major portion of our programme of conversion of electronic processing of checking accounts".

The President reported that new operating earnings amounted to a record $ 93,228,177 or $ 3.64 per share on the 25,600,000 shares outstanding. This is to be compared with the previous record earnings of $ 86,297,920 or $3.37 per share in 1959. A sum of $ 9,219,000 was transferred to reserves, after tax benefit, leaving $ 80,885,306 for dividends and addition to capital funds. Total dividends paid amounted $ 49,920,000, including an extra dividend of 10 cents a share and an increase in the regular annual dividend rate from $ 1.80 to $ 2.00 per share, starting with the fourth quarter of the year. The transfer of $ 50,000,000 from undivided profits to surplus increased combined capital and surplus to $ 550,000,000. The total capital funds of the Bank of America, together with the reserve of $ 127,631,918 for possible losses from loans, now amount to $ 791,264,208.



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Departure	Thurs.	—	BANGKOK	05.40 hrs.
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East Germany Revisited

K P Ghosh

REVISITING East Germany after four years, it is impossible not to be struck by the extension of building activity in progress everywhere in the country. Equally in evidence are the well-stocked shops continually crowded with buyers and the smoking chimneys of factories. The former granary of old Germany has been turned into a hive of industry, holding second place in the Communist bloc and fifth in the whole of Europe in terms of industrial importance. Practically every country in the Western world now has trade relations with the German Democratic Republic, though diplomatic recognition is still withheld.

All facilities are made available to overseas visitors to see places and meet people according to their wishes. Indian visitors are treated with great cordiality. Diplomatic recognition by India in the near future and a considerable expansion of trade between the two countries, both much desired by East Germans, form lively topics of conversation. At the same time, one detects a trace of resentment at India's reluctance to establish diplomatic ties. Pandit Nehru's plea that recognition is withheld because he does not wish to get "mixed up" in German affairs is not regarded as valid. India is already "mixed up" in German affairs, they retort, in a partisan manner, by recognising the militarist, "revanchist", irredentist, anti-Socialist Federal Republic.

The Seven-Year Plan

East Germany has set for itself the target of outstripping the Federal Republic in per capita consumption by 1961. This challenge was made in 1959 when the Seven-Year Plan (1959-65) was launched. Visitors are allowed, and even encouraged, to study the economy critically at first hand by visiting factories, training centres and research institutions, by analysing the statistics relating to production and national income, and by discussions with officials and experts.

This writer was able to investigate the implementation of the Seven-Year Plan and the substantial progress made towards catching up with West German standards of living for nearly a month during October and November last. Differences in the standards of living between East and West Germany are narrowing down. There is a serious housing problem in both parts of Germany, but in the West, rents are at least as high (and on the increase) as in Britain, while in the East, housing is treated as an essential social service and is, therefore, heavily subsidised by the Government. Food is cheap, plentiful and of excellent quality in the East, though imported luxuries such as tropical fruit and tinned delicacies are available in larger quantities in the West. Clothing and shoes, on the other hand, are poor in style and quality, and expensive in the East, though the supply is plentiful. The explanation given was that high-quality shoes and textiles, especially of man-made fibres were being produced, but only for export, as was done in Britain and other West European countries immediately after the war.

New Industrial Processes

It is true that workers in the Federal Republic are better supplied with things like motor-cycles and washing-machines, but these are becoming increasingly available in the Democratic Republic, too. Television sets are already quite common. The West German worker, moreover, like workers in Britain and America is usually heavily in debt under hire-purchase contracts. In the East, hire-purchase rates of interest have been fixed by law at a maximum of 2 per cent on the cash price. There is a lot of demand for such goods as T V sets, refrigerators, motor-cycles, washing-machines and cars, and potential buyers have to wait for months.

In Bitterfeld, near Leipzig, the writer visited a section of the famous Leuna chemical works, formerly I G Farben. The quality of their plastics was admitted as inferior to those made in the West, but they are being used extensively to save metals in a wide variety of industrial and household goods. It was confidently expected that the G D R would soon be among the leading countries in all fields of petro-chemical engineering.

At Calbe, near Magdeburg, pig iron is being economically produced from poor quality German ores with lignite fuels by means of a special G D R invention—the low-shaft furnace. The production targets for Calbe have been exceeded because actual production per furnace is double that obtained in the experimental pilot plant. At the Black Pump works at Hoyerswerda, midway between Leipzig and Berlin, lignite briquettes are being turned out for both industrial and domestic use. Here they are also generating electric power from lignite briquettes.

At the St Egidien Nickel Works near Zwickau, they are producing nickel from the very low-grade ores locally available. Though the existence of these ores was known for a long time, no one had ever considered them worth working. The G D R has now developed a process for extracting the metal. At Schwedt, near the Polish frontier, a huge paper mill is being built to produce 700 tons of paper and paper products per day. The factory will use Soviet oil, brought there by a long pipeline, now under construction, which is to branch at this point westward further into the G D R and southward to Czechoslovakia. There is to be a big pumping station at Schwedt, the works for which are nearly complete.

No Hush-Hush

These are samples of some of the major projects included in the Seven-Year Plan. Under the Plan, industrial production is to increase in value from 59 thousand million marks in 1958 to over 110 thousand million marks by 1965, i e, by 88 per cent, with an average annual rate of increase of 9 to 10 per cent. This will entail a total investment of 142 thousand million marks during the seven years. In 1958 the G D R invested 12.3 thousand million marks. This is planned to be increased to 25 thousand million marks by 1965. The national income will then have increased by 60 per cent.

The details of every industry and individual project are open to critical inspection by workers, and there are elaborate check-up systems by the Planning Commission itself as well as by local committees of

the National Front, a central association of all political parties. Officials in the Planning Commission, scientific technical personnel employed in research institutes, as well as managers of factories, were all prepared for frank and detailed discussion on matters concerning them. What was new and striking was the frank admission of problems, difficulties, errors made in the formulation and execution of plans, and the quiet confidence and subdued excitement in achievement.

The major problem throughout the G D R—in factories, shops, offices, restaurants, hotels—is the shortage of manpower. The only exception was the famous Meissen potteries, where the beautiful traditional craft still attracts many students and artists. Another problem is that of preventing trained scientists and technicians from being lured away to West Germany and the United States. The East Germans are paying their scientists very well, the top men receiving many times the salary of cabinet ministers.

There is no doubt that the G D R is on the make. The foreign businessmen who twice every year flock to the Leipzig Fairs, every time creating fresh records of attendance and business concluded, can probably see it better than anyone else. There are still plenty of second-rank people in the G D R who try to ram ideology down the visitors' throat, but men at the top do not. They are content to show the visitor what they are achieving, and the opportunities they offer for business.

Mitsui Bussan

THE opening of the new office of Mitsui Bussan, Japan's biggest trading company, in Madras on December 22, 1960 underlines the steady increase in trade between India and Japan. During 1959, Mitsui Bussan handled about $3.606,000 worth of Japan's imports from India and $10,864,000 of its exports to India. The figures for 1960 are expected to be even higher. The Japanese Company, which handles more than 5,000 different commodities, is in a strong position not only to promote trade between Japan and India but to aid India in its development plans by making available the resources offered by Japanese industry. Mitsui Bussan has already supplied iron and steel goods to India.

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Democratic Decentralisation

Experiment in India

S P Aiyar

THAT local self-government is a necessary basis for democracy is one of the questionable tenets of political science. There is no causal relationship between the two. Indeed, local self-government far from being democratic could be the very antithesis of democracy. The realities of local political life are often a violation of the spirit and ethics of democracy[1]. It is true that where there has been a long tradition of local government, as in England, democracy has flourished, but it is wrong to think that merely by creating local institutions the basis of democracy is laid. As a contemporary author has put it, "The search for vigorous democracy, however, is not exhausted by the search for an institution. For although misorganisation may stifle democratic vigour, even the best institutions cannot in themselves create it." (Arch Dotson in *Indian Journal of Public Administration*, January-March 1958).

Historical Role of Villages

A good deal of the enthusiasm for rural administration in India after independence has been based on such misconceptions. That India has had a long history of local self-government has been questioned. Frequent foreign invasions have interrupted its development. When Ripon sought to revitalise local institutions, the Village Panchayats had practically ceased to exist. During the national struggle for independence, the village came to be glorified, for, all nationalist movements tend to look back and read the past in the light of a glorious sunset. Largely due to the influence of Mahatma Gandhi, the village became a symbol of rural aspirations even as he himself became a symbol of rural India. That the village must be the basis of a truly Indian democracy was taken for granted.

At the time of framing the Constitution the desire to embody in it the ideals of Gandhiji was widespread. The Draft Constitution, however, contained no reference to Village Panchayats. This was explained later by Dr B R Ambedkar. Quoting Metcalfe, he showed how our villages lived on helplessly through one foreign invasion after another. He said : "Knowing this, what pride can one feel in them? That they have survived through vicissitudes may be a fact. But mere survival has no value. The question is on what plane have they survived. Surely on a selfish level. I hold that these village republics have been the ruination of India. I am, therefore, surprised that those who condemn provincialism and communalism should come forward as champions of the village. What is the village but a stink of localism and a den of ignorance, narrow-mindedness and communalism? I am glad that the Draft Constitution has discarded the village and adopted the individual as its unit."

Dr Ambedkar's views led to much discussion in the Constituent Assembly and in the press, but his argument was never refuted. Behind all criticism lay the argument that Mahatma Gandhi regarded the village as important. The spell of Gandhiji proved more powerful than the views of this 'heretic'. So the Constitution as it finally evolved included an Article (40) which directed that "The State shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government."

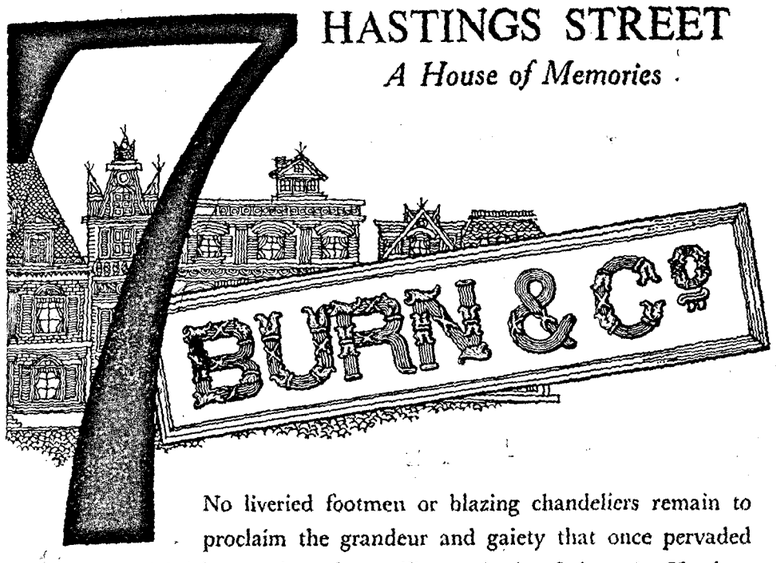
Balwantrai Mehta Report

The reorganisation of rural administration is now regarded as an inevitable step towards "democratic decentralisation." The Report of the Balwantrai Mehta Committee which is the basis of rural organisation in some nine States, has endorsed the view that within the district a well-organized democratic structure of administration should be created "in which the Village Panchayats will be organically linked with popular organisations at a higher level." This democratic structure should not be merely a creature of the State Government, exercising some powers and discharging functions delegated to it by the latter, but a real, effective and self-sufficient entity.

The Report recommended the abolition of the old district boards and the creation of a three-tiered system with a *Panchayat Samiti* at the block level constituted through indirect elections from the Village Panchayats, exercising all functions relating to development work and vested with the authority of approving the Panchayat budget. Every village in the block is to have its own Panchayat; where appropriate, two or more villages will have one. The Panchayats will also exercise development activities. Some of its functions will be obligatory; others can be added with the consent of the Panchayat Samiti. It will function as the agent of the Samiti in executing schemes of development. Finally, at the district level a *Zila Parishad* will be constituted, including the presidents of the Panchayat Samitis, M L As and M Ps from the district and district level officers of the medical, public health, agriculture, veterinary, engineering, education, backward classes welfare, public works and other development departments. One of the officers of the Parishad will function as its Secretary. The Zila Parishad will have no executive functions. It will seek to co-ordinate the working of the various Panchayat Samitis. It will replace the existing District Planning Committee. "And only the Zila Parishad will, in all matters deal directly with the government of Commissioner or Divisional Officer, where such functionaries exist."

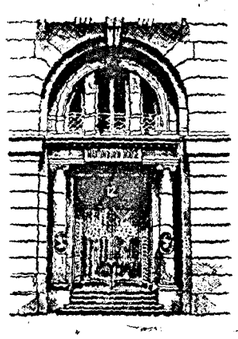
Decentralisation in Practice

The suggestions of the Mehta Report have received the stamp of public approval throughout the country. Andhra Pradesh was the first to experiment with democratic decentralisation in 20 blocks at the rate of one block in each district, beginning from July 1, 1958. At present, more than half of Andhra is covered by the scheme with the establishment of 271 Panchayat Samitis. Uttar Pradesh, Bombay, Kerala and Madras are experimenting on a smaller scale. The Rajasthan Panchayat Samitis and Zila



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Parishads Bill, 1959, was introduced in the Vidhan Sabha on May 18, 1959. The scheme was launched on October 2, 1959 with much fan-fare which reminded one of the inauguration of Community Development scheme on Gandhi Jayanti in 1952. Speaking on the occasion the Prime Minister said. "Today you are launching a new programme. I do not know how glad Mahatmaji would have been if he were alive today, as it is a big and historic step for the people of the State who have decided to shoulder such a big responsibility as of administering the works of national development." The Rajasthan experiment is a plunge in the dark. If it succeeds, there is no doubt that its influence will spread throughout the country.

Possible Dangers

There are, however, certain features of the scheme which make one sceptical of its future. First, it is difficult to demarcate the functions of the Panchayat Samiti and of the Village Panchayat. The demarcation made in the Mehta Report indicates a clear overlapping of functions. For example, the village may supply drinking water, so may the Panchayat Samiti. Again, the Village Panchayat, is charged with the supervision of primary schools, administrative control of which is vested in the Panchayat Samiti. Further, the block is charged with the "welfare of backward classes" and the village has also to attend to "the welfare of the backward classes." There seems to be an unconscious assumption that the areas of local government should coincide with those of Community Development. This assumption is questionable and will lead to an even greater confusion in functions. At present there seem to be too many agencies working on almost parallel lines in Rajasthan. There are the Community Development organisations the multipurpose cooperative societies and the Panchayats. All of them have their own pyramidal set-ups, but little has been done to coordinate their activities. One of the many problems facing the Rajasthan Government is to bring about this coordination.

Second, even if a clear demarcation of powers at this level is possible, there is another danger. The close proximity of the Panchayats, Panchayat Samitis and Zila Parishads might result in the higher bodies usurping and destroying the initiative of the lower bodies. If the same party dominates at the State and district levels, this danger is heightened and democratic decentralisation may come to resemble "democratic centralism".

Relationship with Administrative Machinery

Third, the position of the Collector vis-a-vis the Zila Parishad and the Panchayat Samiti is not clear. The Mehta Report suggested that the sub-divisional officer or revenue divisional officer should be chairman of the Panchayat Samiti to ensure that the administrative machinery of the block is assembled and set in motion by a person with administrative experience. In many States, therefore, the Collector is the chairman of the Zila Parishad. To place a government officer in such a key position will not make for the free development of democratic institutions in the villages. In Rajasthan, the Collector is to be an ex-officio member of the Zila Parishad without the right to vote, for it is felt that if the Collector is given the right to vote he may be drawn into the whirlpool of local politics which will affect his position as the custodian of law and order.

The Zila Parishad is a political invention which is astonishing in its conception. The presence of M L As and M Ps on the Parishad will serve no purpose, for if they do not take genuine interest in local affairs, as appears likely, the Zila Parishad, as a "House of Elders", will serve no useful purpose. On the other hand, if they take too much interest in local affairs, they will intensify local politics and thereby be a source of great mischief. There is thus the possibility of the Zila Parishad becoming either superfluous or pernicious. As a coordinating device, the Zila Parishad is of dubious value. Curiously enough, little information is available about its staff or its budget, though its functions would call for considerable staff and money.

Finally, as a result of "decentralisation" and Community Development a new army of officials will enter our rural areas. As a commentator has said, "The convergence on the rural areas of an army of small officials — gramsevaks, extension workers, teachers, cooperative and social education organisers, and many others, would be an inevitable complement of implementing the scheme. The possibility of the miniature, but indispensable, army of small bureaucrats at the public health and sanitation workers Samiti and village levels creating situations in the villages in which the people might feel administratively suffocated, is not altogether non-existent. Village democracy can flounder as easily on the rocks of bureaucratic penetration of village life as on the absence of an adequate reserve of local voluntary effort and talent to canalise the people's energies and enthusiasm into fruitful channels." (Observer in *The Times of India*, October 31, 1959).

Misconceived Scheme

The whole scheme of democratic decentralisation is misconceived and based on the assumption that since the denial of responsibility makes men irresponsible, the best way to make them responsible is to saddle them with responsibility. With added responsibilities, it is argued, men might make mistakes but in the long run they will learn to govern themselves. But the history of urban government during the past half-a-century does not support this. When we now recall what Dr B R Ambedkar said in the Constituent Assembly more than a decade ago, the relevance of his warning becomes obvious. Factionalism and casteism are important factors in rural life. The Prime Minister himself struck a note of warning while inaugurating the Rajasthan experiment. He pointed out that simply because many of those who were present had been elected to Panchayat Samitis and Zila Parishads, it did not mean that they had all become wise and powerful. "You must beware of politics and groupism creeping in," he warned. The working of Village Panchayats in Rajasthan and elsewhere is far from encouraging. Elections as they are held in many villages are a travesty of democracy.[2] The Balwantrai Mehta Report also mentions the feuds and quarrels that darken the rural life. Panchayats often consist only of the wealthy and the influential. The scheme of democratic decentralisation thus opens up the village to more 'politics'. The intrusion of parties into rural government may do more harm than good to democracy.

It may be true that the State is *highly* centralised today but decentralisation does not, therefore, become a virtue. Decentralisation is outdated in an age *dominated* by *science* and technology. A century ago Edwin Chadwick realised this when he said: "The devil himself, Sir, fell because he *opposed centralisation.*" In countries like Great Britain there has been, in fact, a narrowing down of traditional local autonomy. This has not, however, rendered them any less democratic. Our major problem today is to provide the villages with the essentials of life. To fritter away our limited resources in setting up and administering rural organisations of dubious value cannot therefore be permitted. The time factor is also important. In a century which has witnessed the dramatic transformation of Russia within forty years and in which China threatens to industrialise itself in half that time, it is naive to be complacent in the belief that the people will learn to govern themselves 'in the long run' by a process of trial and error. 'In the long run' many things can happen!

Notes:

1 See (a) Georges Langrod: Local Government and Democracy, *Public Administration*, Spring, 1953.

(b) Leo Moulin: Local Self-Government as a Basis for Democracy, —a further comment. *Public Administration*, Winter, 1954.

Also refer Keith Panter-Brick's rejoinder to this point of view in *Public Administration*, Winter, 1953 & 1954.

2 See for instance, Morris Edward Opler: 'Factors of Tradition and Change in a Local Election in Rural India,' in *Park and Tinker's Leadership and Political Institutions in India.*

Kothari Sugars & Chemicals Ltd

THE subscription list of Kothari Sugars & Chemicals Limited was closed on December 22. The shares, it is learnt, were oversubscribed nearly twice and the applications received exceeded Rs 70 lakhs. The allotment is expected to be made by the middle of this month.

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AUTHORISED CAPITAL :

2,50,000	Cumulative Preference Shares of Rs. 100/- each.	Rs. 2,50,00,000
7,50,000	Equity Shares of Rs. 100/- each.	Rs. 7,50,00,000
		Rs. 10,00,00,000

ISSUED CAPITAL :

1,50,000	Redeemable Cumulative Preference Shares of Rs. 100/- each.	Rs. 1,50,00,000
4,50,000	*Equity Shares of Rs. 100/-* each.	Rs. 4,50,00,000
		Rs. 6,00,00,000

The Subscription List will open at 10 A.M. on 9th January, 1961 and will close at 2 P.M. on 16th January, 1961 or earlier as soon as subscriptions approximating to the amount issued to the public have been received, but not earlier than 2 P.M. on 12th January, 1961.

With reference to the last *paragraph under the heading* TECHNICAL COLLABORATION (Page 11 of the Prospectus) of the announcement published on January 7, 1961 about the approval of the Government of India of the terms of the Collaboration agreement with Messrs. Montecatini of Italy, we have to clarify that the Government of India have approved the said collaboration on the following terms:

I. (1) Allotment of 45,000 shares of Rs. 100 each in the equity share capital of the Madras Aluminium Company Ltd., Coimbatore, to M/s. Montecatini of Italy in consideration of the transfer of the collaborators' technical know-how in the field of the mining of bauxite ores and production of alumina, aluminium ingots and aluminium alloys. It is noted that the collaborator would be agreeable not to charge any additional fees for the supply of technical know-how either in regard to further expansion upto 20,000 tons of aluminium smelter or in regard to manufacture of aluminium fabrications.

(2) Payment to M/s. Montecatini of Italy of a sum not exceeding Rs. 40 lakhs in Italian Lire towards engineering fees, drawings, assistance in purchase of plant and other allied services.

(3) Payment to M/s. Montecatini of Italy of a sum not exceeding Rs. 35 lakhs in Italian Lire for the cost of foreign experts, contractors and agencies for the construction, supervision and other services, charges, etc. This amount of Rs. 35 lakhs represents the payments in foreign exchange to the technical personnel of Montecatini in India. The rupee expenditure on such personnel, it is understood, is estimated at Rs. 15 lakhs.

II. It is noted that M/s. Montecatini will, apart from the equity shares to the extent of Rs. 45 lakhs issued to them for the know-how, would also invest a sum of Rs. 75 lakhs in equity capital of the company as and when this sum that is being paid to the Italian collaborator for engineering fees and personnel become due.

The reservation of 1,20,000 shares for allotment to Montecatini in page 2 of the prospectus is to meet the commitments stated above as and when they fall due.

(Sd.) **R. Venkataswamy,**
DIRECTOR

Dated 5th January 1961.

UNDER SECRETARY TO G. VE'T
17 JAN 1961
PUBLIC DEPARTMENT

Employment in a Rural Economy

A Study in East India

G C. Mondal

THE volume of employment is often taken as an index of the economic well-being of a society. It is not surprising, therefore, that employment is considered without reference to production. Among other things, this has led to the erroneous device of measuring employment in terms of hours of work.

It is difficult to measure employment in a rural economy dominated by petty peasant-proprietors who are mostly self-employed. The concept of income or output as a measure of economic well-being is easier to apply. Measurement of hours of useful work is more difficult than the measurement of income or output. Even when it is possible to assess the hours of work, the assumption of homogeneity of different categories of labour-hours makes the results derived absurd. To aggregate or compare dissimilar services offered by the same or different categories of workers is unscientific. For example, "transplantation-hours" cannot be aggregated or compared with "weeding-hours" or "ploughing-hours" aggregated or compared with hours spent in collecting fuel. Hours of manual work cannot be aggregated or compared with "supervisory hours". Moreover, idle hours do not indicate whether the persons concerned are refraining from work voluntarily or involuntarily.

Age of Employment

An analysis of the working force in nine villages spread over Assam, West Bengal, Bihar and Orissa, surveyed by the Visva-Bharati Agro-Economic Research Centre in 1957-58, throws some light on the question of rural employment. Following the Census, the working force for purposes of the survey was taken to include self-supporting workers and earning dependants, the latter being obviously dependent to some extent upon the earnings of the former. In employment-terms, self-supporting workers were supposed to be fully employed, enjoying fuller employment than the earning dependants. It is self-supporting workers who bear the brunt of the family expenses. We can also suppose that it is earning dependants who suffer from under-employment rather than the self-supporting workers. These definitions of self-supporting workers and earning dependants in employment terms are of course not free from limitations. The returns of self-supporting workers or earning

Table 1 : Village, Gundrigora; State, Orissa

Age-groups Years	Male			Female		
	Population	Self-supporting workers	Earning dependants	Population	Self-supporting workers	Earning dependants
Upto 9	14	—	—	17	—	—
10 – 14	5	—	1	1	—	—
15 – 19	2	1	—	1	—	—
20 – 34	14	13	—	19	7	—
35 – 49	7	7	—	4	2	11
50 – 64	3	3	—	5	1	2
65 – 79	—	—	—	1	1	4
Above 79	1	—	—	—	—	—
Total	46	24	1	48	11	17

Table 2 : Village, Darlimunda; State, Orissa

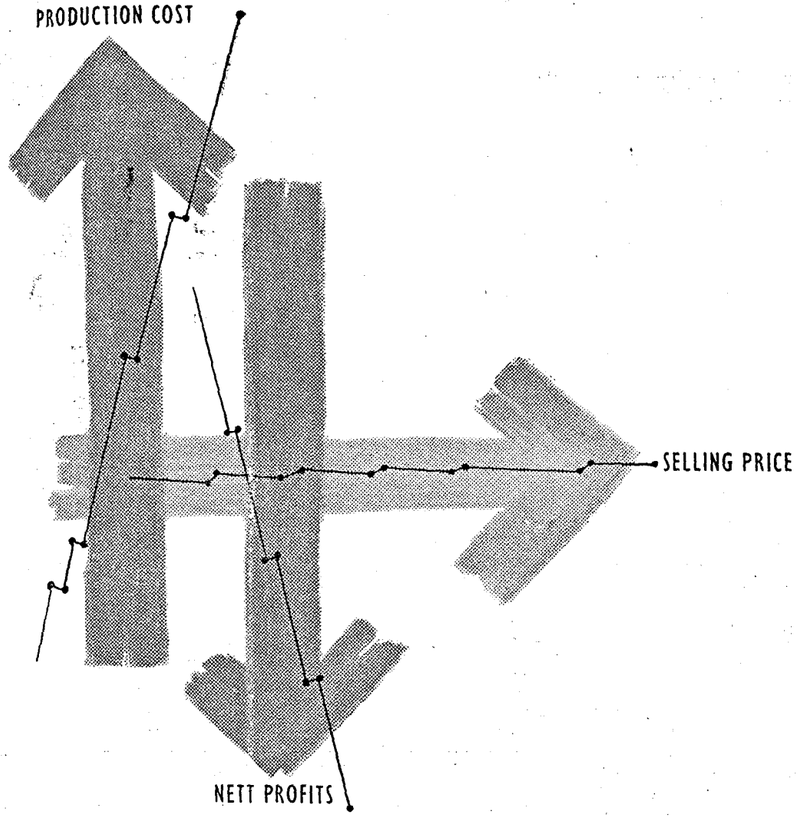
Age-groups Years	Male			Female		
	Population	Self-supporting workers	Earning dependants	Population	Self-supporting workers	Earning dependants
Upto 9	56	—	—	64	—	—
10 – 14	24	1	7	21	—	7
15 – 19	16	12	4	15	1	11
20 – 34	54	54	—	49	4	31
35 – 49	33	33	—	27	3	19
50 – 64	19	17	1	17	—	4
65 – 79	3	3	—	3	—	—
Above 79	—	—	—	—	—	—
Total	205	120	12	196	8	72

Table 3: Village, Badkera; State, Orissa

Age-groups Years	Male			Female		
	Population	Self-supporting workers	Earning dependants	Population	Self-supporting workers	Earning dependants
Upto 9	33	7	—	25	—	—
10 – 14	10	—	2	9	—	—
15 – 19	11	4	4	10	—	—
20 – 34	19	18	1	20	—	2
35 – 49	19	19	—	15	—	5
50 – 64	7	6	1	13	—	1
65 – 79	2	1	—	5	—	—
Above 79	—	—	—	—	—	—
Total	101	48	8	97	—	8

Table 4 : Village, Kutra; State, Orissa

Age-groups Years	Male			Female		
	Population	Self-supporting workers	Earning dependants	Population	Self-supporting workers	Earning dependants
Upto 9	90	—	—	77	—	1
10 – 14	36	15	3	14	9	1
15 – 19	11	8	—	14	10	—
20 – 34	62	62	—	73	59	6
35 – 49	34	34	—	26	17	6
50 – 64	16	16	—	27	14	2
65 – 79	4	4	—	6	1	—
Above 79	—	—	—	—	—	—
Total	253	139	3	237	110	16



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dependants reflect the informants' own opinions about the economic status of their family members. But these limitations can be neglected in view of the fact that unemployment has got some subjective meaning which can be understood only in terms of willingness to work. If people consider and report themselves as self-supporting workers or employed no amount of "idle hours" can be taken to indicate that they are under-employed.

We may now proceed to examine groupings of self-supporting workers and earning dependants by age (Tables 1-9). It is remarkable that among male members total absence of self-supporting workers was found only in the case of persons under 15 years. 15 appeared to be the age of entry into the working force for a substantial number of men in all the villages. In all age-groups, except the lowest two, only a few male members were returned as other than self-supporting workers. These few were mostly earning dependants.

It is among female members that self-supporting persons were remarkably small in number. The female working force was dominated by earning dependants. In rural households apart from women who were returned as earning dependants, other adult female members were also probably engaged in domestic work, whose value in money-terms cannot be ascertained. They stand in contrast to their counterparts in urban households many of whom disengage themselves from domestic work for earning an income in wage-employment, the domestic work, in turn, being largely left to hired servants.

Influence of Caste

The above analysis of the working force was true for all villages with minor variations from one village to another. Though it does not show anything about the intensity of work done, it does indicate something about the nature of employment in the villages under study.

It appears that age and sex factors have affected the level of employment in the villages much more than any other factor. Let us now observe the variations which came to light between different villages under study in the number of workers in the age-group 15-19.

The variation in the strength of the working force in the age-group

Table 5: Village, Jungul; State, West Bengal

Age-groups Years	Male			Female		
	Population	Self-supporting workers	Earning dependants	Population	Self-supporting workers	Earning dependants
Upto 9	82	1	1	67	—	—
10 – 14	18	3	1	15	—	—
15 – 19	11	6	—	12	1	1
20 – 34	43	43	—	54	6	24
35 – 49	30	30	—	16	3	3
50 – 64	17	15	—	21	2	—
65 – 79	1	1	—	2	—	—
Above 79	—	—	—	—	—	—
Total	202	99	2	187	12	28

Table 6: Village, Karsar; State, West Bengal

Age-groups Years	Male			Female		
	Population	Self-supporting workers	Earning dependants	Population	Self-supporting workers	Earning dependants
Upto 9	90	1	—	85	—	—
10 – 14	32	1	1	28	—	2
15 – 19	27	10	2	34	2	3
20 – 34	88	83	2	89	5	11
35 – 49	45	44	—	51	12	11
50 – 64	27	21	3	37	3	6
65 – 79	12	12	—	7	—	2
Above 79	—	—	—	1	—	—
Total	321	172	8	332	22	35

Table 7: Village, Harnechak; State, Bihar

Age-groups Years	Male			Female		
	Population	Self-supporting workers	Earning dependants	Population	Self-supporting workers	Earning dependants
Upto 9	89	—	—	65	—	—
10 – 14	26	—	1	22	—	—
15 – 19	31	11	2	31	—	1
20 – 34	87	81	2	63	1	9
35 – 49	42	42	—	37	1	5
50 – 64	18	15	—	17	—	3
65 – 79	—	—	—	—	—	—
Above 79	—	—	—	—	—	—
Total	293	149	5	235	2	18

Table 8: Village, Brahmsia; State, Bihar

Age-groups Years	Male			Female		
	Population	Self-supporting workers	Earning dependants	Population	Self-supporting workers	Earning dependants
Upto 9	34	—	—	22	—	—
10 – 14	12	1	2	7	—	—
15 – 19	8	2	5	7	—	7
20 – 34	15	11	2	21	3	15
35 – 49	14	14	—	17	2	14
50 – 64	7	6	1	5	—	3
65 – 79	2	1	—	1	—	—
Above 79	—	—	—	—	—	—
Total	92	35	10	80	5	39

Table 9: Village, Tektara; State, Assam

Age-groups Years	Male			Female		
	Population	Self-supporting workers	Earning dependants	Population	Self-supporting workers	Earning dependants
Upto 9	53	—	—	38	—	—
10 – 14	17	1	3	14	—	2
15 – 19	7	3	1	21	4	7
20 – 34	27	26	—	28	1	20
35 – 49	23	23	—	22	2	14
50 – 64	12	12	—	6	1	1
65 – 79	1	—	—	3	1	—
Above 79	2	1	—	2	—	—
Total	142	66	4	134	9	44

15-19 may actually reflect, to some extent, differences in employment opportunities in different villages. In general, a larger proportion of population in this age-group were returned as workers in villages where per capita land owned was larger (Table 10).

Variation in the strength of the female working force in the age-group 15-19 is much larger than in male working force. It is evident from Table 10 that women in the age-group 15-19 have emerged from their domestic confines to enter the working force to a larger extent in the villages of Orissa, Assam and Bihar than in West Bengal. In fact it is the caste-composition of population and social taboos which influence to a great extent the entry of female members into employment. Female workers were found in larger proportions in villages where the so-called lower castes predominated than in the villages dominated by the upper castes which look down upon employment of female workers.

An analysis of the caste-composition of population presented in Table 11 shows that the proportion of backward castes is comparatively larger in the villages of Gundrigora, Darlimunda, Kutra and Tektara. These are also the villages where a larger proportion of female population was employed. Female workers were found in smaller proportion in the villages Jungul and Karsar even though the proportion of backward classes is not small there. This was probably due to the influence of social taboos obtaining among caste-Hindus against employment of women, since the caste-Hindus were substantial in number in these villages though the lower-castes predominated numerically.

Table 10: Working Force in the Age-group 15-19

Village	Male		Female		Per Capita Land Owned (acres)
	Population	Workers	Population	Workers	
Orissa :					
Gundrigora	2	1	1	—	1.0
Darlimunda	16	16	15	12	2.0
Badkera	11	8	10	—	1.1
Kutra	11	8	14	10	0.7
West Bengal :					
Jungul	11	6	12	2	0.3
Karsar	27	12	34	5	0.3
Bihar :					
Harnechak	31	13	31	1	0.2
Brahmsia	8	7	7	7	0.7
Assam :					
Tektara	7	4	21	11	1.0

Table 11 : Population by Caste

Village	Total Population	Caste Hindus	Scheduled Caste, Scheduled Tribe & Backward Classes	Percentage of Scheduled Caste, Scheduled Tribe and Backward Class-People to Total Population	Percentage of Female Workers to Female Population above 14.
Orissa :					
Gundrigora	94	—	94	100.0	93.0
Darlimunda	401	—	401	100.0	72.1
Badkera	198	137	61	31.8	12.7
Kutra	490	21	469	95.7	86.3
West Bengal :					
Jungul	389	100	289	74.3	38.1
Karsar	653	197	456	69.8	26.3
Bihar :					
Harnechak	528	301	227	43.0	13.5
Brahmsia	172	85	87	50.6	86.3
Assam :					
Tektara	276	—	276	100.0	64.6

THE INDIAN ECONOMIC REVIEW

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The Central India Spg Wvg & Mfg Co Ltd

AT a meeting of the Board of Directors of the Company held on January 6, 1961, the Directors decided not to recommend any dividend on Ordinary and Preference shares of the Company for the year ended June 30, 1960 as the year's working had resulted in a loss of Rs 8,93,325 without making any provision for depreciation. The relative loss for the previous year was Rs 52,69,282. The total turnover for the year was Rs 427.42 lakhs as against Rs 300.54 lakhs in the previous year.

Around Bombay Markets

Dalal Street Marking Time

D P Sharma

Thursday, Morning

DALAL STREET continues to mark time, with equities still drifting lower. Nearly all the popular counters last week recorded new low levels in the more recent downward move. Most of them eased only for want of fresh support. A few, however, were depressed by tired bull liquidation. Bears were rarely aggressive. Short covering and some cautious replacement buying induced mainly by technical considerations produced a small rally near the week-end. Net changes over the week were small with losses predominating. The volume of business continues to be restricted and outside public interest is virtually absent.

Though there is nothing to indicate that the downward trend which started towards the end of July has come to an end, the feeling is gradually gaining ground that the market might not suffer any further big important decline from the current levels. When the upward trend will be resumed, is difficult to say. Apart from the Budget uncertainty, the acute stringency in the money market is also having an important restraining effect on the general market sentiment. Many new companies will be in the market for raising capital in the coming weeks, which will cause a considerable strain on the money market's resources. It is time that the Reserve Bank released the remaining 25 per cent of the additional impounded reserves for the period March 11 to November 11. This will make available about Rs 18 crores to the market which is quite starved of funds.

Incentive Scheme for Cloth Export

The Cotton Textile Consultative Board which met in Bombay on 10th January has recommended that the incentive scheme for the export of cloth should be extended up to the end of June. For bringing about a 10 per cent increase in cloth production the Board has suggested the intensive utilisation of existing capacity and the adoption of relay system of working hours and staggering of holidays. The cotton piecegoods market has turned lively following the end of the uncertainty about cloth prices. Better off-take and prospects of increased production should improve the outlook for Cotton Mill shares which have suffered a phenomenal decline since July.

The shares of the sugar companies operating in Maharashtra State have suffered a further fall because of the proposed legislation on ceiling on land holdings. Land held by industrial and commercial undertakings has not been exempted from the purview of ceiling. Even assuming that the companies will continue to get abundant supplies of good quality cane at fair prices, the profits of companies owning big farms of their own are bound to suffer a substantial decline because they will lose heavily by way of tax relief they now enjoy on their income from land. What shape the proposed Bill will finally take, is difficult to say. But investors' confidence in the shares of the Deccan companies is unlikely to revive as long as uncertainty continues in this regard.

Oilseeds

Groundnut at New High

THE oilseeds market is having a difficult time. Turnover has shrunk to modest proportions because of the margin restrictions. Straddle business between Bombay and upcountry markets has also dwindled to a mere trickle. The decline in speculative activity would be welcome if it had some salutary effect on prices. But groundnuts, where a bull has to pay a penal margin of Rs 10,000 per unit of trading (25 metric tons), continue to hold remarkably firm. The February contract continues to hover at around Rs 218 within a range of Rs 3. Last week the hedge contract touched a high of Rs 219.50 against the ceiling of Rs 220. Spot groundnuts continue to command a sizable premium on futures. Even the inferior most quality — Karad bold — is quoted at around Rs 45 per 50 kilos. Off-take is good compared with the pace of arrivals.

Penal margin in futures is reported to have encouraged speculative activity in non-transferrable specific delivery contracts. No restrictions under the Forward Contracts (Regulation) Act have at present been imposed on these contracts as they should result in cent percent delivery. In view of the numerous complaints about illegal trading in non-transferrable specific delivery contracts the Commission is contemplating some action on this front. Recently it held discussions on this subject with the Presidents of the recognised associations in Bombay, Rajkot, Adoni, Hyderabad and Sangli.

The Board of the Bombay Oilseeds and Oils Exchange has advised the Government against allowing any further export of groundnut oil and groundnut H P S on the plea that exports will push up domestic prices because of the tight supply position. But the Board has urged that in case the Government was keen on exports, it is the established shippers who should be given the top priority.

Export houses did not report any important business in groundnut extractions. They complain about the difficulty of securing freight for January. From next month freight will rise by 15 shillings to 100 shillings per ton. Freight is being increased at a time when overseas demand generally tapers off. March to June are the slack months for overseas demand for oilcakes. The export trade continues to await the further quota for groundnut H P S for which foreign demand is still keen. H P S Bold and Java quality are being eagerly sought at £ 92 and £ 94 per ton respectively.

Castor Subdued

While groundnut futures touched a new high during the week, linseed and castor showed a slightly easier tendency. Linseed May declined from Rs 35.66 to Rs 34.81 and castor May from Rs 178.37 to Rs 175.25. Wednesday's closing prices were a little better at Rs 35.22 and Rs 176.25 respectively. The setback in linseed was caused mainly

by technical considerations, the preceding rise having been quite steep. Spot linseed continue to fetch a premium of about Rs 4 per 50 kilos. Offerings remain scarce, being the fag-end of the season. Export business in linseed cake was reported around 2,000 tons and the price realised was mentioned around £ 29-15 per ton for January shipment. East Germany and the Continent were the chief buyers. The U K took only small quantities.

Castor futures fluctuated irregularly with a subdued tendency. Selling was seldom heavy but support was lacking. Hardly any fresh export business was reported in castor oil. Overseas buyers did not evince much interest in Indian oil but exporters too have little to offer. There is very little carryover of castorseed or castor oil from the previous season and not until new crop arrivals gather momentum will the mill turn to crushing castorseed. Cottonseed prices eased from Rs 95.50 to Rs 91.50 mainly in sympathy with the weakness in cotton futures.

Following are the provisional figures of shipments of oils and oilcakes from Bombay in 1960. Brackets contain figures for the previous year. Castor oil 50,095 tons (31,192 tons), linseed oil 5,515 (9,237), groundnut oil 4,670 (7,867), groundnut oilcakes 1,42,018 (1,83,574), linseed cake 44,610 (38,806), cottonseed cake 4,703 (10,746), niger cake 4,126 (4,486), groundnut H P S 13,916 (8,728), sesameseed 504 (337) and kardiseed 123 (195).

Cotton

Prices Recede

COTTON futures suffered a sizable setback last week. The April contract declined from Rs 605 to Rs 587.25 on persistent upcountry selling induced mainly by the mounting pressure of arrivals. The decline uncovered many weak positions and prompted considerable bear selling. Near the week-end, however, the contract rallied to Rs 594.75 on short covering and modest replacement buying. The easier tendency was not confined to futures alone. The spot market also displayed considerable easiness. With prices gradually drifting lower and arrivals gathering momentum, mills were inclined to hold off the market. Turnover in the spot market dwindled with the turn in sentiment and most varieties declined by about Rs 15 to Rs 20 per candy.

The textile news was by no means unencouraging. With uncertainty about prices over, off-take of cloth has picked up appreciably. The incentive scheme for the export of cloth is to continue. The Government wants the industry to increase cloth output by about 10 per cent and it has already outlined the procedure for the allocation of extra cotton which, however, is allotted only to mills working their spindles on extra shifts. If a mill does not wish to produce more yarn but wishes to work only the looms on extra shift, no additional quotas of cotton will be granted.

Crop Estimates

Increased cloth production means more consumption of cotton. And if off-take of cloth continues to be good increase in cloth output will have a significant effect on cotton prices. The current spell of weakness in the cotton market is essentially of a seasonal character.

The tempo of arrivals in Berar and the ideal weather conditions in the Southern cotton growing areas have encouraged many market men to revise their crop ideas. There are not a few who think that the crop might turn out to be around 51/52 lakh bales against earlier forecasts of 48.5 to 50 lakh bales. Whether estimates of a larger crop are based mainly on the continued good flow of arrivals or they merely reflect the prevailing mood of the market, it is difficult to say. But only the bulls will feel uneasy at the prospect of a larger crop. Prices can be expected to record a further decline if the crop turns out to be around 51/52 lakh bales, but the lower levels are unlikely to be sustained for long.

The ban on the movement of Bengal Deshi cotton from Punjab, Rajasthan and Uttar Pradesh to any other place in India which had been imposed from 28th November has been removed. This is interpreted to mean that the pressure on Deshi cotton has lessened considerably in so far as supplies to domestic mills are concerned. This has naturally revived hopes of a further export quota of Bengal Deshi. The Cotton Textile Consultative Board discussed the question of a further export quota at its meeting on 10th January. The industry has opposed the release of a further export quota on the ground that it would push up the prices of the other varieties of cotton. But its objection is untenable since there always remains a substantial surplus after the industry's requirements have been fully met. The Government therefore will be well-advised to release a further quota at the earliest because the overseas buyers are at present willing to pay fairly high prices for Indian cotton.

The East India Cotton Association, Bombay, has decided to call an annual cotton convention with a view to providing an opportunity to all sections of the trade to ventilate their grievances on an all-India basis and submitting them to the appropriate authorities for redress. There is need for a common platform for the cotton trade. For unlike the textile industry the cotton trade is not well-organised. It cannot therefore make its voice heard properly.

Bullion

Silver All-time High

THE busy season for precious metals has hardly begun and the market has developed remarkable strength. Between January 2 and 11 silver Maha delivery has advanced from Rs 196.05 to Rs 201.30 and gold Maha is up from Rs 115.60 to Rs 117.70. With seasonal off-take gradually picking up and arrivals steadily shrinking there has come about a visible change in the relationship between spot and futures prices. The discount on ready gold and silver which stood at around Rs 1.50 about a fortnight ago has now come down to around 25 to 35 nP. Silver futures have already risen to a new all-time high and gold too may not take long to scale a new peak. Prices have shot up despite the heavy margins of Rs 600 per 10 kilograms of silver and Rs 35 per 10 grams of gold. A few prominent bulls are said to be once again dominating the scene. With seasonal demand expected to improve in the coming weeks, the bullion market should continue to display marked strength. Floating stocks of gold and silver in the country are currently estimated around 75,000 tolas and 3,500 bars (of 2,800 tolas each) respectively.

Company Notes

Air-India

IN the last year of operations with a fleet composed exclusively of piston-engined aircrafts, Air-India International increased its operating revenues by Rs 1 crore or 9 per cent to Rs 12.58 crores. Larger earnings on cargo traffic contributed more than half of this increase and the balance was accounted for by passenger traffic and commission from other airlines. Though operating expenses also increased roughly in the same proportion, net earnings rose by nearly 50 per cent to Rs 27 lakhs which represents a little more than 1 per cent on net capital invested. The profit would have been almost twice as large, but for the pilots' strike in January last year.

Capacity offered increased by more than 6 per cent and overall load factor improved from 57 per cent to 58 per cent. Operating expenses were Rs 2.08 per available ton mile against Rs 2.03 in the previous year. The increase of approximately 2 per cent in expenses was due to the pilots' strike, revision in the wage structure of flying crews and build-up of sales organisation in preparation for the commencement of jet operations. Productivity of the Corporation's labour and staff during the year was 12,950 available ton miles per employee against 12,609 in the previous year. It is reported to have risen considerably during the current year as a result of the introduction of Boeings.

Gross capital investment in the Corporation now exceeds Rs 31 crores and net capital investment is Rs 26 crores. Out of the latter, equity and loan capital received from Government account for Rs 8 crores each, and loans from the World Bank and U S Commercial Banks for another Rs 8 crores. Gross capital formation during the year amounted to Rs 10 crores, of which more than Rs 9 crores was under gross fixed assets alone.

Air-India is well set to face competition from stronger rivals. Its compact and economical organisation, the soundness of its route system, the excellence of its jet fleet and the quality of its services assure it of a good future. Its revenue pooling arrangement with B O A C and Qantas Empire Airways in respect of air services to U S A, Australia and Japan, in addition to the similar arrangement with Aeroflot and Czechoslovakian Airlines has partially eliminated competition on several routes. It has also entered into agreement with certain European Airlines for pooling of spares and tools at 15 stations on the Corporation's routes. The extension of Boeing services to New York over the most competitive route in the world will also help improve utilisation of capacity.

Textool

SALES of Textool during the year ended April 30, 1960 went up from Rs 132 lakhs to Rs 166 lakhs, but gross profit margin on them remained constant at 8 per cent. Net profit improved slightly from Rs 3.47 lakhs to Rs 3.93 lakhs which represents 3 per cent on capital invested, 11 per cent on net worth and 18 per cent on average equity capital. These ratios are roughly the same as in the previous year. The dividend is 15 per cent gross, which absorbs Rs 3.29 lakhs, leaving a retention of Rs 64,000.

NATIONAL AND GRINDLAYS BANK LIMITED

(Amalgamating National Bank of India Ltd., & Grindlays Bank Ltd.)

Registered in London under the Companies Act of 1862 on the 23rd March, 1866. The liability of members is limited.

Bankers to the Government in Aden, Kenya Colony Zanzibar, Uganda

Capital (Authorised and Subscribed)	....	**£4,562,500**
Paid-up Capital	....	**£2,851,563**
Reserve Funds	....	**£3,168,579**

Head Office :
26, BISHOPSGATE, LONDON, E.C.2.

London Branches: 54, Parliament Street, S. W. 1.
Travel and Insurance Departments:
13, St. James's Square, S. W. 1.

BRANCHES throughout India, Pakistan, Ceylon, Burma Aden, Somali Republic, Zanzibar Islands, Kenya, Uganda, Tanganyika Territory and Northern and Southern Rhodesia.

The Bank conducts all classes of Banking and Exchange Business throughout the world. Trusteeships and Executorships are undertaken.

The Bank undertakes the recovery of Income Tax and preparation of Income Tax returns on behalf of its constituents.

Bombay Offices:

Main Office: 90, Mahatma Gandhi Road, Fort, Bombay-1.
Mint Road Branch: Corner of Mint Road and Sir P. M. Road, Bombay-1.

The increase in turnover was due partly to execution of high draft conversion orders executed mostly out of purchased components. The sale of textile machinery at the beginning of the year was rather slack but has picked up since then, thanks to a large number of orders received from Ahmedabad and Calcutta. With the slowing of the erection of new mills, the company has had to depend on orders for reconditioning of old textile machinery. With the cooperation of its bankers, the company has started selling its products on deferred payment terms.

A collaboration agreement has been concluded with a Japanese firm for the manufacture of railway signal equipment.

National Newsprint

THE accounts of National Newsprint and Paper, a Government company, for the year ended March 31, 1960 show an improvement in sales from Rs 228 lakhs to Rs 235 lakhs and a rise in profit from Rs 38 lakhs to Rs 40 lakhs. Preliminary expenses and accumulated losses, however, still amount to Rs 119 lakhs. Gross capital invested in the company has increased from Rs 576 lakhs to Rs 647 lakhs. Equity investment is Rs 493 lakhs and loans from Government amount to Rs 126 lakhs.

Newsprint production during the year was a little more than 22,000 tons. The second stage of development which includes improvement of the quality of paper with the installation of a calcium hypochlorite plant and increasing the capacity of the chemical mill made further progress during the year. The third digester, the modern units, uniclarifier and re-chipper were installed and commissioned.

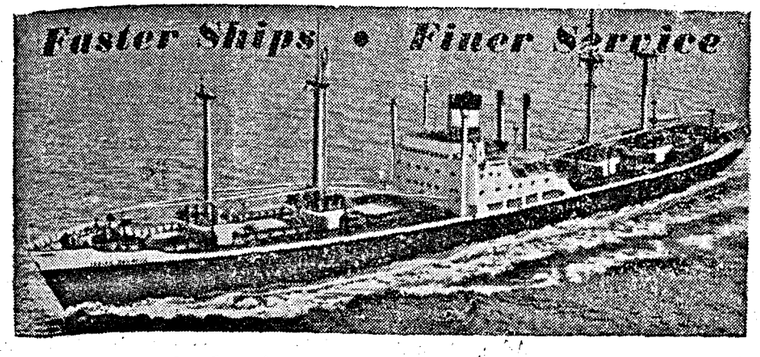
Automobile Production

THE production of automobiles in the country touched a new high in 1960. With the output of cars, commercial vehicles and jeeps totalling 5073 in December 1959, the year's production reached the peak level of 52,115, as against 32,138 in the first year of the Second Plan (1956). The output of motor cycles, scooters and autorikshaws amounted to 17,375 in 1960, which was more than double that of the previous year. In 1956, production of such vehicles in the country had been only about 6,300. This year the rise in production was achieved within the same allocation of foreign exchange as in 1959. The production of ancillaries in 1960 was estimated at Rs 10 crores, as against only Rs 50 lakhs in 1951.

L I C Foreign Business

THE Life Insurance Corporation is now transacting business in the following foreign countries: 1 Kenya, 2 Uganda, 3 Tanganiyka, 4 Zanzibar, 5 Malaya, 6 Singapore, 7 Mauritius, 8 Aden, 9 Hongkong, and 10 Fiji.

The total amount of foreign business to the credit of the L I C was Rs 28.60 crores upto October 15, 1960.



Our fleet of twenty modern freighters offers fast, regular and dependable service between

INDIA—U. K. & THE CONTINENT • INDIA/EAST PAKISTAN—SOUTH AMERICA
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Maharashtra Land Ceilings Bill

Statement by Mr F Edwards

THE following is the text of the statement by Mr F Edwards, President, Deccan Sugar Factories Association, about the Bill on land ceilings proposed to be introduced by the Maharashtra State Government, made in Bombay on Tuesday, January 10, 1961.

The proposed Land Ceilings Bill of the Government of Maharashtra is a very risky and Dangerous move! No right-thinking business man or industrialist could possibly support such a retrograde step. The very basis of the success of the Sugar industry in Maharashtra is being undermined, and the benefit, experience and efficiency built up over a period of 40 years is being thrown to the winds. Maharashtra is the most successful Sugar producing area in India and this success is only due to the pioneering work and perseverance put in by the old established joint stock Companies. Their experience has proved that only by having the growth of its Sugar Cane under its own complete control can a factory produce quality Sugar at low prices. The profits made by such factories are not due to high selling prices, or profiteering, because the selling rates are fixed by the State Government! They are due solely to lower costs of growing cane and manufacturing. Looking to the yields of cane per acre and quantity of Sugar produced per acre of cane, it is completely beyond all comprehension why there should be State Government interference, when the Central Government are urging higher production, at lower costs, to enable the country to participate in world trading and earn valuable foreign exchange.

Maharashtra produces results equal to the averages in other well known Sugar producing countries of the world. Take Java, for example. and study the following figures :

	Yield of Cane in Tons per acre	Average percentage recovery of Sugar from Cane
Java	56.20	11.49%
Maharashtra	53.25	11.80%
All India	14.70	9.84%

Compare Maharashtra's results with the averages throughout India, and ask yourselves the question "Why should the State Government attempt to disturb such progress in Maharashtra, when the rest of the country's Sugar industry is obviously so sick and ailing"? The answer cannot possibly be that it is in the interests of the Nation or even in the interests of the State. There are abundant facts to prove that. It is therefore astounding that the Central Government should allow such legislation to be brought forward. The only obvious answer to the question is that the move is entirely political and is an effort to attain some ideological goal at any and all costs. The intention to apply Ceilings to Sugar Cane farms is all the more astonishing when one recalls the utterances of Ministers and the Planning Commission in recent times and the steps that have been taken in other States to exclude industrial undertakings from their Land Ceiling Bills. Surely it can't be that the Governments of Andhra, Kerala, Madras, etc. are more enlightened than that of Maharashtra! In the Madras Bill provision is made for the setting up of a Sugar Cane Board with a High Court Judge as Chairman to determine whether Sugar Cane farms shall continue to be run by the factories which have been cultivating them hitherto. This is fair enough as it is expected the decisions will depend on facts and merit but the Maharashtra Government has set itself up as the sole judge as to what it should do with the Surplus lands which become vested in it. And if any difficulties should arise in administering the bill when it is enacted, the Government has taken the power to make such adjustments or take such decisions as it may consider necessary to meet the case. This is a bad feature of the bill and should be opposed rigorously. Another possibility is that some of the Sugar factories in the country may find themselves deprived of their farms while others will not and this discriminatory treatment should not be allowed by the Central Government.

The whole Bill is another example of unnecessary political interference in industry and commerce and the effect, if the bill is enacted in its present form, must inevitably be detrimental to the progress of the Sugar industry in the Deccan. It is to be hoped that the Government even at this late stage will indulge in some re-thinking and come to the right conclusion that it would be infinitely wiser to exclude well run Sugar Cane farms attached to factories, from the provisions of the bill.

International Development Association

THIRTY-SEVEN countries have now joined the International Development Association (IDA), the new World Bank affiliate, as original members, and the funds subscribed to it amount to the equivalent of $852 million, mostly payable in convertible currencies.

IDA came into existence last September 24, and was organized for business on November 8, when its Executive Directors held their first meeting. The purpose of IDA is to promote economic development, and so raise living standards in its member countries, by loans that will bear less heavily on the balance of payments than do conventional loans. IDA may make loans, for instance, with very low interest charges and payable over very long periods of time.

IDA may also lend for a wide range of projects, including not only power, transportation and other directly productive schemes such as are financed by the World Bank, but also projects of a social character. IDA will have the same management and staff as the World Bank, however, and will apply the same careful standards as the Bank with respect to the planning and administration of the projects it assists.

CURRENT STATISTICS

INDUSTRIAL PRODUCTION—II

(Monthly Average of Calendar Months)

	Rayon viscose yarn (tons)	Rayon staple fibre (tons)	Rayon acetate yarn (tons)	Naphtols (000 lbs)	Aluminium (virgin) (tons)	Pig iron (000 tons)	Steel ingots and metal for castings (000 tons)	Semi-finished steel (000 tons)	Finished steel (000 tons)
1959: Aug	1,334	1,765	167	65.7	1,552	275.7	207.2	187.7	158.7
Sept	1,260	1,722	112	57.9	1,536	252.6	195.2	172.6	160.0
Oct	1,341	1,780	13	49.1	1,538	267.2	214.1	187.6	151.7
Nov	1,323	1,596	99	78.0	1,495	259.0	231.5	209.0	161.9
Dec	1,436	1,739	132	73.7	1,553	276.3	250.0	212.7	181.0
1960: Jan	1,432	1,826	165	63.1	1,475	336.8	259.6	241.7	175.7
Feb	1,409	1,721	146	58.4	1,411	333.2	245.7	255.5	162.1
Mar	1,592	1,836	174	66.2	1,550	361.2	272.0	316.0	176.9
April	1,690	1,720	173	53.3	1,529	324.8	248.2	273.3	170.1
May	1,492	1,820	166	56.8	1,555	312.1	239.8	268.3	167.8
June	1,485	1,751	130	78.5	1,535	296.3	244.1	256.0	161.7
July	1,623	1,903	157	78.9	1,650	280.2	242.8	228.4	178.0
Aug	1,531	1,848	172	59.3	—	—	—	—	—

	Diesel engines (vehicular) (nos)	Diesel engines (stationary) (nos)	Power driven pumps (000)	Machine tools (Rs lakhs)	Twist drills (000)	Trucks (petrol & diesel) (nos)	Buses (petrol & diesel) (nos)	Bicycles (000)	
1959: Aug	679	1,721	7.2	41.66	103.9	1,458	417	80.9	
Sept	775	2,011	6.8	34.05	105.2	1,480	424	88.4	
Oct	706	2,462	7.4	35.12	133.9	1,245	437	78.0	
Nov	879	2,414	7.0	39.47	106.8	1,449	438	89.4	
Dec	900	2,716	7.3	44.18	132.6	1,725	505	104.3	
1960: Jan	829	2,703	7.9	53.24	103.1	1,861	526	76.7	
Feb	891	2,926	7.7	56.54	90.9	1,680	460	71.2	
Mar	755	3,231	8.0	66.61	123.1	1,753	499	83.3	
April	858	3,008	7.4	22.71	109.7	1,722	606	—	
May	757	3,283	7.1	30.88	102.4				
June	1,034	3,697	7.4	42.39	122.8				
July	809	3,587	7.3	36.97	120.1				
Aug	758	3,594	—	—	133.2				

	Dry cells (lakhs)	Elec motors (000 H.P.)	Power transformers (000 KVA)	Automobiles (total) (nos)	Tyres (tractor) (nos)	Tubes (auto) (000)	Tyres (cycle) (000)	Tubes (cycle) (000)	Tubes (tractor) (nos)
1959: Aug	156.2	42.4	83.1	3,526	3,292	109.2	894.6	2,888	
Sept	162.8	43.8	96.8	3,075	3,281	104.8	838.9	6,221	
Oct	137.0	37.0	76.4	3,018	1,104	80.2	560.4	1,633	
Nov	182.1	43.6	79.3	3,369	4,129	104.0	908.3	3,210	
Dec	193.7	52.0	101.9	4,387	4,501	106.7	946.1	4,741	
1960: Jan	160.0	45.9	88.5	3,784	4,060	96.7	852.3	2,293	
Feb	165.5	47.6	89.0	4,145	2,932	102.1	953.3	2,786	
Mar	156.3	50.5	92.3	4,607	3,965	114.3	1,063.4	3,197	
April	158.6	51.4	96.4	3,775	3,830	104.1	1,005.0	4,572	
May	156.1	51.4	87.8	3,809	3,858	101.8	1,139.1	3,774	
June	178.3	54.5	95.5	4,356	4,406	99.0	1,134.3	3,952	
July	162.5	57.6	81.5	4,293	4,423	113.4	1,104.0	5,312	
Aug	168.9	—	—	4,647	1,024.4	106.3	1,108.7	6,770	

	Carding engines (nos)	Arc welding electrodes (lakh ft)	Steel files (000 doz)	Machine screws (000 gross)	Grinding wheels (000)	Ball bearings (000)	Storage batteries (000)
1959: Aug	53	231.4	25.0	107.5	109.5	188.8	39.8
Sept	43	209.5	24.7	158.0	93.3	198.9	39.1
Oct	41	222.7	19.3	165.1	122.4	92.9	32.1
Nov	67	268.5	19.5	153.8	114.4	Nil	35.0
Dec	75	281.7	19.4	178.3	120.9	177.7	41.7
1960: Jan	76	69.0	14.5	150.0	141.3	180.3	39.1
Feb	60	70.8	14.0	124.1	138.8	177.8	41.5
Mar	58	82.7	12.4	96.9	149.1	232.0	43.4
April	81	84.3	15.0	127.6	142.7	233.7	41.8
May	85	89.3	20.4	143.5	146.3	234.3	42.6
June	96	93.6	22.9	140.0	144.9	424.6	47.0
July	80	111.1	22.9	133.0	143.3	329.5	45.2
Aug	102	92.0	—	—	—	—	—

	Tyres (auto) (000)	Tyres (cycle) (000)	Tyres (tractor) (nos)	Tubes (auto) (000)	Tubes (cycle) (000)	Tubes (tractor) (nos)
1959: Aug	109.4	882.3	3,292	109.2	894.6	2,888
Sept	105.7	854.6	3,281	104.8	838.9	6,221
Oct	80.5	594.3	1,104	80.2	560.4	1,633
Nov	103.7	841.1	4,129	104.0	908.3	3,210
Dec	104.5	859.3	4,501	106.7	946.1	4,741
1960: Jan	101.5	801.2	4,060	96.7	852.3	2,293
Feb	101.2	821.0	2,932	102.1	953.3	2,786
Mar	119.8	885.8	3,965	114.3	1,063.4	3,197
April	108.9	930.5	3,830	104.1	1,005.0	4,572
May	111.3	959.3	3,858	101.8	1,139.1	3,774
June	107.4	894.6	4,406	99.0	1,134.3	3,952
July	121.1	952.1	4,423	113.4	1,104.0	5,312
Aug	122.3	1,024.4	4,810	106.3	1,108.7	6,770

	Antimony (virgin) (tons)	Aluminium (sheets & circles) (tons)	Calico looms (nos)	Ring frames (nos)	Carding engines (nos)
1959: Aug	85	1,418	371	95	
Sept	85	1,335	438	92	
Oct	55	1,263	429	86	
Nov	45	1,340	435	91	
Dec	50	1,442	455	76	
1960: Jan	51	1,500	420	85	
Feb	50	1,600	459	59	
Mar	85	1,700	539	84	
April	60	1,650	464	77	
May	70	1,740	348	108	
June	84	1,800	378	109	
July	45	1,900	385	86	
Aug	92	—	420	116	

NOTE: Monthly averages for 1959 in metric units for : Rayon Viscose Yarn, Rayon Staple Fibre, Rayon Acetate Yarn and Napthols. Monthly figures in metric units from January 1960 for : Arc welding electrodes; from August 1960 for : Aluminium Virgin, Aluminium sheets, Antimony virgin, Copper virgin, Lead virgin and Brass sheets & circles; from July 1959 for Napthols, Grinding Wheels and from August 1959 for Rayon Viscose Yarn, Rayon Staple Fibre, Rayon Acetate Yarn and Tyres and Tubes.

— = Not Available.

Source: Directorate of Industrial Statistics

BANKING RETURNS (Rs Crores)

	Latest Week‡	Week Ago	Month Ago	Year Ago
Reserve Bank				
1. Note Circulation	1901.25	1868.98	1862.72	1775.08
2. Rupee Coin	124.82	127.36	127.06	129.81
3. Deposits				
(a) Central Govt	59.71	70.03	50.83	64.37
(b) Other Govts	7.00	9.87	13.24	12.54
(c) Banks	84.67	115.68	93.22	68.25
(d) Others	92.66	94.17	90.07	122.43
4. Foreign Securities	128.01	128.01	128.01	163.01
5. Balances abroad	19.61	23.72	24.61	48.35
6. Rupee Securities	1547.06	1512.06	1502.06	1377.43
7. Investments	140.36	185.41	193.86	183.46
8. Loans and advances to Govts	43.00	41.25	40.40	24.55
9. Other Loans and Advances	151.46	159.91	124.62	102.89
Scheduled Banks				
1. Liabilities :				
2. Demand (net)	686.71	687.62	679.60	739.75
3. Time (net)	1073.39	1069.56	1082.68	1107.23
4. Total	1760.10	1757.18	1762.28	1846.98*
5. Cash in hand	49.90	43.93	44.76	52.13
6. Balances with Reserve Bank	112.15	88.09	85.89	102.33
7. (5) + (6) as % of (4)	8.86	7.24	7.15	8.36
8. Borrowings from Reserve Bank	61.47	42.80	20.08	32.22
Of which Usance Bills	13.72	8.36	4.06	1.42
9. Advances	1007.85	992.08	956.46	823.62
Of which State Bank's	216.16	209.47	198.36	152.10
10. Bills Discounted :				
(a) Inland	114.21	107.07	106.25	107.94
(b) Foreign	48.60	46.93	47.36	45.91
(c) Total	162.81	154.00	153.61	153.85
Of which State Bank's	15.97	16.45	15.60	14.66
11. Bank Credit (9+10c) as % of (4)	64.02	62.86	60.71	52.92
12. Invest in Govt Sec.	633.76	658.55	686.10	762.03
Of which State Bank's	291.82	313.33	335.49	367.53
13. (12) as % of (4)	34.66	36.12	37.53	41.26
Cheque Clearance	218.72	201.24	220.30	160.98

‡For Reserve Bank week ended 6-1-61. For Scheduled Banks and Cheque Clearance week ended 30-12-60.
* Includes deposits of banks and others.

Bombay Money Rates (% per annum)

(Selected Scheduled Banks other than State Bank)

	30-12-60	Week Ago	Month Ago	Year Ago
Call Money From Banks	4.62	4.50	3.75	3.50
Deposits :				
Seven Days	2.00	2.00	2.00	3.37
Three Months	3.48	3.50	3.50	3.50
Six Months	3.50	3.49	3.49	3.50

Bombay Bullion (Rs and nP)

	12-1-61	Week Ago	Month Ago	Year Ago
Gold (per ten grams)				
Spot	117.20	115.20	114.40	111.71
Forward	117.55	116.05	115.10	111.40
Silver (per kilogram)				
Spot	201.95	197.00	194.55	183.45
Forward	202.45	197.90	196.30	184.52

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Week Ended	24-12-60	17-12-60	26-11-60	26-12-59
Food Articles	116.9	117.0	119.3	116.7
Cereals	99.7	100.4	102.8	99.2
Pulses	92.9	93.7	94.4	91.8
Fruits & Vegetables	104.7	106.6	105.9	111.1
Milk & Ghee	109.1	109.5	112.1	105.4
Edible oils	155.9	152.7	153.8	128.9
Fish, Eggs & Meat	122.9	126.2	124.7	114.4
Sugar & Gur	127.4	127.8	129.9	147.0
Others	173.1	170.6	177.5	186.8
Liquor & Tobacco	111.7	112.3	114.5	102.5
Tobacco	110.3	111.0	113.3	101.1
Fuel, Power, Light & Lubricants	120.3	120.3	120.2	117.0
Industrial Raw Materials	150.6	148.1	146.6	129.2
Fibres	157.4	153.7	153.0	128.0
Oilseeds	156.0	152.9	151.4	131.8
Minerals	98.2	98.2	98.2	95.2
Others	130.9	131.6	128.6	128.6
Manufactures:	125.8	125.5	125.8	114.5
Intermediate Products	132.5	131.9	132.0	119.0
Finished Products	124.8	124.5	124.7	113.8
Textiles	128.7	128.3	128.8	111.8
Cotton	129.2	129.2	129.2	120.1
Jute	140.7	139.1	141.2	97.3
Woollen	110.1	110.1	110.1	104.2
Silk & Rayon	102.4	102.4	101.5	99.1
Metal Products	146.8	146.8	146.8	144.7
Chemicals	103.8	103.7	104.9	107.0
Oil cakes	148.3	147.2	144.7	144.6
Machinery & Transport Equipment	111.9	111.9	111.9	106.4
Others	116.6	116.4	116.4	114.0
All Commodities	124.7	124.3	125.3	117.7

SUGAR PRODUCTION

(November 1, 1959 to October 31, 1960)

(Tons)

	Production	Despatches	Stocks*
Northern India			
Uttar Pradesh	12,20,506	10,12,599	2,92,747
Bihar	3,24,950	2,76,720	76,678
Assam	4,233	4,235	35
West Bengal	8,843	7,098	1,802
Punjab	1,00,670	77,608	27,931
Rajasthan	12,091	8,692	3,966
Madhya Pradesh	28,190	21,319	8,120
Total	16,99,483	14,08,271	4,11,279
Southern India			
Maharashtra & Gujarat	4,01,321	3,23,625	1,08,132
Madras	83,860	69,694	22,012
Kerala	9,890	10,258	2,432
Orissa	2,789	2,248	693
Mysore	86,170	88,775	17,556
Andhra Pradesh	1,37,271	1,17,794	32,017
Total	7,21,301	6,12,552	1,83,968
All India	24,20,784	20,20,823	5,95,247

*As on October 31.

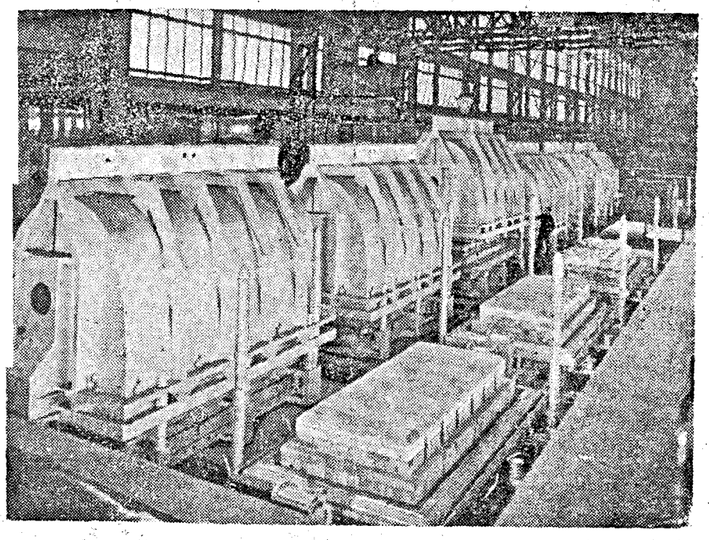
Source: Bombay Sugar Merchants' Association

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A Republican Welcome

PERHAPS the real measure of the genuine happiness and enthusiasm with which the whole of this country has been looking forward to welcoming the Queen of England, whose visit is due to begin today, lies in the fact that hardly anyone has winced at the extravagance of money the preparations have involved. The spectre of death hanging on the head of the tiger whom the monarch will shoot as part of her fun in India has excited much more comment than the very considerable amount of money which the visit will have cost by the time it is over, and which Heaven knows this country can ill-afford.

Apprehensions on this point were expressed by a journalist at the Prime Minister's press conference this week in Delhi; and the reply Pandit Nehru gave can only be described as a defensive denial of any undue extravagance. Rejecting the charge that there had been wasteful spending for the occasion, he nevertheless admitted that there may have been some extravagance in some places, and indeed ended up by disclosing that he himself had been trying to "moderate the enthusiasm" of many of the spenders.

It is necessary, of course, to be careful in making any wild charges against the Government in this matter; and in fairness to it, it should be noted that the famine in electrical bulbs which street illuminators are currently experiencing in Delhi may at least partially be due to the Republic Day festivities which are coinciding with the Royal visit. Due allowance should be made for this overlapping of two happy occasions. The likelihood, however, is that inspite of making this allowance, it might be found that the expenditure has been excessive. The extravagance can be shifted from one head to another, and it may be claimed that the over-spending occurred on the Republic Day account and not the Queen. But it cannot be denied altogether.

In the circumstances, it would be a good thing for some thrift-loving member of Parliament to raise the issue on the floor of the House at an appropriate time, and to ask for a clear statement of account on both heads. Even if as a result of this inquiry it is discovered that the drain down which a lot of valuable money went was republican and not royal, it will have been a useful exercise — teaching us to be careful with our purse in regard to this recurrent expenditure even more than with an occasional whoopee like the Queen's visit. The objection, it should be noted, is not to over-spending on the Queen, but to over-spending as such.

On the whole it is seriously doubtful that impartial inquiry would produce a bill of thrift on the Queen's account. Many face-lifts have taken place in many parts of the country, specifically to shield Her Majesty's eyes from ugly or dusty sights. In some cases amounts approaching lakhs have been spent on hurriedly converting kutcha roads into pukka ones; and although one should be grateful for such improvements, whatever the motives behind them, it might indicate money which we can ill-afford being spent out of turn and regardless of priorities.

It is rather important to admit that the fault rests entirely on our own shoulders, and that the Queen is in no way to be blamed for anything. It may be for Her Majesty to inspire the enthusiasm for this visit; but it is entirely for us to contain it. Our inability to do so is the result, one suspects, of a national weakness of character—or at the very least a distortion of our bureaucratic minds.

The excitement over the Royal visit is in many ways understandable, for it is natural for the man in the street to gather out of curiosity if nothing else when royalty and celebrities of other types are in their midst; and it may even be understandable that the Government should wish to put itself out to special trouble to greet a specially welcome visitor. But it has been noted in recent months that even when our own President is required by some ceremonial necessity to visit some part of the country, the real face of the place is quickly disguised behind a wholly false mask of spruceness and affluence. It would be extremely unfair to the President to suggest that he is fooled by these misguided, if well-intentioned, attempts to conceal the poverty of the people; and it would be similarly unfair to Queen Elizabeth or the Duke of Edinburgh to believe that they will return home convinced that India is a land of splendour and fabulous riches, peopled by the well-to-do alone.

It is in any case doubtful if our best efforts at providing the Queen and her Consort with luxurious comfort can match even the normal amenities available at Buckingham Palace. The entire effort must therefore be considered a waste from every viewpoint. We ought to have been able to welcome the Royal visitors with less expenditure and more honesty.

Reserve Bank Relents

THE Reserve Bank has come round to the view that its experiment with credit restraint by raising the statutory reserve ratios of the scheduled banks was, in fact, unwarranted and it has now called it off. The experiment began in March last year when scheduled banks were directed to impound 25 per cent of the increase in their deposits as additional reserves with the Reserve Bank. This percentage was raised in May to 50 but brought down to 25 in the month of November, when the busy season began. Now that the demand for funds has gone up and stringency has become acute, further relaxation was obviously warranted. What's in a name? What the Reserve Bank has been pursuing, it chooses to call "a monetary policy of flexibility". In retrospect, perhaps, it has realised that the diagnosis on which the prescription of restraint was based was obviously wrong. In any case, actual experience has proved it wrong and the Reserve Bank has to be congratulated for profiting from experience and retracing its steps.

How wrong the Bank could be was brought out in a striking manner during the last slack season when bank credit declined by a mere Rs 20 crores while the Governor of the Bank had issued a directive to bring it down by Rs 100 crores. That the rising trend of industrial production had continued, for one thing, had obviously taken the Reserve Bank by surprise. How could industrial production possibly expand when import control remained so rigid and even maintenance imports were drastically cut? The increased demand for bank credit could on this assumption be only for the wrong things. There was really no warrant for misjudging the tempo of development by arguing on so narrow a basis, none for withholding the credit needed for fuller utilisation of the production capacity that had been built up or even for misjudging the requirements of increasing agricultural production.

The banks now get back the deposits which had been impounded in the form of higher reserve ratios. But the penal rates on borrowing from Reserve Bank in excess of their quotas fixed on the basis of their statutory deposits continue and the relaxation of reserve requirements will bring only a limited relief to the banks. The liquidity position of the banks is worse compared to what it was a year ago though a direct comparison of liquidity ratios will not tell the whole story, because these ratios were inflated a little last year by P L 480 deposits which are gradually now being withdrawn. The credit ratio is also high but probably not so much higher than what it was at this time last year, also for the same reason. It is likely, however, that since the banks may not have the same amount of gilt-edged to pledge with the Reserve Bank, they will be forced inevitably to resort more to bills. This probably is what the Reserve Bank would also want. But one wonders what purpose the continuation of penal rates serves, now that the genuineness of the demand for credit and the desirability of credit expansion has been conceded?

Annual Number 1961

THE Twelfth Annual Number of *The Economic Weekly* will be out on February 4. Therefore, there will be no Issues on January 28 and February 11.

The Annual will contain a minimum of 180 pages and will be priced at Rs. 3/- 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

Inter-State River Disputes

THE Krishna-Godavari dispute involving Andhra, Mysore and Maharashtra is not the only one on the sharing of inter-State rivers. A dispute has also cropped up between Kerala and Madras over the Periyar river. These two States, it will be recalled, had a lively controversy some time ago over the Parambikulam river. There will be others, until an agreed national plan on sharing of rivers is drawn up by the Central Water and Power Commission and the Planning Commission covering the whole of the country for irrigation and hydropower development. It may not be enough to draw up a plan. To ensure the most rational utilisation from the national point of view of the country's river wealth, the constitution of an inter-State River Commission may be necessary. This is something that the framers of the Constitution did not think of!

To revert to the Krishna-Godavari dispute, the professed anxiety of all concerned to arrive at a 'negotiated settlement' notwithstanding, it was obvious at the outset that the only practical way of settling the dispute was to refer the matter for arbitration, according to the procedure laid down in the River Water Disputes Act. There is, of course, everything to be said for a mutual amicable settlement by the States themselves. It would, above all, avoid the heartburning and discontent which will necessarily follow the decision of any arbitrator, howsoever fair.

Under the 1951 agreement, which was to be in force for 25 years, the waters of the two rivers were to be shared as follows: Andhra 617,000 million cubic feet, Mysore 233,300 million cubic feet and Maharashtra 149,700 million cubic feet. Mysore's share was subsequently increased to 475,000 million cubic feet, but it now claims 657,000 million cubic feet, while Maharashtra claims 675,000 million cubic feet to meet existing demand and another 538,000 million cubic feet to meet additional demand. Andhra's own demand, if the State Government puts through the various projects planned by it, will go up to over 800,000 million cubic feet.

Following the failure of the talks held in New Delhi last year between representatives of the States concerned, the Central Government has decided to have the whole question examined by a technical committee. The committee's report, when it is ready, will be examined by the Irrigation and Power Ministry and the Planning Commission and the Cabinet will then decide on the steps to resolve the dispute. It is likely that the Law Ministry will also be consulted because doubts have also been expressed about the legal validity of the 1951 agreement.

The legal aspect of the problem apart, the demand by Mysore and Maharashtra for a re-examination of the earlier agreement is based on their contention that the present allocation is completely unrelated to the uncultivated area in the river basins in these three States. Andhra has also argued that if the question allocation of the water from the two rivers is reopened, it will mean stoppage of work on the Nagarjunsagar project on the Krishna and affect the 15-crore Pochampad project in Telangana on the Godavari and the Srisailam project on the Krishna. The last two projects have been included in the State's Third Plan and preliminary work on them has already been completed. That Maharashtra's demand for increased allocation of the Godavari waters is not based on any projects under construction or even investigation, however, is only a debating point. It will not weaken whatever case Maharashtra may have, for its complaint has always been that the development of the present State had been neglected in the past when it was a part of undivided Bombay.

Administrative Counterpart to Integration

THE commotion and agitation over the States Reorganisation Commission's recommendations on redrawing of boundaries were so furious and prolonged that the Commission's other recommendations in regard to administrative and other matters were completely overshadowed and nearly forgotten. The Commission, after setting out how the State boundaries were to be redrawn, sketched out some of the simple, prosaic and unexciting but essential measures that had to be put through so that the States might be bound together as constituent units of the Indian Union. This is the drab, administrative side of integration — the series of minor measures to make emotional integration a reality in everyday life. The Commission wanted to strengthen the all-India services by making it obligatory on the State Governments to recruit 50 per cent of the new entrants from outside the State; extending the all-India services to include the Indian Service of Engineers, Indian Forest Services, Indian Medical and Health Service; providing for the regular transfers to and from the Centre and States of personnel belonging to these services; and making it obligatory for the States to recruit at least one-third of the judges in the High Court from outside that State.

Though these safeguards were as much an integral part of the Commission's recommendations as those relating to the redrawing of boundaries, they could not be given effect to, because the States would not agree. The more crucial proposal, that fifty per cent of the recruits to the all-India services employed by States should be from outside the States, had to be given up because the opposition to it was so violent. The question of recruitment of one third of the High Court judges from outside the State was not opposed so bitterly, there has been quite vocal and embarrassing protests in the case of individual judges recruited from another State. The proposal, however, ran into unexpected difficulty for quite another season. It had been accepted by the Government of India and Parliament had also endorsed. it. But the Centre's suggestion for the formation of an all-India panel of advocates from whom judges were to be chosen was opposed by the Chief Justices as interfering with their right of appointing High Court judges. The Chief Justices, however, have now agreed to the formation of an all-India panel of judicial officers whom they consider to be qualified for appointment. When this panel is formed, States will be able to select their High Court judges from it. The panel, it is now hoped, would be formed in due course and that this particular recommendation of the S R C will, after a time lag of several years, be finally implemented.

Weekly Notes

Unit Investment Trusts

THE proposal to set up one or more unit trusts for encouraging investment in shares by small investors is reported to be under consideration. The suggestion has often been made before but could not be acted upon, owing to a number of difficulties. There are many investment companies in the country but most of them exist only in name, and generally help their promoters to gain control over other companies, to speculate and to avoid taxes. The number of genuine investment companies which act as co-operative agencies for buying and selling of securities in order to diversify investments and thereby reduce risks for a large number of small beneficiaries is very small. In some other countries, there is special legislation for the regulation of investment companies, but in India, they are subject only to the provisions of the Companies Act, the latest amendment to which attempts to restrict their operations in some ways.

A unit investment trust generally differs from other investment companies. It is constituted by a trust agreement or indenture which provides for the sale of 'units' in small denominations, indicates the securities in which investments can be made within specified limit, the period for which the trust will exist and fixes a ceiling on expenses of management, etc. Its main advantage is that it enables an investor, through a single commitment, to diversify his investments and spread them over a large number of securities and to secure the services of investment and management experts.

The widening of the ranks of investors and the growing popularity of investment in shares now make it necessary that investors should at least be better informed about the working of stock exchanges, operation of companies and investment prospects. The type of investors is reported to be changing fast; instead of dealing with a limited number of very prosperous clientele, share brokers are now receiving enquiries from a class of people —many of them quite small men— who are quite unfamiliar with investment practices. The time is therefore opportune for an organised effort to collect the small bits of savings in their hands, savings which are liable to be squandered or misdirected, unless means of safe investment are made available to them. Stock exchange authorities and share broking firms could supply more and better information than they do today. The regulations of the stock exchanges prohibiting publicity on the part of their members and even dissemination of investment advice have become completely out of date. In this respect, the enterprising share brokers are handicapped by a code of conduct which was devised at a time when they had to deal with an altogether different type of clientele. It is only after this educative task has been performed that public confidence can be created and maintained in new institutions like unit trusts.

Investment in Shares

ARE more people investing in shares now than before? If so, how far has the investment habit spread? Some light has been thrown on these interesting questions in the December issue of the Reserve Bank *Bulletin*. Analysing the data on assessment of dividend income in the *All-India Income-Tax Revenue Statistics*, the *Bulletin* confirms that there has, in fact, been some broadening of investment in shares in recent years, especially among the salary-earning classes. On the whole, however, the increase in divided income has merely kept pace with the increase in income from other sources.

The increase in the number of shareholders (other than companies) can be taken as indicating the spread of the investment habit. Tax assessment data for the years 1955-56 to 1958-59 show that the number of such shareholders rose by 26 per cent from 110,605 in 1955-56 to 139,077 in 1958-59. Individual shareholders accounted for 89 per cent of the total and their number increased from 99,948 in 1955-56 to 125,099 in 1958-59, or by 25 per cent. Among individual shareholders, the number of salary-earners increased more (39 per cent) than that of non-salary earners (21 per cent).

How does the increase in the number of shareholder assessees compare with that of assessees deriving income from sources other than dividends? The latter increased by 57 per cent between 1955-56 and 1958-59 against the increase of 25 per cent only in the case of those earning dividend income. It is clear from this that the increase in the number of dividend earners has not been as high as in the case of the rest. In the income brackets below Rs 1 lakh, the increase in the number of salary-earner shareholders was 39 per cent compared to 41 per cent for those deriving income from other sources. It would, therefore, be wrong to conclude that there has been a rapid growth of the investment habit. In the case of salary-earners, though, the increase in the number of shareholders has been quite impressive, perhaps, due partly to the diversion of investment from agricultural land.

Viscounts Grounded

THE grounding of Viscount aircraft, though only for a short period and for the purpose of a technical check, will bring back to mind Major General Sokhey's bitter complaint against buying planes from countries which have not developed metallurgy to the point of making high speed planes fully proof against metal fatigue. The technical check on the Viscounts is being carried out by the manufacturers as a precautionery measure, following the detection of a minor crack in the wing of a plane of this make operated by an African airline.

The Viscount is an exceptionally fine aircraft which is being used extensively in Western Europe. The energetic and quick precautionary step taken by Vickers Armstrong, manufacturers of the plane, shows a concern for and alertness in the maintenance of the aircraft produced by them, which is really remarkable, and no one will cavil at I A C for going in for this particular aircraft. One cannot say the same, however, about the purchase of Herons. Was that a mistake in judgment?

If Herons were a wrong choice, there has been nothing to complain about their technical performance. The aircraft that was grounded and is forgotten was the Viking. The entire fleet of these have disappeared from the public eye, and no one has ever said a word. The purchases were made before the I A C was formed and so no one ever bothered about them since the company which had made the selection and purchase ceased to exist with the formation of the Indian Airlines Corporation. But where are the Vikings gone and what happened to them?

Employment Potential of Khadi

THE Government continued to support khadi and village industries, "not because Mahatma Gandhi had advocated them, but because they were the means through which gainful employment could be provided to the villagers". This is what Shri Lal Bahadur Shastri said the other day at Bhavnagar. The argument is not new, but how high is the 'employment potential' of khadi?

According to the Gyanchand Committee which evaluated the programme of development of khadi and village industries, the average annual earnings of a spinner during 1957-58 on a traditional charkha was Rs. 20.25 per capita, and varied between Rs 11 in West Bengal and Rs 55 in Mysore. On an average the charkha spinner worked "119 days or a little less than 5 months during the year at 25 days per month and 3 hours per day". In other words, the duration of employment in that year came to 357 man hours or 44.6 man days of 8 hours each.

The position is substantially the same in the case of Ambar Charkha. Effective employment on the basis of 4 hours of work every day is no more than 110 days in a year. In terms of man days, it is only 55 days. The average earnings per operator on Ambar Charkha work out to about Rs 53 per year.

These figures have to be read against the total expenditure of Rs 10,55 lakhs on various programmes for development of khadi and village industries in 1957-58, providing employment to 8,23,400 persons. On an average, the Government thus incurred an expenditure of Rs 109 for every person employed. In view of this, was it surprising that the Gyanchand Committee should conclude that "Mahatma Gandhi's name and legacy ... account for the official and non-official support that the khadi programme has received and is receiving".

This is not to say that the khadi and village industries programme should be scrapped. So long as the State is unable to provide any kind of social security or unemployment relief, even khadi may have a significant role. It does not follow, however, that the Khadi and Village Industries Commission should be maintained for a wrong reason or that its operational inefficiency should be tolerated. Incidentally, the Commission would have done well to study and profit from Gyanchand Committee's Report instead of sitting tight over it in order to avoid public criticism.

Coffee Industry's Problems

LIKE tea, things have not been going too well with another important foreign exchange earner, coffee, either. For the first time in many years the industry is faced with the problem of not being able to find buyers, within the country or abroad, for its accumulating stocks. World production of coffee in 1959-60 amounted to 4.5 million metric tons, representing an increase of over 1 million metric tons over the previous year. The increase in world imports from 2.2 million to 2.5 million metric tons did not keep pace with the increase in output and, consequently, stocks with producing countries increased from 1.6 million metric tons to nearly 3 million metric tons. World prices have, therefore, declined; the decline in the prices earned by Indian coffee, however, has been steeper than those earned by, say, Kenya coffee. Indian coffee now fetches a price in export markets which is below the minimum release price fixed for the internal market. This is a reversal of the position that existed till recently, when export prices were so attractive that the profits on exports could be partly diverted to subsidise the internal selling price. Further when export prices were high, export quotas were restricted and a high export duty of Rs 70 was levied on every cwt of coffee. It is ironic that just when Indian coffee is facing an adverse export market, greater pressure is being exerted for increasing coffee exports.

Production in 1960-61, estimated at 52,290 metric tons, will be an all-time high. It is expected to be made up of 30,885 metric tons of the Arabica variety and 21,405 metric tons of Robusta. The Robusta crop is, in fact, expected to yield much more. Domestic consumption during the first 11 months of 1960 was slightly lower at 27,321 metric tons than in the corresponding period of 1959.

In view of the trends in production and in internal consumption and export demand the marketing policies of the Coffee Board will have to be suitably changed. On the exports side, there is something to be said for the demand of the estates producing the better grades of coffee that they should be allowed to make their own marketing arrangements, since if we are to maintain our position in the world market we can do so only on the basis of the quality of our coffee.

The present system of marketing of coffee by the Coffee Board, was introduced in 1948 immediately following removal of price control at a time when production was very much below domestic demand. The system involves the release of coffee for internal consumption through various channels. Coffee is sold by pool and local auction for whatever price it fetches above the basic minimum release price and by allotment to co-operative societies at the basic minimum release price. The object of the system, when it was introduced, was to keep down prices.

Sharply attacking the policies of the Coffee Board which he rightly castigated as being completely out of touch with the current situation, Shri C I Machia, speaking at the Annual General Meeting of Consolidated Coffee, argued that the Coffee Board should be reconstituted and made into a smaller body of experts, so that it could act more quickly in the present fluctuating market. As he happens to be the chairman of the two leading coffee-producing companies in the country, Shri Machia forestalled the criticism that what he wanted was the dominance of the producers' interests, by asking for a Government-appointed Chairman for the reconstituted Board. Whether the reconstitution of the Coffee Board on the lines suggested by him is necessary or not, a change in the Board's marketing policy is certainly called for, and appears to be overdue.

Commercial Utilisation of Indian Inventions

THE National Research Development Corporation was set up more than six years ago to promote and develop inventions, particularly those resulting from research in National Laboratories. Till the end of March 1960, it had received nearly 400 effective inventions, of which the largest number were reported from the National Chemical Laboratory at Poona and the Central Leather Research Institute at Madras. Among private organisations the Shri Ram Institute for Industrial Research at Delhi reported as many as 13 effective inventions. Of the patents and processes referred to the Corporation, 37 have been licensed and are in production, another 51 have been licensed but are not yet in production, and 79 have either been released to industry free of royalties or the technical data have been published. These figures may not be very impressive by themselves, but they augur well for emancipation from the excessive dependence on imported know-how. The results might have been better, if the National Laboratories had been better organised. How much more they could achieve is clearly indicated by the substantial contributions made by the much smaller and less publicised Shri Ram Institute.

The N R D C reports that the commercial utilisation of inventions offered by it has succeeded in inspiring confidence among industrialists and there has been an increase in the response to offers of new inventions from leading and well established industrial houses. Suri Transmission, an invention of the Indian Railways for economising on the fuel costs of diesel locomotives, has evoked foreign interest. At the same time, however, there has been a noticeable increase in the tendency to secure foreign collaboration for the production of items which N R D C offers for commercial development. The Corporation complains that "when it becomes evident that know-how for production of a material has been successfully developed by national research effort, attempts are made to hastily rush through arrangements for foreign collaboration for its production". Whether the initiative for this 'rushing through' comes from Indian promoters or prospective foreign collaborators is not clear from the Corporation's report, nor is the motive behind it. It would not be surprising if both are responsible, the foreign collaborators to forestall competition and the local promoters to avoid experimentation with new and untried Indian inventions. The Corporation has the Minister of Industry as its Chairman. It is not surprising, therefore, that the Directors should conclude with the firm statement that "Steps to curb (this tendency) will have to be considered should (it) persist to any marked extent."

Drunk on Tap Water...

IT is one more, and perhaps the most glaring, indication of the growing ambivalence among Congressmen that on the one hand they should privately question the wisdom of prohibition and even at times give public expression to their feelings and on the other, take all measures to make the policy a success and even extend it farther. In recent months, the Chief Minister of Orissa, a Minister in Kerala, the Governors of Maharashtra and Gujarat and the newly-installed Chief Minister of Uttar Pradesh have had candid, if not harsh, views to express about the progress of a policy which has brought authority into ridicule and undermined public respect for law. Some States, though all ruled by the Congress, have actually had nothing to do with prohibition so far and, if they have had anything to do with it here and there, they are hardly eager to proceed with the farce any further. And yet when it comes to talking of prohibition in public, all Congressmen barring a few frank, courageous ones, suddenly go torpid as if struck by some ghost of the past; and when they come to, it is only to make some vapid, mawkish noises about the mythical virtues of a total ban on intoxicants.

That such a curb, not spontaneously accepted by the public and lacking its moral support, cannot work in practice and that indeed it has not been working at all to any appreciable extent wherever tried, cannot penetrate a mind, self-sealed by compulsive adherence to emotional slogans of the past and generally afraid of itself.

Determined not to think and, at any rate, not to admit the folly of a policy that has hardly discouraged the habit of drinking, that has indeed spread it wider and that has, moreover, diverted much-needed funds from the public exchequer to illicit private gain, frustrated advocates of the present policy are being driven from one egregious blunder to another to save their face. Apart from plugging the so-called loopholes in the Prohibition Act which is a never-ending process, wasting more and more public money on measures of enforcement which often serve actually to encourage the audacity of brewers and bootleggers and taking out annual processions and plastering public walls with ridiculous portraits of imaginary characters saved from drink, there is a perpetual quest on to devise strikingly original means to further the policy. Mobile courts meant to eliminate law's delays, smelling of all and sundry in public to catch chance offenders, compulsory sentence of imprisonment and more than all, appeals and adjurations to social workers to concentrate on 'social' drinkers and desperate processes of cerebration to discover how exactly the prestige and glamour attached to social drinking can be removed—even these do not exhaust the limits of administrative lunacy on the part of prohibition addicts, drunk on tap water. One is bound to hear of more aberrations in the dry days to come. But all these manifestations of self-inebriation notwithstanding, one feels pity for the self-righteous advocates of prohibition. They know not what they do and they even know not what their own associates, bound in allegiance to a common policy may on occasion do. Otherwise why that desire publicly voiced by an ardent defender of prohibition in Maharashtra for screening the very members of the Prohibition Committee, the purest of the pure, lest they too should feel tempted to come fortified with a drink to discuss drink and its devastation? That is comedy surpassing itself. But who can inject humour into the humourless? Or impart light to the wilfully blind?

CHANGE OF ADDRESS

The Offices of *The Economic Weekly* have been shifted to Sonawala Building, 65, Apollo Street, Bombay-1, with effect from January 1, 1961.

Until our telephone (No 253406) is transferred to the above premises, we are available on telephone No 254312.

A Fernandes
Business Manager

Our Delhi Letter

'Final Plan Draft, Not Yet

IT was clear from the manner in which the National Development Council conducted its deliberations, no less than from the decisions taken by it, that the Council is no more a rubber stamping body. The recent meeting here brought to the forefront a new and vigorous leadership from the States—national, not parochial, in its outlook. Names prominently mentioned as belonging to this group were those of Shri C Subramaniam, Shri Y B Chavan and Shri M L Sukhadia. This "trio" elevated the discussion to the high plane set by the Prime Minister in his address, and acted as a curb on the tendency of some other older Chief Ministers to try to dictate terms to the Centre and undermine the national character of planning.

The question of physical versus financial planning, which has agitated the planners since the inception of planning was raised at the N D C meeting also. It is natural that physical planning in a developing country like ours has to accommodate, at least partly, the growing aspirations of the people and so its sights are set higher than what the availability of financial resources would strictly warrant. The quantum of resources in a developing country is not given or static over a period of time. At present our rate of investment is fairly low. Even the third Plan aims to raise it to about 11 per cent of the national income as against 25 per cent already achieved in Japan. For instance, after its reappraisal of the second Plan the Planning Commission estimated that Rs 4,500 crores represented the maximum limit for resources. In fact, however, total outlay at the end of the Plan is likely to be of the order of Rs 4,600 crores. If the experience of the second Plan is any guide as Shri C Subramaniam pointed out at the N D C meeting, it is not unlikely that Rs 7,500 crores will not be the final limit of resources available during the third Plan.

National Savings Committee

In this context the work of the proposed National Savings Committee has assumed great significance. If this Committee could find adequate additional resources to reduce the Rs 500 crore-gap to, say, Rs 200 or 300 crores, the realization of the proposed physical programme may well become possible.

Physical planning pre-supposes the determination of priorities and the phasing of projects. That the NDC was aware of this is apparent from its resolution which says that "every effort will, therefore, be made to initiate and complete within the shortest possible time schemes which are vital for development and which will themselves be the means for adding to the resources." By reducing the gestation period of projects, the same resources can be made to yield better results. Unfortunately, the Plan is the weakest at this point. Take for instance the steel plants. According to the calculations of the Estimates Committee a day's delay in the construction of a steel plant entails a loss of Rs 10 lakhs to the National Exchequer. The leisurely manner in which the Iron and Steel Ministry is going about its task is, therefore, surprising. The third Plan expects the fourth steel Plant to produce one million tons of steel by the end of the Plan period, but all that exists of the Plant so far is the name 'Bokaro'. Similarly, preparation for most of the major public sector industrial projects envisaged in the third Plan have not begun, except projects for which assistance from communist countries has been promised. The Alloy and Steel Plant has been in the air for the last five years, but till now only the project report has been prepared. Negotiations with West Germany for assistance for the Organic Intermediates Plant took five years to fructify and how much longer it will take for the plant to come up is anybody's guess.

Slump in Public Investment

The lag in preparatory work of the projects has brought about what may be termed a slump in fresh investments in the State-owned industrial sector. In 1958-59 fresh investments aggregated Rs 250 crores, while in 1959-60 they are not likely to exceed Rs 180 crores. In this connection Shri Subramaniam suggested that all the concerned Ministries should make the preliminary preparations like selection of site, levelling of site, preparation of project report, etc for the major projects proposed to be undertaken in the third Plan, so that as soon as foreign exchange is available actual erection of the plant can be taken up.

On the question of saving, the consensus of opinion at the N D C meeting was that if physical planning was to be a success every effort ought to be made to "mobilise the nation's resources to the greatest extent possible." But, as the Prime Minister said in his address, there was no atmosphere of savings in the country. The Government often adopts policies not conducive to increased saving. The decision to produce a "Baby Car" is a case in point. Despite the planners' opposition the Union Ministry appears to be determined to go ahead with the scheme. Such examples can easily be multiplied. The Commerce and Industry Ministry have been indiscriminately issuing licences for industries which produce "wholly unnecessary things, merely to please the top classes, which can afford to buy them, and which gets into a habit of using things which they could do well without."

Another Meeting of N D C

With the size of the State Plans settled finally, interest has now shifted to the distribution of the increased outlay among the Central Ministries which have prepared a number of new schemes to be included in the third Plan, costing between Rs 500 to 600 crores. The costs of the public sector industrial programme included in the Draft Third Plan, too, were apparently under-estimated for it now appears that they will cost about Rs 180 crores more than expected. Moreover, with the prospects of discovering oil brightening up provision will now have to be made for the production of crude oil, laying of pipelines, construction of the new refinery in Gujarat and expansion of the Barauni Refinery.

The problems of the Planning Commission with regard to the preparation of the final draft of the Plan are far from settled yet. In fact, another meeting of the NDC may be called before the final draft is placed before the next session of Parliament.

Letter from America

Medical Care of the Aged

"The A. M. A. has always been against anything for the welfare and benefit of ordinary people' — **Harry Truman**

One of the unfortunate blemishes on the glamorous image of this land of colossal wealth and unbridled opportunity is the cruel neglect of the medical needs of a large and growing number of old people. The nation was forcefully reminded of its unfulfilled responsibilities toward its "senior citizens" at the Washington Conference on Aging convened last week with the publicized blessing of President Eisenhower. It evoked more than usual interest because it afforded an opportunity to the progressive forces to stage a decisive show-down with the all-powerful American Medical Association. With the indirect backing of the out-going administration the Association's attempt to get a vote against "Kennedy's socialized medicine plan" was defeated at this conference, attended by 2700 delegates from many walks of life.

An Administrative Monstrosity

The Conference seems to have had many other and interesting features devoid of political wrangling and bitterness. The National Housing Centre provided a model appartment designed for the safety and comfort of low-income elderly families with amenities like emergency bells, non-skid floors and level handles instead of door-knobs. On the lighter side, a suggestion for the Institute of Aging was rejected on the grounds that it would mean laboratory studies of humans on the same basis as animals. These matters were over-shadowed by the desire of everyone to get the majority view on the most effective legislative measure for the care of the aged.

There are around 16 million people in the country above the age of 65 and less than half have some private hospital insurance, which in many respects is far from adequate. By 1970 there may be as many as 20 million old people. The life-expectancy, which is 13 years for a male and 15.5 for a female of 65 years, is likely to lengthen further. As the generation born during World War II enters the labour force over the next decade the older people face stiffer competition and possible decling in income from the present level of $1000 per year for the majority.

These facts were brought before the 86th Congress by Senator Pat McNamara more than a year ago and the Forand Bill was introduced to meet the problem under a Social Security system of aid to the elderly. It proposed to cover cost of surgery and hospital or nursing-home care upto 120 days for every person above the age of 65. The expenses were to be met out of increased Social Security tax amounting to one-fourth of one percent of the payroll on both employer and employee.

In spite of being championed by labour unions and welfare organizations, endorsed by Democratic Party and by Kennedy, the Bill was defeated in the Senate by 51 to 44 votes and killed in the conservative-dominated House Ways and Means Committee by 25 to 9 votes. No single organization has been blamed for this defeat more than the American Medical Association which wields unimaginable political power through its very effective lobby in the Congress. In the place of Forand Bill the administration and A M A — backed Kerr-Mills Bill was passed last Fall. It requires voluntary State-Federal participation under a grant-in-aid system. It is limited to the medically indigent who can qualify for aid after they pass a "means test" or what Kennedy calls "pauper's oath". Apart from its humiliating features and grave inadequacies it is generally regarded as financially unsound and administratively cumbersome. Only five States have so far made any progress in the direction of its implementation. One state, Kentucky, has decided to pay for not more than 3 days of hospitalization! Reversing its previous stand the *New York Times* of January 12, using unusually strong language, has called the Kerr-Mills Bill "inadequate, demeaning and an administrative monstrosity."

"The Biggest Trust in the World"

The power-structure of an organization, that could override the wishes of the vast majority of the people to secure a welfare measure, needs some elaboration. The next few months will provide the crucial test for the Kennedy "Medicare Plan" and the medical profession through its spokesmen is sure to dig in for a last ditch fight. From its modest beginning in 1847 to help medical education and research the A M A has become one of the world's most powerful trade associations, claiming a membership of 178,000 or 80% of nation's practitioners. It has earnings of $ 18 million a year, a large portion of which is earmarked for its Communication Division to be spent on "the programme of faithfully portraying the image of the American Medical Association". Former President Truman, with his characteristic bluntness, once called it "the biggest trust in the world". Aided by the California wizards, the Association was so active raising the spook of socialism in the last election campaign that many doctors had to confess embarrassment.

Popular Resentment

Popular resentment against the medical profession that has been building for several months and was reflected last week in the defeat of the A M A at the Aging Conference, is due to various developments. The soaring costs of medical care have reached serious proportions. The official cost of living index stands close to 127 today (on a 1947-49 average base) but its medical care component is as high as 157. No wonder a serious student of medical economics published a book last month with the frightening title, *It's Cheaper to Die.* The high cost of drugs seems to be largely due to the "administered prices" of the drug industry that continues to make enormous profits under the practice of physicians prescribing medicine by brand names rather than by generic or chemical names.

Another source of resentment is the fact that not only are the physicians one of the highest paid professions in the country, they have increased their emoluments far more than other professions. Exhilerated by the swelling incomes of the physicians, the A M A has boastfully announced an increase in its membership dues that will bring in an additional revenue of 2.8 million dollars.

Letters to the Editor

Price Policy and Economic Development

PROFESSOR V K R V Rao's article on this subject (*Economic Weekly*, October 15, 1960) is both timely and illuminating. Except in minor details one finds it difficult to disagree with his conclusions. The economic function of price changes, according to Professor Rao, is to bring about the demand and the supply into equilibrium. This, however, is a static point of view, and, like all static concepts in social sciences, are useful as a means of exposition rather than a faithful description of reality. The phenomenon of price fluctuation that we are faced with is a dynamic phenomenon and its proper understanding requires a dynamic approach.

A simple version sufficient to bring out the essential mechanism of price trend in a dynamic and developing economy is given below.*

Assume the economy to be divided into two sectors: 1) the consumption goods sector and 2) the production goods sector. The net output expressed in money terms of each of these sectors is equal to the wages and salaries and profits paid.

Assume that wage- and salary-earners do not save but spend all their income on consumption goods; and profit-earners spend all their income on production goods. The money demand for consumption goods will then be W_1+W_2 and for the production goods, P_1+P_2. For clearing the market of all output, the conditions are that:

(1) $W_1+W_2 = W_1+P_1$ for consumption goods. and

(2) $P_1+P_2 = W_2+P_2$ for production goods.

This gives us the equilibrium condition, (i e the condition that all goods are cleared), namely, that

$$P_1 = W_2$$

Thus for equilibrium of total demand and total supply, it is necessary that the wages and salaries paid in sector 2 be equal to the profits earned in sector 1.

Under the present-day Indian situation, large investments are being made in sector 2, leading to a rise in W_2 which by relation (1), causes a rise in the money demand for consumption goods, leading to a rise in its price and, therefore, to a rise in P_1. The rise in P_1 in turn leads to a rise in the money demand for production goods, by relation (2). The prices of production goods, therefore, rise causing a further rise in P_2, which in turn leads to a further rise in W_2, and, so on. There is thus a cumulative tendency for total demand to exceed total supply, irrespective of the physical volume of output.

Since the physical volume of production is "a" for the consumption goods sector and "b" for the production goods sector, the average net price of these two types of goods are respectively, $\frac{W_1+P_1}{a}$ and $\frac{W_2+P_2}{b}$. If at each stage, production of "a" and "b" increases in the same proportion as W_1+W_2 and P_1+P_2 respectively, then prices will remain stable even though total demand is expanding cumulatively.

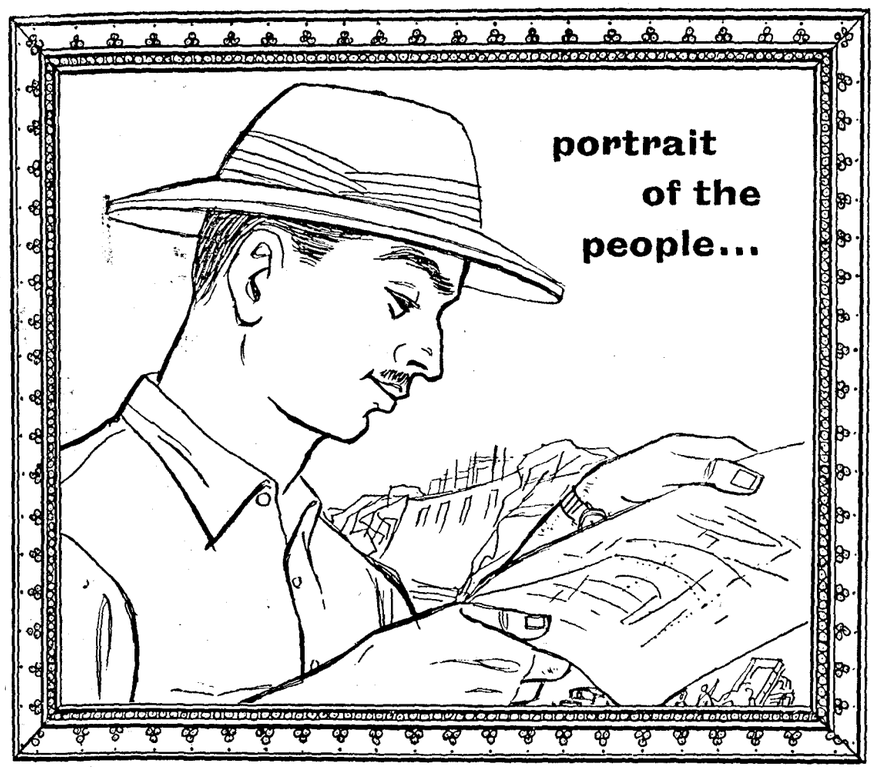
There are many reasons, however, why "a" and "b" do not increase in the same proportion as W_1+W_2. First of all, there are many goods and services which do not come to the exchange market at all. For example, expenditures for building schools, hospitals, many irrigation projects, roads, etc increase the money income W_1+W_2 but do not put anything correspondingly in the market immediately. Secondly, there are many bottlenecks and time lags—such as shortage of skilled labour, improper coordination of production activities, lack of organizing abilities, etc which result in a proportionately lower physical output relative to costs and cause a delay in the appearance of goods in the market. Thirdly, leakage of investment through corruption adds to the demand for goods without adding to the physical volume of output. All these factors and many others create difficulties in the way of rapid rise in productivity. The cumulative rise in demand thus creates a tendency for all prices to rise.

Relations (1) and (2) are no doubt extremely simplified models and are intended merely to illustrate the difficulties of achieving price stability in a developing economy. To bring the model even approximately close to reality many qualifying factors have to be introduced into it. For example, consideration has to be given to the fact that all wages and salaries are not spent on consumption goods neither are all profits spent on production goods. Secondly there are not two sectors in the economy but many more. Thirdly, all goods produced do not come to the market straight away neither does all income; the question of time lag has to be introduced into the model which makes it extremely complicated and often gives it an oscillatory movement. All these complicating factors lend support to our contention, for which the model was designed, namely, that it is an extremely difficult job to secure a balance between money income generated and goods supplied in the market even under a planned economy. It points up the importance of a rational price policy as a corrective of the imbalances that may be generated in the economy.

As recommended by Professor Rao, price regulation of the essential commodities and a high purchase tax on non-essentials are the irreducible minimum elements of a price policy that should be put into effect. For, the regulated price of the essentials will reduce social tension and labour discontent while the purchase tax will syphon off the increased money demand away from consumption goods and enable the State to use it for investment purposes. Regulation of the price of the essential articles do not necessarily require price-control and rationing except in extreme cases of shortage. A clever manipulation of a buffer stock may be an alternative way of price-regulation involving a minimum of bureaucratic control.

N K Sarker

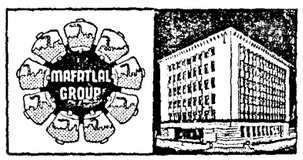
*Sector	Type of goods produced	Physical output	Wages and salaries	Profits	Net output
1	Consumption goods	a	W_1	P_1	W_1+P_1
2	Production goods	b	W_2	P_2	W_2+P_2



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Book Review

Growthmanship

Surindra Suri

Problems of Economic Growth (Report of a Seminar Held in Tokyo). Edited by M K Haldor and Robin Ghose. Delhi. Congress for Cultural Freedom, 1960. *pp* x IV+229. Price Rs 4/.

THE professed aim of this seminar, organised by the Congress for Cultural Freedom in Tokyo in 1957, was to find answers to the question, posed by the rapid economic development of the Soviet Union, "whether the social costs involved make such speed (as the Soviet) desirable; whether appropriate rates of growth are attainable in under-developed countries within the democratic framework". The conference, which lasted a week, was attended by some twentyfive well-known economists from different parts of the world.

The outstanding impression gained from reading the record of the Seminar presented in this book is that "there was surprising agreement on a number of issues which years ago had divided economists". This despite the fact that different political opinions were represented in the group. There was general agreement that planning was not incompatible with freedom, provided centralised direction and controls were avoided. The conferees felt that the main danger for underdeveloped countries was the tendency to imitate the U S or the Soviet models of economic growth.

Agreement

Surprisingly for a conference attended by a strong delegation of socialists, the general consensus of opinion was that collectivisation of agriculture, or any other large-scale reorganisation of the agricultural sector, was not necessary to increase food production. The examples of Soviet Russia, Poland and Yugoslavia, where collectivised agriculture had failed to raise farm production significantly were adduced in support of this. Their experience was contrasted with that of Japan, where agricultural yield had risen without any radical change in the rural socio-economic structure.

Colin Clark, the well-known economist and a leading participant in the Conference, explained the failure of collectivised agriculture. He said : "We are now realising that capacity for increasing agricultural production is much greater than we thought possible even ten or twenty years ago. The world's consumption of fertilizers and equipment may rise in a most extra-ordinary degree". The increasing use of agricultural machinery and of fertilizers had proved so successful that there seemed no need for radical land reforms. Agriculture no less than industry had felt the impact of the second industrial revolution which followed the second World War, and changed reformers into conservatives.

Heavy Industries

It was contended by some that land reform had purposes other than the purely economic. It was a means to a more just social order in the countryside. But the argument for justice seems to have been over-whelmed by the irresistible logic of greater production.

The conference also agreed that there was no need for under-developed countries to plump for heavy industry in imitation of the more advanced industrial nations. Whether or not heavy industry was emphasized should depend upon the presence of necessary mineral resources within the country. It was also agreed that the emphasis on heavy, as against consumer, industries in under-developed countries was an "ideological issue", i e, an issue to be judged on political basis, in terms of the ideological affinities of the parties concerned, rather than on merit in economic terms. Reading this argument in a broader framework, what it hints at is that the emphasis on heavy industry in plans of economic development is due to Soviet propaganda or communist influence.

The conferees agreed on the need for each country to rely primarily on its own efforts. Similarly, that the public sector had a large role to play in economic development was also granted. It was, however, held desirable to avoid direct nationalization but to develop alternative institutional means such as public corporations and joint venture companies.

Disagreement

Despite the apparent urge to agree, there were many unresolved differences. An area of basic disagreement emerged between the spokesmen from the under-developed countries, particularly India, and those from Britain or the U S A. Professor M L Dantwala, who contributed a paper on land reforms, said : "If you ask me what is the most important feature of land reform in India, I would say it is non-implementation". And he added: "My view here is that those land reforms are best which can be implemented fully and quickly ..... Without political pressure, without political terror, it is impossible to implement land reforms. But there are dangers". Although this particular issue does not seem to have been discussed to the end, it apparently did mark a sharp division within the conference. For all their dedication to liberty and democratic institutions, the spokesmen from under-developed countries were well aware of the overriding need to achieve concrete results.

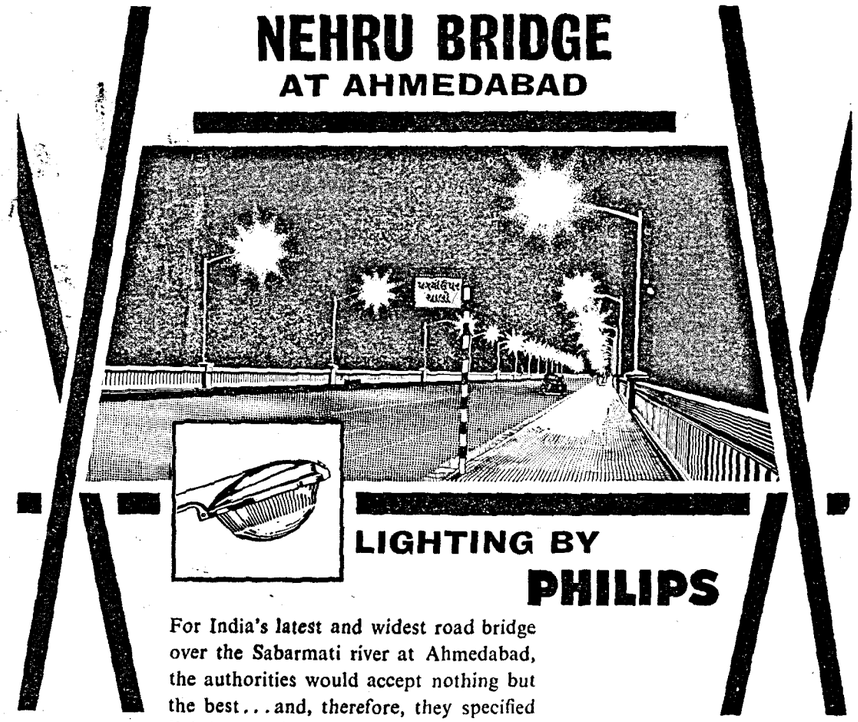
Another major disagreement centred around the role of trade unions. Asoka Mehta, who contributed a paper on trade unions, maintained that "As active partners in economic development, the trade unions should assist the state in removing the defects and streamlining the machinery for socialist pattern of society". This view was immediately challenged by other participants as echoing the communist line on the role of trade unions in building a socialist society. Others held, however, that trade unions were a part of society and the State should have the foresight to help.

The major conclusion reached by the conference was that "The key to economic growth .... was increased saving in the Government

sector. Socialization of savings becomes the *sine qua non* of development". But this is meagre fare provided by a conference which included some of the world's leading economists. The reasons for its comparative failure—at least judging by this report — are not difficult to divine. The underlying purpose of the Conference, to turn the minds of the economists in under-developed countries away from the Soviet example, gave a negative orientation to the Conference, which was enhanced by the fact of its being convened in Japan, which is not an under-developed country.

Failure

The Conference, *moreover*, seems to have conducted its deliberations at a high level of abstraction. Thus words like democracy, dictatorship, despotism, etc, were used liberally *but without* the necessary semantic safeguards. Different users understood these words differently. Although agreement was reached on many points, it would appear that a genuine meeting of minds was not achieved.



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A Decade of Planning

Dhires Bhattacharyya

IN a few months from now India will enter the second decade of Planning. The third Plan is being given the finishing touches to make it more suitable for the realisation of its avowed aim — that of achieving self-sustaining growth. There is no denying that the first two Five-Year Plans have blazed a new trail. The economic structure has been touched and modified at many points. But the most important question at the moment is that of direction. Where does the new trail lead us? Does it really provide us with a short-cut to general prosperity, or is it merely a much-advertised, but roundabout, route to the same old goals? Before embarking on the third Plan it would have been desirable to take stock of the entire situation as it exists on the eve of the third Plan to find out in what respect the new trail has misled us, since there is a general feeling that it has not led us very much nearer our goals.

Balance of Successes and Failures

It is true that the Government of India has set up a Commission to find out the changes that have come about in the distribution of income and economic power since the beginning of the Plans. But this investigation, even if it can be carried out to the full satisfaction of the Government and the public, will not bring to light the fact whether any of the targets in the earlier Plans were wrongly chosen and whether any of the instruments necessary for the realisation of those targets were ineptly handled. In other words, the investigation does not concern the fundamentals of planning. It will be gratuitous to assume that the shortcomings, if any, lie with the administration of the Plans; 'toning up' the administration or setting up an 'Organisation and Methods' cell in the administrative departments will not serve to help a Plan which is wrong in the choice of its targets or incoherent and fanciful in the selection of its instruments. What is wanted is a re-examination of the basis of planning not a white coating on its superstructure. No such comprehensive review of the first two Plans seems to have been undertaken before preparing the draft outline of the Third.

Any such review—even a casual one, like the present — would have revealed the meagre extent of the achievements of the Plans when considered against the background of a rising population and falling exchange reserves. This criticism, it is now well known, can be countered by pointing to the achievements of the Plans in terms of real assets created and the new productive capacity installed. The debate as to whether the positive achievements do not exceed the failures can go on *ad infinitum*, since there is no recognised method of comparing the two sides of the social balance-sheet. Policy-makers will undoubtedly claim that this apparent failure of planning in the initial years is only a token of its ultimate success and that there is no alternative to 'tightening the belt'. But surely the strategy of planning must not be such as to leave the worker undernourished and demoralised or to raise doubts about the solvency of a country in foreign capital markets or to destroy the faith of the citizen in the ability of his Government to provide him with the requisites of life. Can we not argue that these features have severely detracted from the appeal of planning in the last ten years and that a reworking of the targets is called for if these defects are to be removed from our future Plans?

Availability of Consumer Goods

To substantiate these charges we require data of various types and the quality of those data must be beyond reproach. Between 1951 and 1961 imports of food have fallen by only about 2-3 lakh tons and in certain years imports in the Planning period have been no less than imports in the critical years before the Plans. Domestic food production has increased by nearly 2 crore tons during this period. But the fact that the dependence on food imports is still so large suggests that the net addition to purchasable foodgrains has been of a much smaller order. Judged against the background of a 7 to 8 crores addition to the total population and the depressingly low intake of calories for the majority of the population, this addition to the supply of purchasable foodgrains cannot be regarded as a major achievement of planning.

The domestic availability of cloth (mill-made and handloom) increased during the period of the first two Plans from nearly 4000 million yards to about 6200 million yards. But the expansion in mill-made cloth taken alone would account for only 1000 million additional yards. Considering that the demand for cloth is highly income- elastic, this addition to supply must be regarded as inadequate. Yet stocks of certain varieties of cloth accumulate periodically, which suggests that incomes in the real sense may not be rising as expected, or else there is an imbalance in the structure of production in the cotton textiles industry which has got to be rectified.

Other consumer amenities like transport, communications, personal services and domestic housing should also be examined in a similar manner. According to our calculations the per capita availability of food has increased by only about 1 oz per day, and that of cloth by about 3 yards per year. The two Plans have not taken the country very far towards the accepted minimums in the matter of food and clothing — in fact, for certain sections of people the standards have perhaps slided back — and this suggests that the priorities in the Plans were not properly worked out. No amount of special pleading can take away from the planners the responsibility of providing for planned increases in the supply of the basic necessities of life.

Growing Foreign Liabilities

At the opening of the decade the Government of India had a very small amount of foreign loan obligations and a considerable amount of foreign exchange reserves. During the decade the Goverment had to enter into a number of commitments which increased the loan obligations by more than Rs 850 crores. At the same time the exchange reserves were drawn down to the extent of Rs 600 crores. It is not suggested that the loans were unnecessarily incurred or that the exchange reserves should not be utilised to the best ad-

vantage. But no proper balance-sheet of the Government's real assets position has yet been drawn up. If such a balance-sheet were available, it would have shown to what extent the liabilities have been matched by productive assets and to what extent they have merely bolstered up Government's own conspicuous consumption. The fact remains that the country's external financial relations are not, at the end of two Plans, as happy as might be wished. Unless new sources of foreign credit can be tapped, the repayment of the existing obligations can become a serious problem, specially when no attempt was made in the past to link up the investment of such outside funds with the expansion of export capacity.

Plea for Rethinking

In terms of domestic finance the Government's position is today less vulnerable, because new sources of revenue have been tapped. But the balance-sheet position disclosed some unsavoury features. For example, the Government of India has to work nowadays with less liquid balances (in the form of cash and securities held on Treasury account) than had to at a lower level of revenues and expenditures. Its domestic obligations have gone up by more than 100 per cent. This is no doubt matched by a more than proportionate increase in "interest-yielding" assets and from a purely accounting point of view the position is quite satisfactory. But these "interest-yielding" assets include the debt due from Pakistan (Rs 300 crores) and the capital advanced to States (in which a rise of nearly Rs 2270 crores was registered durig the decade). The former is virtually frozen, while the latter is chiefly a matter of internal adjustment between Governmental units and does not indicate to what extent the "interest-yielding" assets are also productive. In other words, we do not have a proper balance-sheet of the Government's domestic liabilities and (real) assets. It will be wrong to conclude from this that loans made to State Governments are not used to augment productive assets; most of them certainly are so used. But in the absence of a properly constructed accounting scheme, this may fail to apply in the case of some of the loans advanced by the Centre to the States and to that extent the picture is blurred. The accepted forms of financial statements, in other words, do not give us a complete view of the economic aspects of such loan transactions.

It is not the purpose of this paper to sing a jeremiad; the writer is aware of a number of achievements that can be recounted by the plan-enthusiasts. What he wants to point out is that at the end of ten years of planning we do not have any generally accepted measure of the gains from our Plans. The disquieting features which have been cited above are not intended to cast aspersions on the plan-makers or their optimistic followers. They are rather meant to curb wishful thinking and to stress the importance of a proper enquiry into planning goals at this juncture.

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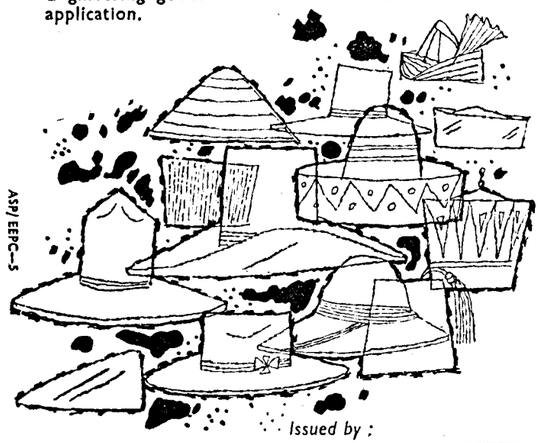
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Marketable Surplus of Foodgrains

Policy for Third Plan

C Muthiah

PRODUCTION of foodgrains in the country has increased significantly during the last decade. The index number of foodgrains production (1949-50 = 100) stood at 130.1 in 1958-59, when production reached the record level of 75.5 million tons, compared to 54.0 million tons in 1949-50 and 65.8 million tons in 1955-56. In spite of the increase in total and per capita availability of foodgrains, prices of cereals and pulses were higher during the 1958-59 marketing year than in the preceding year. In our economy a marginal surplus or marginal deficit in availability of foodgrains produces a disproportionate effect on the price level. The marketed surplus is, therefore, as important as total production as a determinant of prices. To quote the Foodgrains Committee : "It is variations in marketed surplus even more than variations in production which are important from the point of view of prices." The quantum of marketed surplus must keep pace with the increasing purchasing power of the people as a result of investment under the Plans. Increase in the marketed surplus is, further, the basic precondition for a transfer of labour from agriculture to other sectors.

Size of Holdings and Marketed Surplus

So far aggregate food production alone has received the attention of the planners to the exclusion of the marketable surplus. No steps have been taken to estimate, even roughly the quantum of marketable surplus required to meet the growing demand of the non-agricultural population in urban areas. The problem of the supply of foodgrains that actually reaches the market should be treated separately from that of production. 'Market needs' should be ascertained and targets fixed for every year of the Plan. Ways and means of increasing the maketable surplus, therefore, call for immediate attention. For this an idea of the behaviour of marketable surplus is essential.

A study of farmers conducted in 1953 in Kodinar tehsil in Gujarat[1], revealed that the marketable surplus was concentrated among a relatively small section of small farmers while it was evenly distributed among the larger farmers. The latter marketed a larger proportion of their outturn than the small farmers (see Table 1).

Another study of six villages in Punjab and U P[2], again showed that the percentage of sales to total production definitely tended to increase with the rise in the size of cultivated holdings. In poor and backward villages, however, the lowest size-groups sold a considerable portion of their produce presumably indicating the extent of distress sales.

It is believed that more than half the cereals marketed are brought to the market immediately after the harvest by small farmers who are forced to do so to meet their debts, etc. Recent studies, however, go to disprove this. Small farmers in certain villages of West Bengal, Orissa and Bihar, it was found, provided much less than one-fourth of the marketed surplus of paddy and rice[3]. The contrast in the figures for West Bengal and Bihar on the one hand and Orissa on the other (see Table 2) may be taken to indicate that with the monetisation of the economy and increase in the pressure of population on land the contribution of the small farmers to the total marketed surplus tends to decline.

High Income Elasticity of Demand

An enquiry[4] into arrivals of wheat from rural areas to the markets in the 1958-59 crop season indicates that: (i) Stocks of wheat withheld by the producers in the current harvest season (during which production was higher than in the previous season) were larger than in the previous season; (ii) A major portion of the stocks was in the hands of medium and big cultivators and not with small producers; (iii) The producer had become more price conscious than before; (iv) His capacity to withhold wheat from the market had increased considerably due to larger production of pulses and higher prices of these crops and greater access to cheap credit.

The trends noticed during the last few years indicated that

Table 1 : Sales of farm produce by small, medium and big farmers in Kodinar.

(% of total production)

	No Sales	1-25 %	26-50 %	51-75 %	Over 75	All Crops	Cereals	Pulses	Both
Big	4.2	19.9	35.7	33.4	6.8	44.3	10.7	—	10.7
Medium	16.1	23.6	42.1	15.9	2.3	37.2	5.4	4.8	5.4
Small	55.0	14.2	14.3	10.3	6.2	30.3	3.7	20.0	4.2
All	—	—	—	—	—	42.8	9.5	2.2	9.3

Table 2 : Composition of the marketed surplus of paddy by source of supply

(1955-57)

Size-groups holdings (in acres)	West Bengal		Bihar		Orissa	
	% of output sold	% of sales	% of output sold	% of sales	% of output sold	% of sales
Upto - 2.5	8.69	1.94	9.63	13.29	2.21	5.74
2.5 - 5.0	17.30	10.91	4.09	4.66	6.26	16.46
5.0 - 10.0	32.01	30,32	8.03	6.41	13.87	68.58
10.- 20.0	42.58	28.58	19.94	16.32	3.20	7.48
Above-20.0	45.07	28.25	27.34	59.32	1.75	1.74
Total-	32.27	100.00	15.86	100.00	7.41	100.00

1 Problem of small farmers in Kodinar Taluka by C H Shah.
2 Abdul Majib — Agricultural Situation in India, June, 1960.
3 J P Bhattacharjee — Agricultural Situation in India, January 1960.
4 Report on Market arrivals of Foodgrains during 1958-59 — Ministry of Food & Agriculture pp 2-4.
5 S C Chaudhuri — Agricultural situation — August, 1960.

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marketed supplies tend to contract in an inflationary situation because of larger retention by farmers to meet their consumption needs. The income elasticity of demand for self-consumption is high among our farmers. Food is, moreover, grown essentially on a self-sufficiency basis. Thus most of the cultivable area is under food crops and nearly two-thirds of the produce is consumed by the producers themselves. Thus with rising prices, marketable surplus may not increase even when total production rises. An analysis of market arrivals of wheat in Punjab[5] confirms this. Higher prices at the time of opening of the marketing season in 1959-60 than in previous year did not attract larger supplies in spite of higher production. On the contrary, they led to expectations of still higher prices and consequently blocked the flow of wheat from the rural areas.

Role of Cooperative Services

The measures usually suggested for increasing the quantum of foodgrains marketed are (i) Setting up of grain banks; (ii) Linking up supply of credit with marketing of produce; (iii) Creating among farmers demand for manufactured goods which will induce them to part with their produce for urban goods. Our experience hitherto with respect to the first two measures is not encouraging and the third one has not been tried at all. The Reserve Bank's *"Review of Cooperative Movement in India during* 1956-58" reveals that by the end of 1957-58 there were 9,549 grain banks in the country with a total membership of 1,086,000. They held Rs 33,15,000 worth of grain as deposit from their members. Thus not even a fringe of the problem has been touched. The same report also reveals that the progress towards linking credit with marketing has been tardy and the integrated scheme of rural credit has not even been initiated in most States. The Rural Credit Follow-up Survey shows that in 7 out of the 11 districts surveyed, family expenditure accounted for more than half of the total borrowings. Current farm expenditure as a percentage of total borrowing accounted for 20 per cent and less in 9 districts and for less than 10 per cent in 5.

The more important steps taken to improve the flow of marketed surplus during the last few years are the development of cooperative marketing and processing, provision of facilities for storing agricultural produce and establishment of regulated markets to enforce fair market-practices. At the end of 1957-58, there were only 1899 primary marketing societies and 2685 central societies. Their total sales amounted 1609 lakhs tons and 2863 lakhs tons respectively. Value of foodgrains sold by Central Marketing Societies came to only Rs 4.09 crores, indicating the minor role played by the cooperatives.

The progress of cooperative processing is also not significant, except in the case of sugarcane. The storage facilities available are similarly very inadequate as there were only 1646 godowns (both owned and hired) with the primary marketing societies and 1659 with Central Societies at the end of 1957-58. The pace of establishment of regulated markets is also slow and, besides, their effectiveness has also been found to be severely *limited in pratice.*

Mixed Farming and Crop Planning

To sum up, the steps taken so far to increase the marketable surplus and its flow to the primary markets have touched only a fringe of the problem. Mixed farming on a very wide scale ensures the inclusion of legumenous and fodder crops which increase soil fertility, draft power of work animals and milk yield of cows and buffaloes. The variety of crops grown and the increased milk yield enable the farmers to take a more balanced and nutritious diet in place of one composed of cereals only as at present. Pilot projects should be established throughout the country to demonstrate the usefulness and profitability of mixed farming and farmers adopting it should be encouraged through grants and loans to buy quality live-stock, supply of good seeds and fertilisers, at the proper *time and in sufficient* quantities.

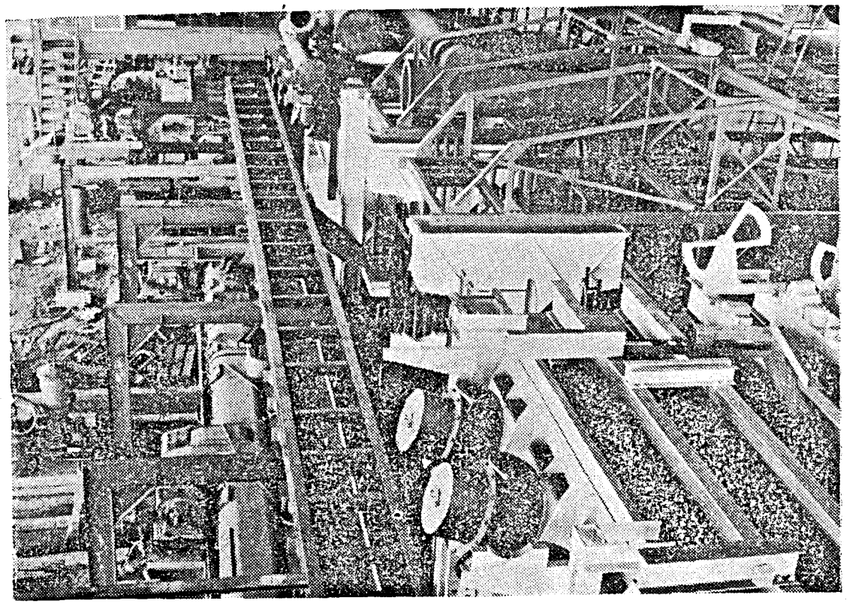
Formulation of crop plans at national, regional and district levels and their enforcement in a few selected areas where the chances of success are greatest is another promising way to increase the marketable surplus. Crop planning simplifies the complex cropping pattern obtaining at present in most regions and thereby increases the surplus of particular commodities in particular regions or districts. By keeping the prices of rice and wheat higher than those of other important crops which are also harvested at the same period, the farmers may be induced to sell more. The prices of wheat may be fixed in such a way that it fetches more than gram or tur (*Arhar*) in the market in a particular region where the production of gram and tur is significant.

Since the quantum of marketable surplus depends upon the composition of the producers it is natural that if the number of below-subsistence cultivators increases, the marketable surplus is reduced. So land reforms like ceiling on landholdings may adversely affect the marketable surplus, at least in the short run. To offset this taxation of rural incomes may be increased to restrain consumption. Also, part of the loans advanced by Government to farmers should be recovered in kind through cooperative societies and other agencies. Finally, more care should be taken to concentrate efforts in areas where their chances of success appear best. *The Intensive* Agricultural District Programme is an example of this.

Improved Methods

An important benefit that accrues from improved agricultural practices and seeds is that the seed requirements per acre are reduced. For instance, the Japanese method of cultivating paddy requires only 20 lbs of seed per acre, against the 60-80 lbs used now. Similarly the 'U P method' of wheat cultivation requires no more than 15 lbs as against the common rate of 100 lbs per acre. The saving brought about by vigorously popularising improved practises and extensive distribution of quality seeds will augment the marketed surplus. Another way to reduce the retention of foodgrains by the farmers is to introduce a rural hire-purchase system for items like agricultural implements and machinery, bicycles and transport carriers which will induce farmers to increase their sales.

The downward trend in prices of foodgrains in recent months affords an excellent opportunity to finalise policies and programmes aimed at augmenting and mobilising the marketable surplus. The policy for foodgrains in the Third Five-Year Plan has to aim at an increase both in the volume of production and marketed surplus of an order adequate to meet the rise in demand.



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BRITISH COMPANIES WORKING FOR INDIA

Land and Agricultural Taxes

Some Relevant Considerations

Ayodhya Singh

A MARKED acceleration of the effort undertaken so far in raising resources will be required during the third Plan. The tempo of domestic savings has to be raised so as to narrow down to the minimum the gap between savings and investment. The fulfilment of the additional taxation target of Rs 1,650 crores is, therefore, vital for the successful implementation of the third Plan. The experience of the Second Five-Year Plan shows that the States did not fulfil the target allotted to them in the matter of raising additional tax revenue. The increase in land revenue, in particular, has been insignificant. A study of the problem of land tax is, therefore, indicated in the context of the requirements of the third Plan.

Rise in Agricultural Prices

The increases in prices of agricultural commodities since the war has led to a demand for raising land taxes. Further, land tax now constitutes an almost insignificant proportion of the total cost of production in agriculture. Though about 45 per cent of the national income originates in agriculture, land revenue is no more than 1 per cent of the gross value of agricultural output. The incidence of land revenue has thus ceased to be appreciable. Land revenue accounted for only 7 per cent of the total tax revenue in 1956-57 and 6.5 per cent in 1959-60 as against 16 per cent in 1938-39. Its place among the revenue resources of States is somewhat more important. Even here its importance has declined. Before the war land revenue accounted for about 30 per cent of the total revenue of the provinces of undivided India. In 1951-52 land revenue collection was only 12 per cent of total revenue of all States. It increased to 16 per cent in 1956-57 but declined again to 12 per cent in 1957-58. 11 per cent in 1959-60 and is expected to be 10.7 per cent in 1960-61.

This downward movement in receipts from land revenue is mainly attributable to the failure to adjust land revenue to the rising price level. "The rise in prices of both agricultural and other commodities and the consequent reduction in the real yield and real burden create a strong presumption in favour of a substantial increase in land revenue. The case for increased land revenue does not rest on any assumption that farmers' real incomes have increased proportionately to agricultural prices. Clearly they have not. Nevertheless, regardless of the size of the producers' marketable surplus or the development of other prices and costs, the rise in general prices has lightened the real burden of land revenue simply because the payment now represents much smaller amount of agricultural produce and a smaller proportion of the gross yield of land".* It is, therefore, argued that it is possible to raise more from land revenue than has been done hitherto during the third Plan.

Some conservative economists, on the other hand, are chary of any attempt to raise land taxes. Production in agriculture, they argue, is not merely the function of inputs of factors of production but also of climatic conditions, rainfall, pests, diseases and other such unpredictable circumstances. Even the most efficient execution of the best laid down production plans may prove fruitless if the natural elements do not cooperate. For instance, last year in the Uttar Pradesh the 'Kharif crop' was expected to be a bumper one. But because of heavy and continuous *'hathia'* rainfall in early October the crop in central and western U P was substantially damaged. The agriculturist thus has to face a two-fold uncertainty : the technical uncertainty regarding yield and the economic uncertainty about the price that he will receive for his products. Hence, even a moderate increase in land revenue and irrigation rates may weigh heavily on agriculturists, especially on subsistence farmers.

It is argued, secondly, that to emphasise the so-called postwar and current agricultural prosperity against the background of pre-war conditions is far from fair to our agriculturists. For, the pre-war years were years of depression in agriculture. The pre-depression parity between agricultural and non-agricultural prices was restored only at the end of the war. Hence the present levels of agricultural prices and incomes should be judged against the levels prevailing in 1945-46 or 1925-29 rather than those prevailing in the late thirties, when the balance was tilted too much against the agriculturists.

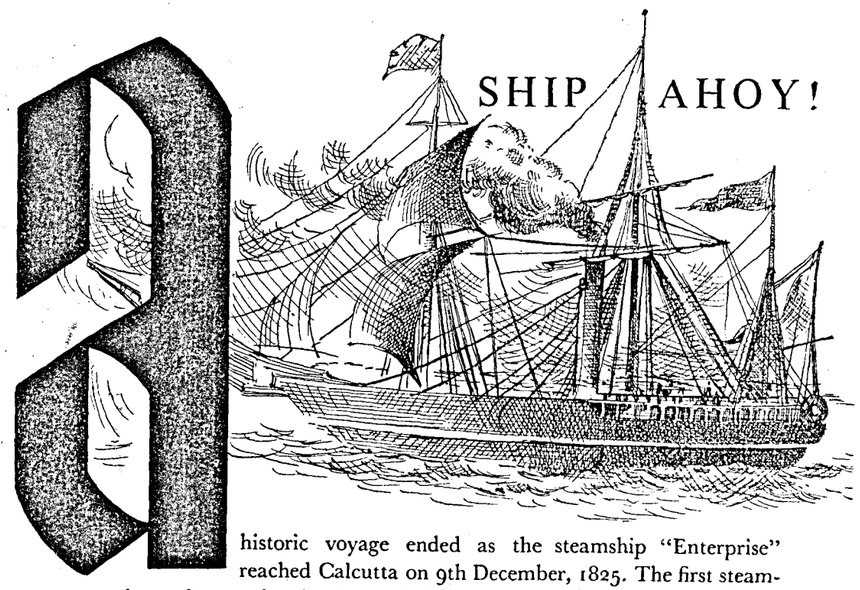
Further, increase in land revenue may lead to undesirable crop patterns. It may result, for instance, in a diversion of agricultural resources from food to commercial crops, the latter being more remunerative. In the present state of food scarcity, any enhancement of land tax which cripples the farmer's incentive to produce more food should be avoided. Any practical land tax policy should aim at enabling the States to increase their revenues from land tax, and at the same time to increase production and direct it in the desired directions by penalising the uneconomic use of land.

Tax on Income from Land

Keeping in view all these considerations, the conclusion appears to be inescapable that any significant increase in revenue from land taxes cannot be visualised in the near future. Even a moderate upward revision of these taxes should be subject to these conditions : (1) The agricultural tax policy should be based on intensive and representative farm management studies conducted in different parts of the country; (2) Initial settlement including survey and classification should be undertaken in all areas, where these operations remain to be conducted; (3) The present levels of assessment should be first standardized over each State as a whole; (4) After they have been standardized, land revenue may be revised periodically, say, once in 10 years with reference to relative changes in the prices of agricultural goods.

The rate of agricultural income-tax should be raised and progression

* *I M F Staff Paper*, Vol III, No 3, p 371.



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steepened after allowing for a desirable minimum exemption. The actual rates may differ from State to State, but the aim should always be to achieve a minimum of uniformity. A certain parity between income-tax and agricultural income-tax should be sought so long as agricultural income is assessed in isolation and a single return for all income by merging agricultural income with non-agricultural income is not deemed possible.

It must, however, be admitted that the proper assessment of incomes earned by self-employed agriculturists outside the pale of the monetized sector is a difficult matter. A wholesale produce tax, as an alternative to the agricultural income tax, levied on gross agricultural produce rather than sales, is even more impracticable. It is extremely difficult to conceive of a produce tax which can be exactly adjusted to the gross produce in a country where the mode of cultivation differs virtually from one holding to the other and the technical uncertainty is paramount.

Irrigation and Betterment Charges

As a rule water rates should be levied in such a manner as to promote the use of canal water while at the same time discouraging all wastage. They should ordinarily cover maintenance charges and should be reviewed and revised at intervals. Concessional or incentive rates would, however, be necessary particularly in the initial stages of development. In regard to betterment charges, the rate of the levy may range between 20 per cent and 40 per cent, depending upon the stage of development and local conditions beside the increase in the value of land due to irrigation. Its recovery should ordinarily be spread over a reasonably long period, say, 25 years.

To ensure the desired changes in agricultural output a scheme of tax discrimination involving heavy tax penalties or concessions must be devised. All agricultural holdings, irrespective of size, should be efficiently managed. Land management legislation should provide for standards of efficient cultivation and management which permit objective qualitative judgments. Concessions or exemptions may be granted for reclamation of land, levelling, bunding and terracing of land, removal of alkali or kallar, or soil-conservation. The revival of the old "cowle"* system in the case of submarginal and waste lands may be considered. Penalty taxes should, on the other hand, be imposed to bring about the use of proper inputs, crop rotation or substitution. Prescription of such standards must always be linked with the fulfilment of certain conditions, like security of tenure, consolidation of holdings, progressive increase in cooperative and Government assistance through the provision of financial resources, technical guidance and essential supplies.

Agricultural Wealth Tax

A tax on agricultural income may be avoided by not earning the income and allowing the resources to remain idle. But a wealth tax on land cannot be avoided as it would be assessed on the capital value of land and thus linked to its potential output. It can be made progressive on the total value of land owned by individuals with a necessary minimum of exemption. The Australian Commonwealth land tax is of this type. Such a tax may also help to bring about a more equal distribution of land, for a big land holder by selling half of his land in terms of value will escape more than half of his tax.

* A "cowle" is a grant of land free of assessment for a certain period or subject to favourable assessment rising to full assessment. The terms of a 'cowle' tenure reserve to Government the power of re-entry on the breach of conditions.

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From the Chair CHAIRMAN'S STATEMENT

INDIAN OXYGEN LIMITED

INDUSTRIAL GASES AND ELECTRODES PLAY INCREASINGLY IMPORTANT PART IN THE INDUSTRIALISATION OF THE COUNTRY

PROPOSED RIGHTS ISSUE

FINANCE LARGE EXPANSION PROGRAMME

The following is a statement by Sir John Douglas Keith Brown, Chairman, Indian Oxygen Limited, issued to the shareholders, together with the *Directors' Report and Accounts for the year ended* 30th September, 1960, and the Notice of the Company's 26th Annual General Meeting which is to be held on 14th February 1961.

THE *Directors' Report and Accounts for the year ended* 30th September last are being circulated with this statement. In keeping with the trend in these matters, your directors have felt that the statement which is normally made by the Chairman at the Annual General Meeting, which is attended by only a very small proportion of the shareholders, should be circulated in advance to all members and that this opportunity might be taken to deal at some greater length than previously with the company's trading experience in the year under review, its financial position and its development plans with particular reference to its position in the expanding economy of India.

Profits- Taxation and Dividend

The profit for the year, after providing Rs. 37,10,806 for depreciation and Rs. 38,85,900 for taxation, amounted to Rs. 62,98,449. This compares with a net profit for the previous year of Rs. 53,07,450 which was arrived at after charging depreciation of Rs. 31,69,459 and taxation of Rs. 34,62,755. As stated in the report of the directors, the profit may be considered satisfactory. Ours is, however, a capital-intensive industry and past experience has demonstrated the necessity continuously to plough back profits to provide for plant replacements at increased cost and for expansion which, as an industry serving other industries, we must always be prepared to carry out in anticipation of demand. I shall refer later in this statement to the expansion which we visualise over the next few years and to the arrangements which are contemplated to finance it. Suffice it to say at this juncture that, for so long as can be foreseen, there will always be the necessity to plough back substantial sums of money each year and it is in these circumstances that your directors have felt it appropriate, notwithstanding the increase in profits, to recommend the same rate of dividend as paid in respect of the previous year.

Sales

From the accounts for the year you will observe that the value of sales exceeded that in the previous year by over Rs. 91 lacs, representing an overall increase of just over 16 per cent. While practically all products contributed towards this rise, the rate of increase was particularly high in the cases of piped oxygen supplies to the steel works, liquid oxygen explosives used in open-cast mining operations and electrodes. The increase in electrode sales was primarily due to the higher level of production at the factory and the introduction of new ranges of special types during the year. The rate of increase in sales of dissolved acetylene was disappointing and while partly due to delays in the completion of customers' own development programmes, was also accounted for by increased competition and the use of alternative products. The principal raw material used in the production of dissolved acetylene is calcium carbide and towards the close of the year, with the commissioning of a plant in South India to supplement the output of another plant which has been functioning for some time in Calcutta, the country is now approaching self-sufficiency in this item. While this development is particularly welcomed by us as ensuring supplies of one of our main raw materials without our having to concern ourselves with the problem of foreign exchange, I have to observe that the high price of indigenously produced carbide and its lower gas yield are already having an adverse impact on the cost of production of dissolved acetylene.

Development and Expansion

Industrial gases and electrodes, which are your company's main products, play an increasingly important part in the industrialisation of the country, and this was appropriately recognised during the year when the Planning Commission called a meeting of the major producers and consumers to discuss the requirements of the products in the Third Five-Year Plan period. The outcome has been the inclusion of our industry's overall requirements in the draft outline of the Plan published a few months ago.

While the Planning Commission has indicated the country's overall requirements of our major products during the next few years and while this is extremely useful as a basis for planning our own production facilities, these requirements have to be broken down to assess the needs of each region. This is particularly important in the case of

industrial oxygen and dissolved acetylene, where extremely high distribution costs limit the frontiers of the market. The whole country, therefore, has to be divided into several regions to be served by carefully sited producing and supply points. Again, each production point has to be of a capacity geared to the needs of the region it serves, and as the state and pace of development varies from region to region, it is obvious that the capacity and size of the various plant units will also vary. In catering for additional oxygen requirements, therefore, we have to consider the alternatives on the one hand of multiplication of plants of similar capacity, and on the other of stepping up the size of each unit as a region progresses industrially, so that benefit may be derived from the economies of larger scale production. Your company is in a particularly favourable position to fulfil this requirement of regional development, and this is accomplished by transferring oxygen producing plants from one region to another, and installing plants of higher capacity and greater efficiency in regions which, by reason of economic advancement, require such plants. This incidentally results in a significant saving of foreign exchange as the import of one additional plant may, through a number of consequential transfers, help to increase available capacity in more than one region. Thus, during the past year we have succeeded in stepping up oxygen production at Ahmedabad and Madras by transferring plants from Bombay to Madras and from Madras to Ahmedabad. This leaves the oxygen plant capacity at Bombay to be augmented, and we are hopeful that the necessary licence under the Industries (Development & Regulation) Act will be forthcoming in the near future, to enable us to import a plant with adequate capacity against foreign exchange procured by the company.

Oxygen requirements in the Calcutta and Jamshedpur region have been growing apace and an additional 400 M³oxygen plant was installed in each of the Calcutta and Jamshedpur factories during the year.

Another significant development took place at Burnpur, where we installed argon purification and high purity nitrogen production facilities, which were successfully commissioned during the year with the help of technical assistance received from The British Oxygen Company Limited. In our Burnpur factory we are now equipped to produce and compress argon, high purity nitrogen and argon/nitrogen and argon/oxygen mixtures. The production of these gases for the first time in India will lead to substantial savings in foreign exchange which had hitherto been expended on importing them and the cylinders which contained them. Argon, high purity nitrogen and their mixtures will provide electric lamp manufacturers with an indigenous source of supply, while argon will help in welding and fabricating stainless steel and aluminium and aluminium alloys, which are to be produced in the country in growing quantities in the years to come, and will also fulfil the large requirements of the Government Alloy Steel Plant to be set up at Durgapur.

The present oxygen producing plant in Bombay also produces liquid nitrogen which is essential for the operation of India's atomic reactors. The additional oxygen plant we hope to install there will further augment our supply of this gas, the demand for which is increasing and will continue to increase as India progresses in the field of atomic power generation.

Through the pioneering efforts of your company, liquid oxygen is being more and more used with loxite cartridges as an effective and economical explosive in open-cast mining for coal, iron ore, limestone and manganese. In developing the use of this explosive, we have been closely associated with the National Coal Development Corporation, the Tata Iron & Steel Co. Ltd., and the Indian Iron & Steel Co. Ltd. The loxite cartridge manufacturing plant which was established at Burnpur in May 1959 is producing the additional cartridges required to match developing sales.

The draft outline of the Third Five-Year Plan envisages rapidly increasing requirements of electrode and our new factory at Khardah, Calcutta, is being equipped to meet the greater demands. The level of production at this factory improved during the year and new types of special electrodes were developed and introduced into the market. Our equipment factory at Calcutta, which two years ago undertook a phased programme of indigenous manufacture of gas user equipment, is now on 100% local manufacture of the components required. Here again, plans are afoot to raise the level of production in the near future.

At Bangalore construction of a new oxygen and dissolved acetylene factory is progressing on schedule and operations should commence within the current financial year. When complete, this will afford increased production of dissolved acetylene in that growing industrial area.

At Gauhati, we have installed an oxygen plant within the premises of Indian Refineries Ltd., and I think we can claim that we have contributed in no small measure to the progress of erection at the refinery by coming forward with timely supplies of oxygen.

Nitrous oxide, which is an anaesthetic widely used by the medical profession in India and which is also exported, is now produced in our Calcutta factory. A licence for setting up a second producing plant for nitrous oxide at Bombay has recently been obtained and when this plant is in operation, it is hoped to increase substantially both sales generally and in particular exports to the Near and Far East.

With regard to welding rods, miscellaneous gasuser and medical equipment and electric welding plant, it has been our policy to encourage their manufacture through feeder industries, thus reducing our reliance on imports. I am glad to say that in very many cases these feeder industries have been nursed and encouraged to undertake manufacture of these items, not only through the orders we place with them, but with the technical help we render them by drawing on our collaboration arrangements with The British Oxygen Company Limited.

It is obvious that with the increasing pace of industrialisation in the country and in particular having regard to the greatly increased quantities of steel which will become available for fabrication and machine building during the next Five-Year Plan period, the consumption of your company's products must continue to rise. What may not, however, be so widely appreciated is that based on the experience of the industrially developed countries, the rate of expansion of the industrial gases

industry is likely to exceed the rate of expansion in the output of steel. Even today, in the United States of America, the consumption of oxygen per ton of steel produced is still increasing and this is a factor which I believe will have to be borne in mind in considering the scale of development required in India if shortages and deficiencies are not going to handicap the steel-using industries in the highly competitive years which lie ahead of us.

Competition

Government's policy towards competition, especially with regard to industrial oxygen, has been indicated by the Planning Commission as follows :—

".....it was agreed that while recent entrants into this field and newcomers might be given some weightage in the interest of preventing over-concentration of growth, there could be no question of freezing the capacity of leading producers at current levels and that taking all relevant factors into consideration, an appropriate share of the expansion should be allowed to them also."

We accept this position which is in line with the declared economic and social objectives of planning in this country. I feel, however, that I should make one comment in this connection and it stems from what I have stated before, namely that by the very nature of its business, oxygen production facilities have to be sited at multiple points each serving a certain optimum area. If, therefore, the country is to reap the benefits of increased production each one of these production points should be allowed to grow to be able to achieve the economies of scale which in this industry are very considerable; indeed, spectacular. A careful eye should, therefore, be kept on this aspect of the problem so that wasteful competition is not allowed to lead merely to unnecessarily high prices to the detriment of our customers and therefore of the nation as a whole through failure to achieve economic cost levels.

Finance

The considerable expansion in our production facilities which has already taken place as well as the further expansion which is now visualised, necessarily involves financial commitments which cannot be completely met from cash retentions in the business. Apart from the quantum of the finance required, the necessity at this stage to import plants gives rise to a demand for foreign exchange, and this is being met in various ways. The biggest single item in the past year has been for oxygen and dissolved acetylene cylinders and for this purpose accommodation was arranged through the United States Export-Import Bank. As a counterpart of this arrangement, the rupee equivalent of the U.S. Dollar cost which could not be met from internal resources was secured by way of additional facilities from our Bankers in Calcutta.

Our capital expenditure in the three years ending 30th September, 1963 is presently estimated at a figure of Rs. 3,85,00,000. Your directors have carefully considered the methods of financing this large expansion programme and in view of the steadily increasing investment in fixed assets have come to the conclusion that the Ordinary Share capital should now be increased. By virtue of The British Oxygen Company Limited's holding in our equity capital this will also yield foreign exchange in our hands through the parent company's subscription towards the new Ordinary Shares to be allotted to them. The consent of the Controller of Capital Issues has, therefore, been sought and obtained, and it is now proposed to make a rights issue of 6,00,000 Ordinary Shares of Rs 10/- each at a premium of Rs 8/- per share. You will notice that various matters arising out of this issue of share capital are proposed to be dealt with at the meeting to which this statement is to be submitted and full information is contained in the explanatory statement attached to the notice convening the meeting. I would particularly point out that although on the basis of its current holding of Ordinary Shares, The British Oxygen Company Limited, is entitled to 70% of the rights issue, they have agreed that they should take up only 60% thereof, thus enabling 40% to be offered to members other than The British Oxygen Company Limited, being very largely members of the Indian public.

Management and Personnel

In an expanding organisation such as ours which by the nature of its production is necessarily widely dispersed throughout the country, the need to provide for the development of senior executives is a continually increasing one. We have taken advantage of the facilities afforded to us by The British Oxygen Company Limited, to send a number of our officers to the United Kingdom for specialised training while nominees of the company have also attended the Administrative Staff College at Hyderabad as well as other specialised courses in sales and administration which have been available in India. We were particularly proud that our Secretary, Mr. A. K. Basak, was selected by the National Productivity Study Team on stores and inventory control to Japan, the United States of America and West Germany, while we are also pleased that one of our officers has been chosen for inclusion in a Productivity Team on welding which is to go abroad in 1961. The burden on our senior executives is a heavy one and I assure you that we have been well served by them. Our particular gratitude is due to our Managing Director, Mr. A. K. Sen, who has been untiring in his devotion to the company's interests. To him and to the other senior executives as well as to the staffs and work-people at our installations throughout the country I offer on your behalf our grateful thanks.

Technical Collaboration

It would be inappropriate to close this statement without a special mention of the help and assistance which we continue to receive from our parent company, The British Oxygen Company Limited. With the increasing tempo of development in India the contact between the personnel of the two companies has continued to grow at all levels and we were particularly pleased to welcome just a few weeks ago Mr J S Hutchison, the Chairman of The British Oxygen Company Limited, who in a crowded programme visited Jamshedpur, Calcutta, Delhi and Bombay. On your behalf I extend to The British Oxygen Company Limited and to its Chairman our appreciation of their valued assistance and of the very real interest which I can assure you they continue to take in our progress.

Prospects

The Company is now embarked on a further expansion programme, the scale of which is substantial

even on the basis of its already widespread activities. We are, however, building on a sound foundation and from what I have already stated, shareholders will appreciate that I have no doubts regarding the future demand for our products. Expansion of the steel-using industries constitutes a basic feature of the Third Five-Year Plan just as increased steel production was the central theme of the Second Plan. In these circumstances it is clear that our industry must forge ahead. At the same time I must point out that we have already shouldered substantial liabilities in the shape of foreign exchange loans and the likelihood is that the demands of Indian industry will compel us to consider before long a further stage of expansion, involving fresh financing problems. Having regard to all these considerations it may, I fear, be necessary for shareholders to be prepared to exercise a degree of patience in regard to the expectation of increased returns by way of dividend; but from what I have stated it is only reasonable that you should be able to look forward to a steady growth in the value of your investment in an industry which is vital to the continuing growth of the Indian economy. I have no doubt that, given a steady supply of the necessary raw materials, all industries in this country will bend themselves to the task of achieving what is expected of them under the Third Five-Year Plan and in serving them Indian Oxygen will play its full part.

India at Leipzig Fair

INDIA will participate in the 1961 Leipzig Spring Fair. Her Pavilion at the fair will have a floor space of more than 10,700 sq ft. India will also be represented by numerous individual exhibitors in some of the 55 trade groups of the Fair. Some 9,000 exhibitors from 50 countries will exhibit their products in Leipzig between March 5 and 14 1961.

Referring to India's participation in the Fair, Herr Rolf Lemser, Director of Leipziger Messeamt and Vice-President of Union des Foires Internationals, told representatives of the press: "In the German Democratic Republic the participation in the Fair of India with a collective exhibition, which is 3,800 sq ft larger in space than that of last year, is regarded as a further step towards deepening the friendly relations existing between our countries. The collective exhibition of India will give visitors to Leipzig Fair an opportunity of getting to know the industriousness of the working people of India".

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UNDER SECRETARY TO GOVERNMENT 24 JAN 1961 PUBLIC DEPARTMENT

The Associated Cement Companies Limited

Speech of the Chairman, Dharamsey M Khatau

SPEAKING at the 24th Annual General Meeting of the Associated Cement Companies Limited held in Bombay on Friday, 20th January 1961, the Chairman, Shri Dharamsey M. Khatau said: "After the steady and continuous deterioration in profits over the preceding four years, there has at last occurred some slight improvement in gross profits and net profits. Encouraged by this, and by the prospect, or at least the hope, that the Tariff Commission now examining our current and future costs will recommend a fair price and that the benefits accruing hereafter from the increase in installed capacity will not be wholly neutralised by further increases in costs, your Directors have decided to recommend a Dividend at Rs. 12 per share (subject to deduction of tax). This has been done in an endeavour to reach what we consider to be the *minimum rate of dividend* to which the shareholders are entitled. Your Directors realise that this is by no means yet a fair return on shareholders' capital, having regard particularly to the fact that the shareholders have also contributed a very substantial amount of further capital by way of Premium on Shares paid in cash. But it is not possible to go any further in that direction just at present, because even the modest dividend now recommended as well as the rate at which it is proposed to pay Bonus to our employees this year, have necessitated the heavy withdrawal of Rs. 84.50 lakhs from General Reserve.

Production and Costs

"Despite the slight improvement in profits the results of last year's working have been disappointing. In keeping with the Second Plan, the installed capacity of your Company's factories in India rose from 34.42 lakh tons to 37.30 lakh tons, but despatches improved only from 31.47 lakh tons last year to 33.68 lakh tons. This was not due to any lack of demand for cement. On the contrary, the demand improved strongly since the beginning of 1960. But the shortage of railway wagons, especially since the end of May 1960, prevented us from taking full advantage of the improved demand. Moreover, your Company along with many other industrial concerns was adversely affected by the acute shortage of transport for coal, with the result that a number of our Works were obliged to curtail production for want of coal supplies towards the end of the year under review. The transport situation continues to be grave, though the authorities concerned are doing all they can to ensure for our cement plants at least their minimum requirements of coal and adequate supply of wagons for despatching cement. We are also endeavouring to increase despatches by road transport.

"Apart from these, the increase in gross earnings has been largely offset by further increases in the cost of various materials, enhanced railway freight, a further rise in the cost of coal and power, higher incidence of labour costs etc. The incidence of depreciation was also higher on account of the high capital cost of expansion and rehabilitation projects.

"The implementation of the recommendations of the Cement Wage Board would have increased the labour costs still further but for the Government's acceptance of the Wage Board's finding that the cement industry was incapable of bearing this additional burden, and that consequently there was need to neutralise it by an appropriate increase in the retention price. Unfortunately, in the process of computing this higher labour cost per ton of cement, the installed 'rated' capacity has been taken as the base instead of the actual production which was considerably lower.

"The major increases in costs which have been responsible for the progressive reduction of profits have been due to factors entirely beyond the control of the Company. They have in fact been the direct consequence of Government's own fiscal, monetary, labour and welfare policies in an attempt, on the one hand, to implement the Second Five-Year Plan which many of us regarded as extravagant and, on the other, to move nearer to the goal of a socialistic pattern of society which, at this juncture, most of us consider impracticable."

Tariff Commission

"In view of continually rising costs," the Chairman continued, "your Company was constrained to approach the Government repeatedly since 1959 for some enhancement of the retention price. It was pointed out that the continued decline in the earning capacity of the Company, despite the substantially higher production and increased capital employed, which is amply borne out by our published accounts since 1956, was the direct outcome of increasing costs and the uneconomic retention price. The Government was well aware that your Company has always co-operated in the plans and policies of Government by readily assuming responsibility for its share in the expansion of the country's cement output, and by carrying out expansions and technical improvements with a view to keeping down production costs. Your Company has also participated in establishing a major Heavy Engineering project in the country in collaboration with two leading British Concerns, involving very considerable investment of resources in men and money. In view of all this, one cannot but deprecate the irresponsible attitude of Government in deliberately ignoring the difficulties and needs of this basic controlled industry, and in refusing to re-fix the retention price at a level which would yield a reasonable margin of profit, and also leave something over for ploughing back into the business. Even more reprehensible was the Government's failure to implement the last Tariff Commission's recommendations concerning the retrospective operation of the enhanced retention price fixed in 1958 and the need to alter that price from time to time with every change in the cost of coal.

"In these circumstances, the decision of the Government to refer the whole question once again to the Tariff Commission for a fresh inves-

tigation is welcome, though the decision was taken after nearly two years of inaction. In effect, this means that the Cement Industry will have to continue to suffer, without any redress, not only the entire rise in costs which has already occurred since January 1958, but also the further rise which will undoubtedly occur until a new retention price becomes operative.

"Meanwhile, almost exactly a month ago, even before the Tariff Commission could make a start with its formidable task, came an extraordinary edict from Government. They decided, by a stroke of the pen, to compel the industry to use second hand bags for packing cement; and this at a price so low, conceived as an *average price* for packing in New Bags and Used Bags, that it makes the whole scheme both impossible of performance and grossly expropriatory.

"I have often wondered,—lately with some anxiety,—what could be the reasons for singling out the Cement Industry for such unsympathetic, if not indeed harsh, treatment. Can it be that, even after all these years, there is as yet no understanding in Government circles of the real needs, or the elementary "economics" of this major, basic, capital-intensive industry? Do they not want a Cement Industry that is buoyant and can grow with freedom and vigour to a point when shortage of cement will be a thing of the past? Or is it, quite simply, that State Trading in cement, though initially highly lucrative, has lately become such an unprofitable adventure, that a desperate attempt is now being made to minimise the liability by passing back the losses in State Trading to the producers? I suspect that this last point is nearest the mark; but whatever may be the true answer, I feel bound to say, with all the emphasis at my command and with a full sense of responsibility, that the recent policies of Government affecting this major industry are fraught with grave consequences to its future and to the early satisfaction of the country's urgent need for cement. I must also add that 'holding the price line' is impossible, with *planned inflation* on the one hand, and with so many variable factors (of Government's own making) tending towards rising costs, on the other. In such circumstances a rise in the price of cement is an unavoidable necessity if a further increase in cement production is not to be throttled.

"It is with this background that we propose to urge before the Tariff Commission that the 'fair return' on the capital employed in the Cement Industry should be conceived as a 'fair *net distributable* return' after meeting all items of cost. In particular we shall urge that there can be no justification—legal or equitable—for excluding from the overall 'cost' of cement either such items of *direct cost* as the full charge for packing, whether in New or Used Bags, and the commission payable to stockists, or such large and specific items of *overhead costs* as Bonus and accruing Gratuity to employees, the remuneration payable to Managing Agents, the statutory Development Rebate Reserve and Company Taxation. To admit, on the one hand, that the industry is entitled to a fair return on capital employed, but to insist, at the same time, that from this return itself the industry should in effect meet the cost of the items to which I have just referred is a contradiction in terms. It certainly results in our being left with a net distributable return which can hardly be described as fair."

Expansion and Rehabilitation

The Chairman reported that the Company's various expansion and rehabilitation projects have made satisfactory progress. Giving details, Shri Khatau mentioned the extensions to the Shahabad Works which raised its capacity from 4.00 lakh tons to 5.65 lakh tons per annum; the modernisation and extension of the Kymore Works as a result of which the capacity of the factory has been raised from 3.60 to 5.73 lakh tons per annum; the installation of the flotation plant for the beneficiation of low-grade limestone and the slag-cement plant at Chaibasa; and the slag-granulation plant at Jamshedpur. The Chairman expressed his fears that it may not be possible to commission the recently completed second dry-process kiln at Mancherial immediately due to the inability of the Andhra Government to supply the full requirements of additional power.

New Cement Works at Durg

Shri Khatau also announced that the Company had decided to start immediately on the building of a Cement Works at Durg in Madhya Pradesh which was held in abeyance due to the glut in the cement market and the shortage of foreign exchange etc. The Government of India has now agreed to give high priority to this project so far as foreign exchange is concerned. This new Cement Works will have an initial capacity of 1.65 lakh tons of cement per annum, and in due course, will produce slag-cement using blast-furnace slag from the Bhilai Steel Plant.

Firebricks and White Cement

The capacity of the refractories factory at Katni was being raised from 17,640 tons to 30,000 tons per annum in view of the adequate demand for this product. The Company also marketed nearly 8,000 Metric tonnes of Silvicrete white cement produced at the old Probandar Works. Since demand continued to be fairly steady despite competition from imported and local white cement, and was likely to increase in the coming years, the Company has planned to install a new 25,000 ton capacity white cement plant at Kymore.

Collieries

Shri Khatau also said that the Company's Nowrozabad and Kotma Collieries met a good portion of coal requirements at some of the cement works and the modern coal-washing plant at Nowrozabad to improve the quality of the coal produced there, is supplying enriched washed coal to the Kymore Cement Works replacing the more expensive Bengal coal to a large extent.

Machinery Manufacture

Continuing, the Chairman stated that in line with the Government policy of encouraging the setting up of a heavy-machinery industry in India, the Company has decided to establish a well-equipped engineering works at Shahabad for the manufacture of machinery required for cement, paper and pulp, chemical industries etc. Meanwhile, the Company continues to manufacture cement machinery for its own requirements at the existing Central Workshops at Shahabad.

ACC-Vickers-Babcock Ltd

The work on the construction of the Heavy Engineering Works at Durgapur in collaboration with Messrs Vickers Ltd. and Messrs. Babcock & Wilcox Ltd. is proceeding according to schedule. The new Company is expected to go into production by the end of 1961. ACC-Vickers-Babcock Ltd. have up to now issued 3,00,000 shares of Rs. 100 each and the ACC's share, which is 49.8% of the shares so issued, amounts to Rs. 1,49,40,000/-.

Pakistan

The Chairman reported that the Company's factories in Pakistan continued to function satisfactorily. Remittance to India of profits earned in Pakistan continued to be banned, but the Company was allowed to remit to India the due proportion of the management and administrative charges incurred at the Head Office. The demand for cement in Pakistan was steadily growing and naturally, the Government of Pakistan were eager to meet this growing demand by increased production within the country. "They therefore approached us to expand the capacity of our two plants in Pakistan; but we expressed our inability to do this for want of the substantial foreign exchange resources required for the purpose."

The Chairman continued: "As the need for expanding the cement production in Pakistan was undoubted, we have been in negotiation with certain foreign interests—at first British, and now American—to transfer our factories to them on terms mutually agreeable and subject, before completion, to the approval of the Government of Pakistan and the Government of India. The prerequisites of any such transaction must be that we get a price which is fair, having due regard to all the circumstances, and that the entire sale proceeds together with our cash balances should be received by us in Indian Rupees or in convertible foreign exchange. From the point of view of the Government of Pakistan, such an arrangement would be of great value because it would ensure considerable expansion of production capacity without any burden on the foreign exchange resources of the country either for the acquisition of our factories, or for their further expansion. To the Government of India also the transaction should be welcome as it would enable the release of our resources in Pakistan for investment in further expansion in India. Negotiations are proceeding satisfactorily and before they are finalised the shareholders will be approached for their approval."

Bonus Shares, Managing Agency etc

The Chairman stated that the Directors "have been reluctantly compelled to drop the idea of issuing Bonus Shares until such time as Government may deem fit to withdraw this entirely unjust imposition" (of a 30 per cent tax) "the incidence of which your Company cannot bear". Shri Khatau hoped that the Government (in the Company Law Administration Department) will sanction the extension of the duration of the Managing Agency Agreement to ten years and to enhance the terms as to remuneration above the "standard scale".

Labour-Management Relations

Commenting on labour-management relations Shri Khatau observed: "Among the outstanding events of the year under review was the publication of the Report of the Central Wage Board for the Cement Industry."

He said that its main recommendations had been approved by Government and had been voluntarily accepted by us. The Wage Board must be complimented on the competence with which it has worked out a clear, need-based, fair wage pattern for this Industry.

Continuing, Shri Khatau said : "For this very reason your Company, without waiting either for the actual realisation of the revised retention price or the assessment of proper work-loads, went ahead with the implementation of the Wage Board's recommendations at most of our Works and has already paid the new fair wage in consultation with the Unions at those Works. I am confident that, very soon, with the co-operation of the Unions concerned, we shall be in a position to implement the new wage scales at the remaining Works also.

"There are, however, certain aspects of this question to which, I feel, I must draw the pointed attention of the authorities. The Wage Board has for all practical purposes ignored the importance of fair work-loads as an essential element in any fair wage fixation. This was contrary to the positive stipulation of the Fair Wages Committee, the principles of which the Central Government desired the Wage Board to follow by making a specific provision to that effect in the Terms of Reference.

"I imagine that, by now, we have all come to realise that the productivity of our workers is very much lower than in other industrialised countries. For reasons beyond our control we have to engage a much larger man-power force than is the case elsewhere, even in plants of equal capacity, with identical equipment and the same degree of mechanisation. Raising the wages of workers in this context, unaccompanied by a corresponding assessment of fair work-loads or a rise in productivity, becomes a dubious and somewhat self-defeating device because, in our developing economy, its inflationary result detracts from the workers' real income on which alone their standard of living can depend.

"The relegation by Government of work-load studies to a stage of secondary importance is all the more difficult to understand when the Planning Commission as well as the Government have repeatedly made it clear that higher productivity is the only sure basis of prosperity and well-being of the workers.

"However, it is at least some gain that the need for undertaking work-load studies has been accepted in principle. And although we did not succeed in persuading the Central Government to entrust the task of scientific work-load assessment to expert independent agencies having specialised knowledge of this particular type of work, Government has asked the Chief Adviser (Factories) to initiate pilot projects for intensive studies in two or three units in this Industry. We are giving the fullest assistance and co-operation to this team to facilitate and expedite their work."

Appreciation

Despite the low level of profits the Chairman said the Directors have decided to maintain the rate of bonus to all the Company's employees at the same level as last year, and the large majority of the employees in the lower scales of pay would receive substantially higher amounts of bonus this year in view of the increase in their basic wages due to the implementation of the recommendations of the Central Wage Board for the Cement Industry.

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Shri Khatau concluded with an expression of warm appreciation of the sustained hard work and whole-hearted co-operation of all the Company's employees.

NOTE : This does not purport to be a report of the proceedings of the Annual General Meeting which will be sent separately to shareholders on request.

Small Savings

THERE has been an all round increase in the net collections of Small Savings during April-November 1960. The increase was more pronounced in the Post Office Savings Bank deposits and the Treasury Savings Deposit Certificates—being Rs 9.25 crores and Rs 3.90 crores respectively. Net collections during the eight months amounted to Rs 52.64 crores, showing an increase of Rs 15.06 crores over the corresponding period last year. In November, 1960, net collections amounted to Rs 7.28 crores, recording an increase of Rs 1.82 crores over the figure for November, 1959. The sale of Prize Bonds from April to November, 1960 amounted to Rs 10.87 crores. It was Rs 25 lakhs in November, 1960.



opportunity for those that take it

AN important feature of the educational facilities at Jamshedpur is the leisure-time training of employees. Instruction provided, after hours, helps steelmen like J. P. Pathak to acquire wider knowledge and new skills.

Pathak, who started his career in Tata Steel as an office boy in 1929, passed his matriculation examination from the Company night school in 1944. Pathak next took up an evening course in basic mechanical drawing at the Jamshedpur Technical Institute. In 1957, he was selected for overseas training, and went to Canada, the U.S.A., West Germany and Holland, to learn techniques of operating a sinter plant. Today, Pathak is operator-in-charge of the sinter plant added under the two million ton expansion programme.

Notwithstanding initial handicaps, enterprising men like Pathak have the opportunity to better their prospects through further education and training at Jamshedpur, where industry is not merely a source of livelihood but a way of life.

JAMSHEDPUR

THE STEEL CITY

JWTTN 4660

The Tata Iron and Steel Company Limited

Around Bombay Markets

Groundnut at Ceiling

D P Sharma

Thursday, Morning

ON January 16 groundnut February contract touched the ceiling rate of Rs 220 per 250 kilos. The contract was quoted at around Rs 208 early in November when the Forward Markets Commission remarked that there was no justification for the then prevailing high prices. Poor FMC! What if it were to trade on its view? As it is it has only suffered a blow to its self-esteem. The Commission would be well-advised not to challenge the market's verdict too often. It is enough if it restricted its activities to ensuring that excessive speculation did not in any way threaten the liquidity and solvency of the market. The solvency of the market had seldom been in suspect. And the penal margins that the Commission has imposed, especially in groundnut — Rs 10.000 per unit of trading — has seriously impaired the liquidity of the market. Trading in oilseeds futures has become extremely dull and the groundnut futures market is almost as good as closed.

Not Surprising

That groundnut futures should have risen to the ceiling is not the least surprising. In ready, even the inferior most quality of groundnut, Karad bold, is difficult to obtain in quantity at Rs 233 per 250 kilos. There is a virtual scramble for whatever goods are offered. Vanaspati manufacturers continue to be eager buyers whereas offerings are limited. Groundnut H P S are quoted as high as Rs 52 per 50 per kilos Prices are quoted at record high levels when the season is not even half way through. This season's crop has not been bad. The prevailing high prices are due partly to a change in the pattern of marketing and partly to increased domestic consumption. Carryover from the previous season had also been negligible. There seems little prospect of any material decline in groundnut prices during the rest of the season. In view of the difficult supply position it is doubtful whether the country will be able to spare for export any large quantity of groundnut H P S. Of course the export of groundnut oil is not possible without some big incentives because domestic prices continue to be substantially above world parity despite the impressive improvement in foreign prices over the past few weeks

Castorseed Irregular

Castor futures drifted idly in a narrow range. The general tone, however, appeared fairly steady. After easing from Rs 177.12 to Rs 175.75 the May contract rallied to 178 but receded to wind up the week at Rs 177. Export houses did not report any fresh business in castor oil but they were inclined to take a reasonably optimistic view of the outlook because of the marked strength in the price of British East African castor beans and the spectacular rise in the price of tung oil over the past few weeks. The new crop of castorseed in British East Africa is reported to have been seriously damaged by the drought conditions in most of the producing areas. Offerings by Brazil are also reported to be limited. Meanwhile estimates of the Indian crop are being revised down to around 100.000 tons, presumably because of the unsatisfactory pace of arrivals. There has hardly been any carryover of castorseed from the previous season and castorseed crushing units have not yet started functioning because of inadequate supplies. With castorseed looking very cheap in relation to groundnut, it is doubtful whether marketable supplies will record any appreciable increase unless prices show further improvement. The U K is reported a buyer of castor oil B S S and Commercial at around £ 129 and £ 121-1/2 per ton respectively but sellers here remain reserved because of the tight supply position.

Linseeds were steady but dull, particularly futures. The May contract fluctuated irregularly between Rs 35.19 and Rs 35.59 per 50 kilos and closed at Rs 35.31 against 35.22 a week earlier. Margin considerations discouraged bulls from making large commitments but bears continue to be reserved because the sustained demand for linseed oil which is about the cheapest edible oil at present. Cottonseed displayed considerable strength with the February contract up from Rs 91.50 to 93.50. Cottonseed improved despite the easier tendency in cotton. This was attributable mainly to encouraging overseas inquiries for cottonseed cake and oil, though no business was reported to have materialised.

Export business put through during the week consisted mainly of groundnut extractions and linseed cake. The U K and the Continent took fairly large quantities of groundnut extractions and paid up to £ 29-5 per ton for January shipment, £ 28-15 for February and £ 28-7½ for February-April position. The Communist bloc was reported to be interested in groundnut extractions. Linseed cake realised about £ 30 per ton.

Oilseeds and oil prices abroad have developed remarkable strength over the past few weeks. Nigerian groundnut oil is currently quoted at around £ 121 against £ 108 a fortnight ago. Tung oil has shot up from £ 135 to £ 185 in a little over a week's time. The U S quotation for cottonseed oil is up from $ 230 to $ 285 per ton and for soyabean from 10 cents to 12.5 cents a pound. Canadian linseed which was offered to the U K at around £ 48-15 less than a fortnight ago is quoted at £ 52. The virtual failure of the oilseed crops in China, which had been an important supplier to world market, is said to be an important reason for the recent advance in oilseed prices abroad. Argentina's linseed crop 1960-61 is placed around 5.9 lakh tons which is some 28.5 per cent less than in the previous year.

Cotton

Futures Irregular, Subdued

COTTON futures moved both ways. After being marked down from Rs 594.75 to Rs 585.75 the April contract recovered sharply to Rs 596.75 but drifted lower again to Rs 592 — Rs 2.75 down over the week. Early decline was a continuation of the previous downtrend which promises to continue for some time under the pressure of arrivals. The rally that occured during the latter part of the week was essentially technical, brought about mainly

by short covering and partly by cautious replacement buying. Sentiment, however, was helped by talks of an early issue of the third instalment of Indian cotton quota and additional ad hoc quotas to the mills for stepping up their cloth output. Rumours about a fresh export quota of Bengal Deshi also helped technical recovery.

The textile news continues to be encouraging. The cotton piecegoods market has turned quite lively and mills are busy with their plans to increase their output by about 10 per cent. An increase in cloth output of this order, which, of course is not easy to achieve, should have a significant bearing on cotton prices but the price pattern in the near future is likely to be moulded by the flow of arrivals. The market will continue to encounter heavy pressure of arrivals until about the end of March. And as the April hedge contract approaches its maturity period, speculators might exploit the bearish nature of the contract.

Crop Ideas

Crop ideas are being gradually revised upward. Many think that the crop will turn out to be around 51/52 lakh bales and there are quite a few who place the crop around 53 lakh bales. One can only hope that the optimistic expectations about the crop materialise because that will help the industry secure its raw material at reasonable prices for increasing its production. That the industry should have produced 5,044 million yards of cloth and 1,737 million lbs of yarn in 1960 as against 4,925 million yards and 1,723 million lbs in 1959 despite a virtual failure of the 1959-60 cotton crop speaks well of the Government's liberal import policy for cotton.

The spot cotton market was distinctly subdued during the week. Almost all the varieties are now easily available at prices which are Rs 15 to Rs 40 per candy below the ceiling rates. Since the mills are now reasonably well-covered for their nearby requirements they are no longer very eager to make further purchases now that the market has developed a sagging tendency under the pressure of increasing arrivals. In view of the numerous representations the Government has raised the floor and ceiling prices of Kalyan and Western cottons but the increase has fallen short of the trade's expectations. The plea for an increase in the floor and ceiling prices of Vijay B and Ankleshwar has not been accepted.

Exports, Imports

The trade continues to wait for the release of a further export quota for Bengal Deshi. It was on the 17th December that the ceiling for the 50,000-bales quota was reached. The delay in the release of a further quota seems quite unwarranted in view of the fairly comfortable supply position of Deshi cotton. Domestic requirements are estimated at no more than 1.40 lakh bales whereas the 1960-61 crop of Deshi is placed around 3.30 lakh bales of which cotton of superfine and above quality consists of a little over one lakh bales. There seems little sense in the industry's opposition to the release of a further export quota when the supply is far in excess of its requirements and every possible effort needs to be made for earning foreign exchange. Besides, this is the time when India can realise fairly good prices for its Deshi cotton. Why lose the opportunity?

The quantity of cotton licensed for import during the first four months of the current season — September to December — amounted to 462,420 bales against 215,466 bales during the corresponding period last season. Actual arrivals totalled 353,120 bales against 134,073 bales. Of the 462,420 bales licensed, cotton from the sterling area amounts to a mere 60,214 bales. The rest is U S cotton comprising 33,611 bales under barter arrangement and 368,595 bales under P L 480. Of the P L 480 cotton, 254,194 bales are of cotton stapling 1" and below.

Stock Exchange

Turn in Sentiment

SENTIMENT on the stock exchange seems to have taken a distinct turn for the better. Equities have staged an all-round impressive recovery from the recent low levels. National Rayon have risen from Rs 460.50 to Rs 494, Tata Engineering from Rs 278 to Rs 296.50, Century from Rs 446 to Rs 472, Svadeshi from Rs 218.50 to Rs 237, Standard Mills from Rs 957 to Rs 1,044, Tata Chemicals from Rs 16,56 to Rs 17.48, Bombay Burma from Rs 539.50 to Rs 556, Voltas from Rs Rs 247 to Rs 256.50 and Tata Steel from Rs 138 to Rs 143.50. Atul Products have shot up from Rs 429 to Rs 490. The rise has been due both to short covering and renewed cautious bull support. Corrective profit-taking produced an all-round moderate setback near the week-end.

Since the market had been declining since about the last week of November and had recorded a substantial fall, technical considerations alone could have produced a sizable rally any time. But it is not unlikely that the market might have passed its most pessimistic phase. It would not be a surprise if the market were to repeat the performance of the previous three years when the lowest points of the year were struck in January. The index for variable dividend industrial securities, Bombay, made its 1958 low of 119.2 in the first week of January; 1959 low of 137.8 was also recorded in the first week. The index recorded the 1960 low mark of 157.2 in the last week of January. The behaviour of the all-India index has not been any different.

Bullish View

Technical considerations apart, sentiment last week was enlivened by reports of steady improvement in the cotton piecegoods market. Production of cloth and yarn by the mill industry in 1960 at 5,044 million yards and 1,737 million lbs is higher than in 1959 and 1958 and if the industry is able to step up its output by about 10 per cent for which the Government is willing to give good facilities, the mill industry might set a new record in 1961. With food prices showing a slightly easier tendency and raw cotton considerably cheaper than in the previous year, industry should be able to report fairly good results in 1961 despite the reduction in cloth prices.

The stock market is inclined to take a bullish view of the decision of the National Development Council to increase the proposed outlay on the third Plan from Rs 10,200 crores to Rs 11,500 crores. The view is widely shared that with the general election due next year, the 1961-62 Budget is unlikely to contain any proposals which might harm the cause of the private sector, particularly of Big Business. Whatever be the immediate outlook, there can be no mistaking about the basic trend in equities. Certainly not, as long as Shri Morarji Desai is the Finance Minister.

Company Notes

Ahmedabad Advance

THE Sales of Ahmedabad Advance Mills of the Tata Group during the year ended June 30, 1960 went up from Rs 243 lakhs to Rs 286 lakhs and gross profit margin on them increased from 5 to more than 9 per cent. The net profit went up substantially from Rs 1 lakh to Rs 17 lakhs. The latter represents 8 per cent on capital invested and 20 per cent on net worth. Net earning per equity share is Rs 40 and the dividend is Rs 10. Out of the net profit, Rs 5 lakhs have been distributed and Rs 12 lakhs retained. The depreciation provision, however, is inadequate to the extent of about Rs 22 lakhs.

During the year Rs 13 lakhs were spent on new plant and equipment. The main items of machinery bought were: within combing set a drawing range and a water-softening plant. The combing set and the water softening plant were received under the Export-Import Bank Credit Scheme. A sanforising machine, for which an import licence was obtained more than a year ago, has not yet been imported as the question of payment of royalty to the patentees is still to be settled. The Textile Commissioner has granted the necessary essentiality certificate for the import of 96 automatic looms on Japan on deferred payment terms.

Central India

THE accounts of Central India Spinning & Weaving, another company of the Tata Group, show a considerable reduction in working loss from Rs 53 lakhs to Rs 9 lakhs, in spite of the increase in the costs of raw materials, wages and interest. Tata Industries, the secretaries and treasurers, have foregone their minimum commission as well as the interest amounting to Rs 33,000 on their loan of Rs 5 lakhs to the Company. Tata Sons have, similarly, foregone the interest of Rs 1.5 lakhs on their loan of Rs 25 lakhs.

Sales increased during the year from Rs 323 lakhs to Rs 448 lakhs. Accumulated losses now stand at Rs 90 lakhs against the net capital invested of Rs 525 lakhs. Depreciation arrears, however, aggregate Rs 76 lakhs and liability on account of unpaid preference dividends for four years totals Rs 13 lakhs.

According to the statement of the Chairman, Shri Naval Tata, circulated along with the Directors' Report, no efforts are being spared to bring back the company from uneconomic existence to a sound healthy state. All available resources in the shape of administrative and technical skills are being concentrated on the Empress Mills to rehabilitate it as early as possible. The first phase of the renovation programme has been completed. Extensive renovation of Mill No 3 has yet to be carried out and improvement of processing and finishing capacity in Mill No 4 is also necessary. This programme will be undertaken as soon as finances permit.

The proportion of export to total sales has gone up from 7 per cent to 15 per cent.

Instrumentation Centre for Bombay

AN Instrumentation Centre has been set up in Bombay, jointly sponsored by the Blue Star Group and their American principals, Honeywell Regulator Company, who are believed to be the world's largest manufacturers of instrumentation and automatic control. Honeywell have donated over a lakh of rupees worth of instruments for the use of the trainees and they have also lent the services of the Manager of their Training Schools in London. The Centre will render a valuable service to industry by offering complete instrument maintenance courses free of charge.

Econometrica

January 1961

Volume 29 Number 1

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PERSPECTIVE

AN ECONOMIC REVIEW

A new economic review in the name of *Perspective* makes its first appearance in January 1961. Subsequently, it will appear approximately once every quarter.

Perspective offers a forum for the exchange and development of ideas regarding the real significance of the economic growth and changes taking place in the country, seen from the angle of vision of socialism. *Perspective* will in the main publish articles dealing with specific problems of the Indian economy, but will also cover problems of the world economy and problems of economic growth and change generally. An important feature of the review will be the publication of translations from non English sources of such pieces as are of especial value for the understanding of economic growth and change.

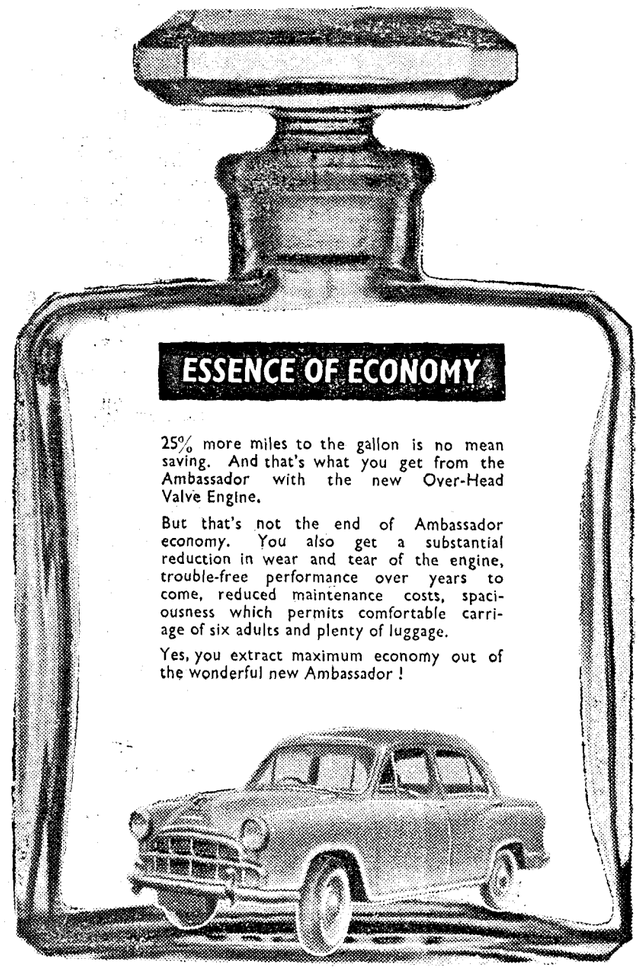
The first number of *Perspective* will contain articles by GYANCHAND, S. PATEL, A K BISWAS, S BHATTACHARYA, P K SHARMA, K MATHEW KURIAN and SUHRID GUPTA. The second number will include articles by CHARLES BETTELHEIM, GYANCHAND, ASHOK MITRA, (DR.) P C JOSHI, AJIT DASGUPTA, AMARENDRAPRASAD MITRA, A RUDRA, AJIT ROY and S NAQVI. Others who have promised to collaborate with the review include K N RAJ, AMARTYA KUMAR SEN, H K MAZUMDAR, VIR BAHADUR SINGH, K NAQVI, SULEKH CHANDRA GUPTA and J RUDOLPH.

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CURRENT STATISTICS

BANKING RETURNS (Rs Crores)

Reserve Bank	Latest Week‡	Week Ago	Month Ago	Year Ago
1. Note Circulation	1920.72	1901.25	1861.11	1777.90
2. Rupee Coin	123.83	124.82	127.11	129.49
3. Deposits				
(a) Central Govt	51.04	59.71	50.87	49.41
(b) Other Govts	18.42	7.00	28.40	40.37
(c) Banks	78.61	84.67	85.31	80.69
(d) Others	94.31	92.66	90.43	122.57
4. Foreign Securities	128.01	128.01	128.01	163.01
5. Balances abroad	19.47	19.61	27.10	46.78
6. Rupee Securities	1562.04	1547.06	1502.06	1377.42
7. Investments	130.74	140.36	205.89	213.03
8. Loans and advances to Govts	45.08	43.00	34.05	20.78
9. Other Loans and Advances	150.79	151.46	132.37	105.54
Scheduled Banks				
1. Liabilities:				
2. Demand (net)	688.05	686.71	683.42	727.71*
3. Time (net)	1067.59	1073.39	1082.91	1106.81*
4. Total	1755.64	1760.10	1766.33	1834.52
5. Cash in hand	45.06	49.90	44.80	44.82
6. Balances with Reserve Bank	83.93	112.15	89.90	68.01
7. (5) + (6) as % of (4)	7.07	8.86	7.35	6.15
8. Borrowings from Reserve Bank	53.45	61.47	24.07	22.21
Of which Usance Bills	13.83	13.72	3.99	3.45
9. Advances	1020.36	1007.85	966.62	838.15
Of which State Bank's	222.63	216.16	202.77	156.33
10. Bills Discounted :				
(a) Inland	119.06	114.21	107.65	114.38
(b) Foreign	48.70	48.60	45.76	46.71
(c) Total	167.76	162.81	153.41	161.09
Of which State Bank's	17.17	15.97	16.11	15.81
11. Bank Credit (9+10c) as % of (4)	65.13	64.02	61.13	54.47
12. Invest in Govt Sec.	643.31	633.76	674.38	775.88
Of which State Bank's	302.05	291.82	325.17	383.16
13. (12) as % of (4)	35.27	34.66	36.81	42.29
Cheque Clearance	212.15	218.72	198.25	240.43

‡For Reserve Bank week ended 13-1-61. For Scheduled Banks and Cheque Clearance week ended 6-1-61.
* Includes deposits of banks and others.

Bombay Money Rates (% per annum)

(Selected Scheduled Banks other than State Bank)

Call Money	6-1-61	Week Ago	Month Ago	Year Ago
From Banks	5.00	4.61	4.25	3.50
Deposits:				
Seven Days	2.00	2.00	2.00	3.37
Three Months	3.50	3.49	3.50	3.50
Six Months	3.50	3.50	3.48	3.50

Bombay Bullion (Rs and nP)

	19-1-61	Week Ago	Month Ago	Year Ago
Gold (per ten grams)				
Spot	117.25	117.20	114.70	115.13
Forward	118.05	117.55	115.85	114.27
Silver (per kilogram)				
Spot	202.95	201.95	195.10	184.04
Forward	203.80	202.45	196.60	184.79

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 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	— 21.63
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	73.01	58.62	— 14.39
Nov	70.93	60.69	— 10.24
Dec	69.74	69.57	— 17
1960 Jan	62.68	52.56	— 10.62
Feb	69.12	49.81	— 19.31
Mar	75.61	53.41	— 22.20
April	82.27	48.74	— 33.53
May	82.89	50.64	— 32.25
June	84.53	48.94	— 35.59
July	73.70	48.54	— 25.16
Aug	82.45	57.07	— 25.38
Sept	75.28	52.51	— 22.77
Oct	72.91	56.04	— 16.87

*Including Re-exports

Source : D C I S, Calcutta.

COAL PRODUCTION AND DESPATCHES

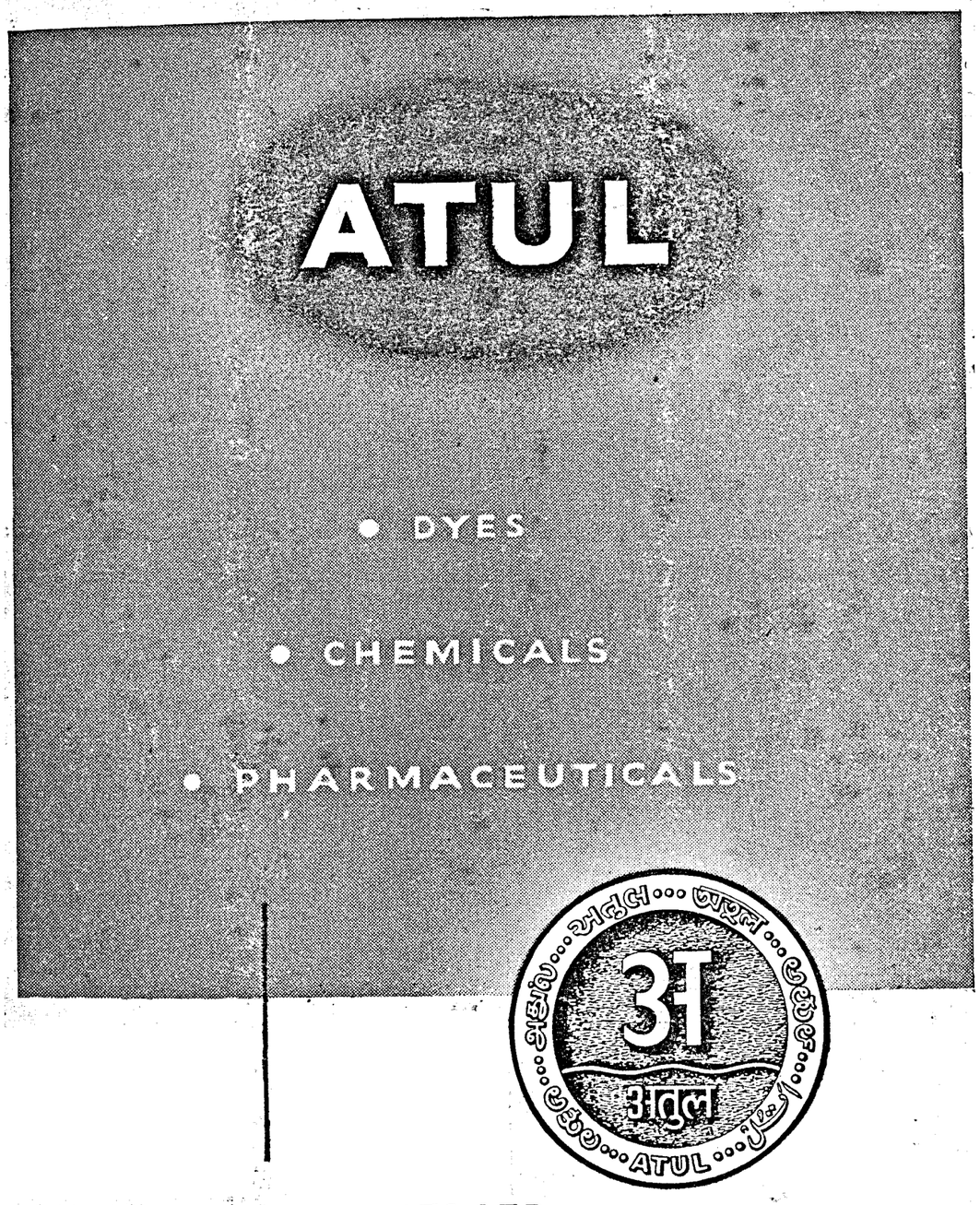
(Monthly Average of Calendar Months)

('000 metric tons)

	Raisings	Despatches	Stock at Pit heads*
1957	3,683	3,190	3,331
1958	3,838	3,416	2,808
1959	3,982	3,513	2,729
1958:Sept	3,909	3,531	2,931
Oct	3,807	3,529	2,725
Nov	3,747	3,428	2,613
Dec	4,215	3,562	2,808
1959:Jan	4,151	3,491	2,951
Feb	4,002	3,162	3,290
Mar	4,018	3,543	3,246
April	4,048	3,584	3,203
May	4,079	3,450	3,333
June	3,876	3,410	3,331
July	3,922	3,652	3,132
Aug	3,810	3,667	2,850
Sept	3,999	3,641	2,737
Oct	3,666	3,481	2,466
Nov	3,848	3,522	2,362
Dec	4,363	3,549	2,729
1960:Jan	4,182	3,664	2,739
Feb	4,365	3,583	3,018
Mar	4,434	3,818	3,117
April	4,453	3,807	3,272
May	4,421	3,663	3,546
June	4,207	3,749	3,578
July	4,123	3,701	3,556
Aug.	4,204	3,926	3,306
Sept.	4,212	4,006	3,163
Oct	4,409	4,200	—

*At or about the end of each period.
Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

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Tshombe's Murder Plot

MOISE Tshombe, the Katanga President of the Belgians; could never make a successful writer of escape stories. He lacks the talent. The tale he has tried to weave around the triple murder of Patrice Lumumba and his two associates would strain the credulousness of a child of four. Certainly no adult can be persuaded to accept the explanation that so valuable a charge as Mr Lumumba was so casually guarded by a negligent band of 18 warders that he was able to tear down, unnoticed, a whole prison wall behind the protective noise of the first available thunderstorm, and deliver himself eagerly to unnamed villagers thirsting for his blood. The wall, we are asked to believe, was battered down by the luckless inmates with the assistance of heavy iron bars. To swallow this little morsel of fantasy, one must also be willing to swallow the somewhat larger fantasy that under the benevolent rule of the Tshombe Government, prized political prisoners are never housed in a jail without an adequate supply of powerful jail-breaking equipment.

That Mr Lumumba was murdered in cold blood at the end of a deeply laid conspiracy against his life, is not in question. What is not clear at this stage, and may not become clear for a long time to come, is when and how the foul deed was planned, and when and how it was finally perpetrated. Almost certainly, Lumumba was killed well in advance of the callous and barbaric announcement with which the Minister of the Interior admitted the murder. It was in all probability first conceived at the time when Mr Kasavubu, anxious to isolate the detained Prime Minister from as much of the country as possible, sought Mr Tshombe's participation in a round-table conference. The Katanga "President" — or, what is more likely, the Belgian "advisers" at his elbow — named the price for this participation. This price was the handing over of Lumumba to Katanga.

From the very beginning this had the appearance of a sinister bargain. Why should Tshombe want so awkward a prisoner when he was already the carefully guarded captive of his sworn enemies in Leopoldville? Messrs Kasavubu and Mobutu are certain to have asked this question; and they were no doubt told that the Katanga leaders could not risk the re-appearance of Lumumba on the country's political stage; and that the only guarantee that would satisfy them in this regard was the actual possession of his person. It seems unlikely that the thought of murdering Lumumba had occured to Kasavubu or Mobutu himself; or if it had, it never really took root. Lumumba's genuine escape from his Leopoldville prison, and recapture without serious disaster, provide strong evidence of this. If either Mobutu or Kasavubu had really wanted him dead, that was their chance to kill him. They probably handed over Lumumba to Tshombe, not so much because they wanted him assassinated but rather because they did not seriously care what happened to him. The suspicion that he might be murdered must surely have risen in their minds; for they must have known that they were delivering their unfortunate captive into the hands of none other than the Belgians themselves. But they did not care. Indeed if Lumumba's assassination was necessary for the political game of the Leopoldville tribalists, it was best that someone else wielded the butcher's knife.

Tshombe himself, of course, never had the slightest intention of joining the round-table conference, or rather his Belgian masters saw no profit in letting him embroil himself in a Congolese federation when the plum of Katanga was already separately in their control. They took Lumumba and turned their back on the conference. They saw the man as the last serious challenge to their machinations, and calculated that to get him out of the way would be the best means of removing the threat he posed. So they killed him.

But this is where they made their worst mistake. For Lumumba the martyr has risen from his grave a much stronger force than Lumumba the prisoner would ever have been. By murdering Lumumba, Tshombe has put his own neck into the noose, and his own survival is now possible only if his sponsors and masters cast all pretence to the winds and come out physically and blatantly in his defence against the combined wrath of the rest of the world. That a blood-bath has not immediately followed the news of Lumumba's murder is a miracle which can only be explained by the possibility that a sense of shock has momentarily paralysed the limbs of the Congolese nationalists. The shock will wear off before long and then will set in the deluge. It is only the brief interval between now and then which is available to the United Nations to avert the catastrophe of a brutal civil war in the Congo. But will this opportunity be used to the best advantage?

It is tragic that there is little sign of that happening as yet. The same interminable wrangles which made the already extra-cautious Secretary-General largely ineffective all along, are once again in evidence. There is only one way in which the situation can be brought under control; and that, as Pandit Nehru among others has emphasised, is to disarm all the armed bands in the Congo and reactivate parliament. But this task, fairly simple at one stage, is now fraught with the greatest difficulties. If the U N is serious, it will have to be ready to fight each and every of the factions in the field. This will need a much clearer mandate from the Security Council than there seems any possibility of getting; and it will also need a massive concentration of physical power in the hands of the U N mission in the Congo, the prospect of which, too, is at present dim. The great Powers are still intent upon scoring political points in their cold war instead of rushing sincerely to the aid of the Congolese people. The debate which centres on the head of Mr Hammarskjoeld should instead centre on the Belgians and their henchmen in Leopoldville and Elizabethville. Their expulsion is far more to the point than the Secretary-General's, whatever his errors and defaults.

The situation in the Congo is now at its most complex and critical; and unless the United Nations can find some quick way of tackling it boldly, it will almost certainly wreck the U N itself. That is the true enormity of the crisis. Lumumba's death has spread the Congolese chaos to the globe.

The Railway Budget

SHRI Jagjiwan Ram's decision to leave passenger fares and freight rates untouched in his budget estimates for 1961-62 comes as a surprise in view of the recommendations of the Parliamentary Railway Convention Committee, 1960. The Committee had recommended, *inter alia*, that the rate of dividend payable by the Railways on their capital-at-charge to the General Revenues be raised from 4 per cent to 4.25 per cent and that the aggregate contribution from Railway revenues to the Depreciation Reserve Fund during the quinquennium 1961-66 be increased to Rs 350 crores, with an appropriation of Rs 65 crores in 1961-62 increasing by steps in each following year to Rs 75 crores in 1965-66.

The revised estimates for the year 1960-61 show traffic receipts down by Rs 6.50 crores at Rs 458 crores compared to the budget estimate of Rs 464.50 crores. The reduction is due entirely to the fall in goods earnings which was, however, compensated to a substantial extent by the increase over budget estimates of passenger earnings and other coaching and sundry earnings. Goods traffic earnings fell short of budget estimates by Rs 15.41 crores. The expected short-lead movement of raw materials for the steel plants did not materialise. Their average lead actually increased as these materials had to be moved from distant sources. The average lead of coal movement also increased due to the increase in movements from coalfields in Bengal and Bihar.

The total originating traffic at the end of 1960-61 is expected to be about 154 million tons which is considerably lower than the Second Plan target of 162 million tons. The Railways have, however, fully pushed through their investment programme which was geared to a freight demand of 162 million tons. In his budget speech last year the Railway Minister tacitly admitted the existence of idle capacity in the Railways and the revised estimates of goods movements for 1960-61 appear to confirm that the situation has not improved substantially. The question of securing higher returns in the Railways from existing capital stock instead of installing fresh equipment was glossed over at the time of framing the Second Plan but this is a mistake we cannot afford to repeat in the Third Plan.

The revised estimates of passenger earnings is fixed at Rs 130.97 crores, an increase of Rs 5.47 crores over the budget estimates and Rs 5.36 crores over the actuals for 1959-60. The revised estimate of gross working expenses at Rs 375.61 are nominally higher than the budget estimates while net working expenses are nominally lower. The revised estimate of dividend to General Revenues is placed at Rs 5.36 crores over the actuals for Rs 14.03 crores against Rs 18.43 crores in the budget estimates.

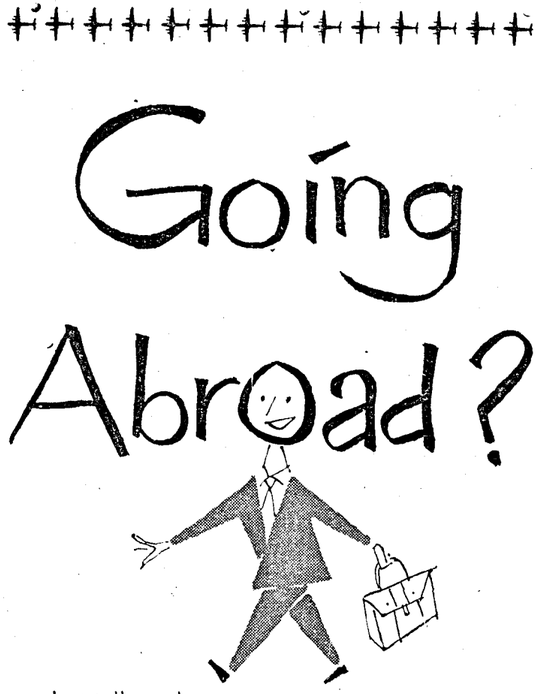
The budget estimates for 1961-62 are based on the tentative financial forecast for the five years 1961-66 considered by the Railway Convention Committee last year. Goods earnings for 1961-62 have been budgeted for on the anticipation of an increase in traffic of about 15 million tons over 1960-61. This has been done keeping in view a total increase of about 90 million tons in the Third Plan period but allowing for a more than proportionate increase of low-rated traffic which will raise the proportion of working expenses to gross earnings.

The excess of gross traffic receipts over working expenses anticipated in 1961-62 is Rs 154 crores approximately after allowing for the payment of Rs 12.5 crores to General Revenues for transfer to the States. Two important recommendations of the Railway Convention Committee have, however, to be taken into account before the net surplus of 1961-62 can be estimated. Appropriation to the Depreciation Reserve Fund will increase from Rs 45 crores in 1960-61 to Rs 65 crores. Second, the dividend to the General Revenues at the increased rate of 4.25 per cent will, on the present capital-at-charge, involve an additional payment of about Rs 4 crores. Taking into account also the increase in the capital-at-charge anticipated during the year, the dividend payable will increase by about Rs 8.7 crores. The budgeted surplus for 1961-62 is consequently only Rs 8.64 crores.

The outstanding liability of the Development Fund to General Revenues is expected to be Rs 29.40 crores at the end of 1960-61, representing the aggregate of temporary loans from General Revenues from 1958-59 to 1960-61 in order to finance expenditure charged to the Development Fund. In order to start the Third Plan with a clean slate, this liability will be liquidated, in accordance with the recommendation of the Convention Committee, by writing back the cost of unremunerative new lines under construction hitherto charged to the Development Fund, to Capital and by appropriating Rs 8.7 crores from the Revenue Reserve Fund to meet the residual liability.

Withdrawal from the Development Fund in 1961-62 is anticipated to be about Rs 23 crores. As the anticipated surplus will not be sufficient to cover this, a temporary loan of Rs 14.77 crores will be required from General Revenues during the year. This is the procedure suggested by the Convention Committee to meet the demands on the Development Fund.

The practice of financing the Development Fund with "temporary loans" from General Revenues is, however, only an accounting solution to the problem posed by the inadequacy of the surplus from the normal operations of the Railways to finance expenditure on works met out of the Development Fund. If the Railways have to draw upon General Revenues to the extent of roughly Rs 80-100 crores during the Third Plan period, which they must unless they can cover the deficit in the Development Fund by raising passenger fares and freight rates, the overall resource position for the Third Plan would surely be affected. It is in this context that the Railway Minister's decision not to increase passenger fares and freight rates has to be viewed. Insofar as Railway expenditure has to be financed from the General Revenues, the impact will be on the general Budget. Shri Jagjiwan Ram has only passed on the baby to Shri Morarji Desai.



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Weekly Notes

Land Ceiling

IT is not to be expected that the land-owners will not say a word when land is taken away from them. The controversy raised by the Maharashtra Land Ceilings Bill is remarkable, however, not for the violence of the protest it has aroused but rather for its mildness. So complicated a Bill affecting so many different interests and with such widely varying provisions in its application, according to the location and type of land, has naturally raised a tumult of voices which are discordant and confusing.

The most vocal opposition has, of course, come naturally from the sugar mills, who own sugar estates. The Government seems to have wilted at their criticism and lost its nerve; otherwise, it is difficult to understand why it should have brought out a White Paper just to answer the sugar companies, when so many other interests are affected just as vitally. It is to be hoped that egged on by the sugar mills, the Maharashtra Government will not try to rush the Bill through and that it will have the good sense to refer it to a Select Committee so that the various issues raised may have a chance of being thrashed out.

The Planning Commission, it will be recalled, had made exceptions not only for sugar estates but also for horticulturists and for compact farms which are efficiently run. Being unorganised, the Bagaidars, who have splendid achievements to their credit in the development and cultivation of oranges, sweet lime and grapes in the State, have so far gone unheeded. Another hard case is that of the owners of land which is perennially irrigated by Government canals. The ceiling in both cases will not only hit the present owners harshly; it will have a bad effect on better farming and disastrous effect on scientific fruit-growing on modern lines. The owners of perennially-irrigated farms have been taken by surprise as they had so long been living under the illusion that the ceiling in any case would not be below 50 acres and, therefore, did not bother to carry out the legal transfers by which others have forestalled ceiling legislation.

It is also unfortunate that the controversy raised by the Bill has been wrongly focussed on sugar cultivation by the mills which is comparatively unimportant in its incidence. After all, how much of the sugar cultivation is done by the sugar mills? No more than 30,000 acres, out of the 263,000 acres under sugarcane in the Deccan Maharashtra in 1957-1958 and, in any case, it is the wrong end of the stick to take hold of. Maharashtra has reason to be proud of her co-operative sugar factories. If it is the policy of the Government to transform the joint-stock sugar mills into co-operative ventures, it is free to go ahead without getting mixed up with co-operative farming of sugarcane which has not been a feature at all of the very successful co-operative venture in the State for crushing of sugarcane.

The notoriously small size of the average holdings in Western Maharashtra and the large size of farms of Vidarbha, and the Marata-Mahar-Mali complexes on the one hand and the susceptibilities of the more prosperous Vidharba farmers on the other, apart from the complications of disentangling the effects of irrigation in Deccan, raise a host of questions. All these have some bearing on the wide range of variation in the ceiling proposed, which is difficult to explain at first sight.

A more positive approach to the Bill would have given it a better start. Instead of getting embroiled with the sugarmills, the Government would do better to give some idea to the public as to how it hopes to settle the 1½ lakh out of 9 lakh landless families in the State on the surplus land that it expects to get by imposing ceilings. What sort of land would these be, how are they to be consolidated into suitable holdings and how are the landless to be set up as cultivators? A more clear picture of the end envisaged would win better support for the Bill.

The Creaking Carts . . .

WELCOMING the Khandwa-Hingoli rail link as an outstanding example of a strategic investment, it was stressed in these columns ('North-South Metre Gauge', January 7, 1961) that opportunities for such strategic investments must be sought to utilise the country's limited resources to the maximum advantage. Referring to such investments as being the most valuable contribution to planning principles, Mr Evelyn Wood has drawn attention to another of these pivotal opportunities for planned investments, also in the transport line. Mr Wood writes :

"This was raised by a very brilliant Texan Consulting Engineer by name Leigh Stevens, who was a consultant to Ford Foundation on the team which investigated Small Scale Industries (Report published by Ministry of Commerce & Industry, 1954).

"Stevens' suggestion was designed to economize bullock-power. He pointed out that of the possible hundreds of types of bullock-cart in India, none appeared to have a satisfactory axle-bearing. The consequent consumption of the bullock's expendable energy in overcoming starting friction, though not calculated, would according to his guess amount to about 20 per cent of its output of energy during the day. Observations which we made in Allahabad, where there was a sound Engineering Department then, fully confirmed this figure.

"Stevens' further suggestion was that one of the first essentials to bridge the period during which bullock-carts must be a major form of rural transport, especially for goods, was of course to redesign the axles on a general principle which will work with the heaviest and the lightest forms of this vehicle and, *a fortiori*, with all the intermediate varieties. We made some experiments at Allahabad with white metal linings to the existing shaft and housing of two local types of bullock-carts. These were fully maintainable by the lowest class of village *lohar*; they needed frequent replacement, but they were certainly an improvement.

"Research funds to cover defined tackling of this problem all over India would probably give us a net usuable savings of the order of some crores of rupees a year in the energy applied to this basic form of transport".

It would be presumptuous for any one to lay down what exactly

Gandhiji had in mind when he talked of building up a self-sufficient village economy. Perhaps this is the sort of thing — or one of the many things — which Gandhiji had in mind when he moved the resolution in the Subjects Committee of the AICC in 1934 for setting up The All-India Village Industries Association. He wanted to go to the village, he had said, to help the villager to fix the creaking wheel of his bullock cart, to produce a lamp for him which will burn vegetable oil and yet produce a flame free from soot, improve the village ghani and so on.

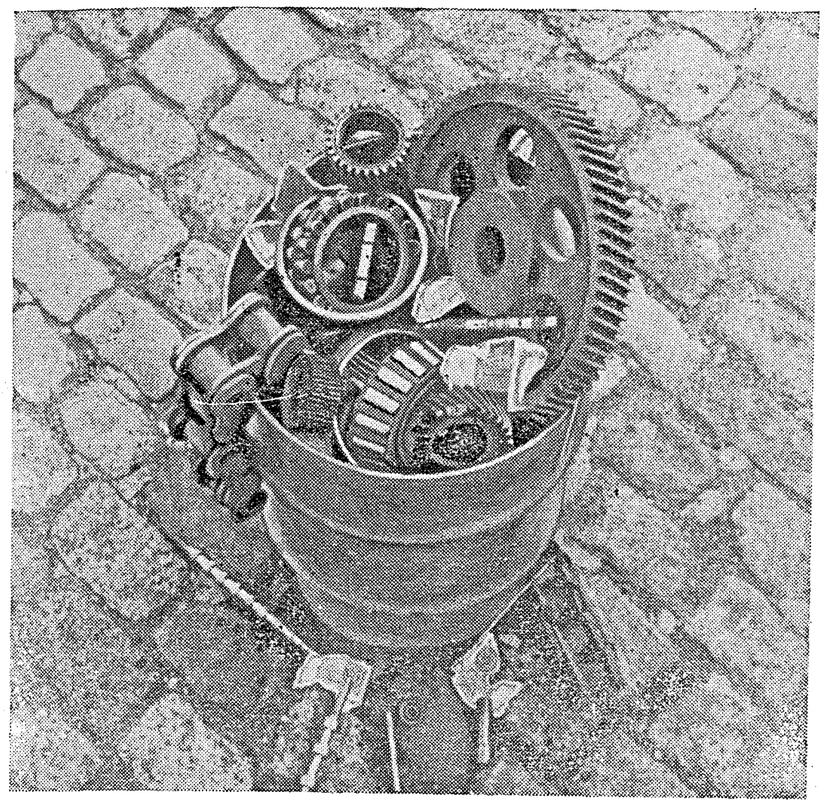
Decades have passed since that memorable session of the Congress in which the AIVIA resolution was adopted. Now there is a Khadi and Village Industries Commission with plenty of funds and access to all the knowledge and expertise that it may want. What contribution has it made towards introducing improved techniques in the villages or improving the techniques used by the villager? There are ideas in plenty thrown out, which are debated and pursued fitfully, and an enervating interest in ideas for their own sake which clutters up the mind, instead of clearing it and leading to action of the right type. Gandhians distrust ideas which do not arise from experience in the processes of working out things. So, the Khadi Commission may not like any one to tell them that even without contaminating themselves by touching power-driven machines, they may systematically investigate the simple techniques that are used in different parts of India, select the best, improve upon them and popularise them so that life may be easier for the villager and his labour more fruitful.

Reinsurance and Foreign Exchange

THE Government's decision effective from the beginning of 1960 to convert Indian Guarantee, a general insurance subsidiary of the Life Insurance Corporation, into a reinsurance corporation was announced towards the end of 1959. Private insurers, most of whom have not been doing well since life business was taken away from them, as well as their co-operative organisation, India Reinsurance Corporation, which gets by agreement 10 per cent of the members' reinsurance business, did not like this move. They have,

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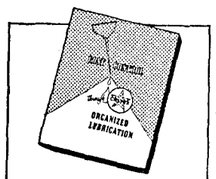


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nevertheless, reconciled themselves to the existence of two reinsurance corporations. Some months ago, Indian Guarantee had asked all insurers operating in India to voluntarily cede to it a fixed share of 10 per cent of their reinsurance business. This has been followed by the introduction this week of a Reinsurance Bill in Parliament which seeks, among other things, to compel insurers in India to reinsure a minimum specified proportion of their risks with 'approved' reinsurers. The purpose of the bill is to check the drain of foreign exchange on account of reinsurance which the existing co-operative organisation has not been able to plug fully.

Indian insurers argue that Government intervention in the market will make it difficult for them as well as Indian Guarantee to secure suitable reciprocity from foreign insurers. They expect that, in the near future, their direct overseas business and reinsurance among themselves will offset the loss of foreign exchange resulting from placing reinsurance abroad. Government intervention at this end is likely to encourage discrimination against them in other countries. Moreover, the drain can be stopped only when the retentive capacity of the market for Marine Hull and Aviation business increases to a sufficient extent. While at first they doubted the scope for two reinsurance corporations in a relatively small market, they now favour cultivation "on a competitive basis" of as much reinsurance business as possible among the direct writing companies and the two reinsurers, without requiring the former to cede another 10 per cent of their business to Indian Guarantee.

The establishment of another reinsurance agency will not by itself broaden the market. It will reduce the drain of foreign exchange only to the extent that it displaces foreign insurers and takes up risks in Marine Hulls and Aviation to an extent which private insurers are not able to absorb. Compulsory cession will also further reduce the business available for private insurers. There is no doubt, however, that a law to regulate reinsurance was overdue, not merely to check the foreign exchange drain but also to check the abuses that are prevalent in this field of business. Since reinsurance, unlike insurance, is not fully regulated either by law or by a commonly accepted code of business ethics, particularly in matters of expenses, commissions, rebates, etc, there has been a mushroom and not entirely healthy growth of reinsurance, which the Bill when enacted should be able to check.

Investment Centre

THE Indian Investment Centre which had been in gestation unconscionably long was finally born this week with a symbolic function at the Sapru House in the presence of Shri Morarji Desai, the Finance Minister. That was the ceremonial part of it, but the mid-wife who delivered the baby was Shri G L Mehta, who had been working up this idea ever since he joined the ICICI. He is also the Chairman of the governing body of the Investment Centre, on which are represented some of the members of the Board of Directors of the ICICI, as also some key-men like the Chairmen of the State Bank and the Industrial Finance Corporation, the Secretary of the Ministry of Commerce and Industry, the inevitable Dr Madan of the Reserve Bank, and Shri G L Bansal, the Secretary-General of the Federation of Indian Chambers of Commerce. Shri R S Bhatt, a former Member of the Tariff Commission, is the Executive Director.

The purpose of the Centre is to induce freer flow of private foreign investment into India by bringing together Indian industrialists looking for foreign collaborators and foreign investors seeking Indian collaboration. It will not be enough of course just to supply information. The Centre will have to assist in developing an individual project into a 'prospectus' which can be examined at the technical and financial level by both the parties.

The proposal had remained in a state of suspended animation and was revived when the TCM began to take an interest in it and promised financial assistance for bringing out foreign experts and for 'training of personnel and purchase of necessary equipment'. This is what Shri G L Mehta said in his speech at the inauguration of the Centre in New Delhi. But the last two functions of the Centre would appear to be somewhat puzzling, if its main purpose is contacting and supplying information. Is it that one of the unfulfilled aspirations of the ICICI, viz, to provide technical expertise to Indian industry is to be realised through this new set up? It would be interesting to know.

Equally intriguing is Shri G L Mehta's reference to the two hurdles which the proposal had to cross before it could become a reality — the completion of a study by an expert of the Standford Research Institute of international private investment and the preparation of a guide on drawing up a prospectus for such investment and the other, a study of taxation on foreign investment by the Lokanathan Institute. These studies cleared the decks for the Centre.

The success of the Centre will, of course, depend on its ability to establish the right type of contacts and on getting behind it men who will command the confidence both of foreign investors and Indian entrepreneurs. But even more — G L knows where the shoe pinches — it will depend, to put it bluntly, on its ability to secure licences for the parties who seek its aid — licences for starting an industry, for import of capital goods and for floating capital issues. It is certainly an advantage to be located in New Delhi, but that alone may not be enough. To ensure the proper type of coordination perhaps something more would be necessary — to put a proper civil servant, preferably one from the Secretariat, in charge!

Making due allowance for the delicate and highly skilled services the Centre is expected to provide it is nevertheless difficult to be convinced that it really needs such a high-powered governing body to lend its weight to what is after all a public relations and market research job.

Vyapar *Indexes of Share Prices*

MARKET analysts, speculators and all those who take more than a passing or casual interest in the stock exchange have been handicapped so far in following the trend closely enough, because there had been no index hitherto of the prices of those shares which are traded in actively. The enterprising Gujarati commercial journal *Vyapar*, the circulation of which had already exceeded the combined circulation of all similar journals in English and which has now been converted into a bi-weekly and hopes some day to blossom

into a daily, has met this long-felt need by publishing simultaneously both a sensitive index of share prices and an index of new issues. *Vyapar* intends to follow up with similar indexes for the major commodities.

Vyapar's general index covers 32 shares which are actively traded on the Bombay Stock Exchange against 74 in the Reserve Bank's index for Bombay. These 32 have been very carefully selected, after an opinion survey of the people most concerned with the stock exchange and they fairly represent the different types of active shares both on the forward and cash lists. To serve the purpose for which the index is intended most effectively, a more recent base has been chosen for it — January-June 1956 = 100 — than in the Reserve Bank's index which takes 1952-1953 as its base.

Among the 32 scrips six for which no quotations were available in the base period have been included by employing the method of "splicing". Adjustments have been made for ex-right quotations wherever necessary on the basis of the Reserve Bank's formula of multiplying the ex-right quotation by the factor $(1 + p)$ where p is the number of new shares or fraction of a share issued against one old share. If any cash payment is involved p is properly adjusted for it.

The other index which also gives both weekly and daily movements covers 13 new issues listed between January 1958 and June 1960, with July 1, 1960 = 100.

Both the *Vyapar* indexes would be a boon to the market analyst and will help in getting a wider circle of people interested in stock exchange investment and in giving a direction — constructive, we hope —to the newly awakened and growing interest in such investments in an altogether new section of people who belong to a lower income group and who are definitely outside what had been regarded so long as the investing class.

ERRATA

IN the advertisement appearing on page 272 of the Annual Number, the heading was inadvertently omitted. The advertisement in question was issued by the Industrial Finance Corporation of India. The error is regretted. Ed.

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Perhaps you would like to know how rapidly the State Bank of India is expanding. On 1st July 1955, when the Imperial Bank of India was reconstituted into the State Bank of India, the Bank had only 243 branches. By August 1959 it had 555 fullfledged branches in urban and semi-urban areas. The rate of growth is now about 100 branches a year. The Bank has also 238 sub-offices.

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Book Review

Future of Sociological Research

Andre Beteille

The Sociological Imagination. By C Wright Mills, New York, Oxford University Press, 1959. Pp 234. Price 6 $.

THE publication of *The Sociological Imagination* by Professor C Wright Mills provides an occasion to take stock of some of the recent currents of American sociology and their bearing upon sociological research in India. The book falls into two parts, the first being a critique of modern American sociology, its bureaucratic and ideological roles, while the second is of a more positive and programmatic character. The two parts may be separately treated without doing very great violence to the ideas developed by the author. In the present article attention will be devoted to the first part alone, and some references will also be made to certain popular styles not discussed by Wright Mills. This, of course, is not to deny the importance of the positive nature of Wright Mills's suggestion which some may find to be more useful than his criticisms and which, it is hoped, we will be able to discuss elsewhere (in a separate article).

Sociology in Disrepute

It has to be remembered that Professor Wright Mills has, in his own right, established himself as one of the leading figures of contemporary American sociology. His earlier books, and particularly *The Power Elite* (New York, 1956), have given hope that sociology in the United States may yet be taken out of its rut and fruitfully develop the classic tradition. Professor Mills writes with a keen sense of history and an awareness of the need to understand the relation between isolated social facts and the total social structure. He follows the classic tradition of Max Weber some of whose essays he has, in fact, translated and edited in collaboration with Hans Gerth. (*From Max Weber: Essays in Sociology* edited by H E Gerth and C W Mills, London 1947).

Sociology in the United States has fallen into disrepute. This, in itself, is not alarming. What really is alarming is that few who are sensitive will fail to be convinced by Professor Wright Mills's argument that this disrepute is indeed well-deserved.

Sociology has undergone a decline in the countries of its origin, France and Germany, understandably, as a consequence of the two world wars. Rightly or wrongly sociologists turn more and more to the United States for lead and inspiration in the development of their discipline. American sociology has come to dominate the world through sheer weight of numbers—number of University departments, number of books, number of journals, number of research programmes and also the number of Foundations. In the under-developed countries American sociology has the further fascination that it comes from a country which to many is an epitome of all that is scientific, modern and go-ahead.

People have found fault with American sociology for its lack of historical depth, its outlandish jargon and its puerile technicalities. Professor Mills believes, however, that there are more fundamental questions — questions of political and moral responsibility and of intellectual integrity. There has been a growing suspicion that much of the theoretical sophistry of contemporary sociology is a facade which has nothing but the most trivial and sterile ideas to stand upon. It is important that one of the most distinguished sociologists of contemporary America has come out with a forthright attack on this kind of sham and hypocrisy. There are many who will be offended by his critique; some may consider the attack to be overdone; but the book is a timely corrective to the abuses of the sociological tradition.

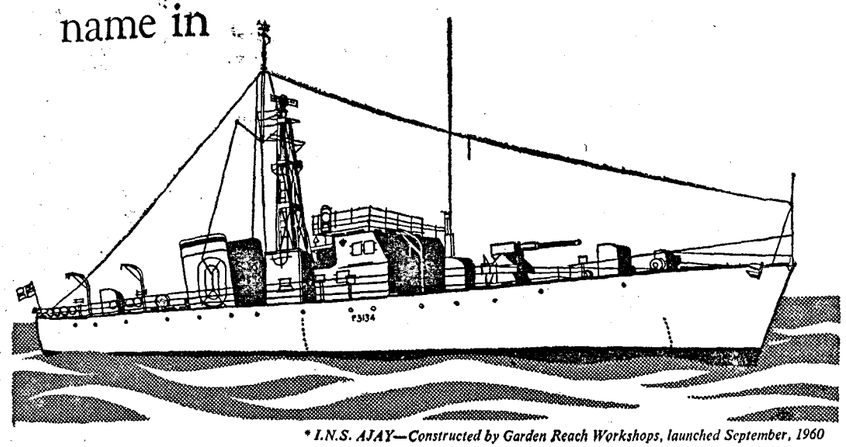
Modern American sociology is plagued with two very specific kinds of malady. These are referred to as Grand Theory on the one hand, and Abstracted Empiricism on the other. Grand Theory has achieved final perfection in the works of Talcott Parsons, admired by many as the greatest contemporary sociologist. The influence of Talcott Parsons is not confined to the United States, but has spread to many countries, including India. Followers of this school of thought concentrate on the building of theoretical models in terms of what has been given the fashionable name of the Action Frame of Reference. Such models are, by their very nature, stripped of historical content and seek to present the general and specific features of Social Systems.

There is, of course, no harm in trying to analyse the properties of social systems, but there appear to be good ways and bad ways of doing this. Any theoretical discipline has, at some point, to deal with the abstract and general, but Grand Theory specialises in the reifications of abstractions. Grand Theory concerns itself with the building of various kinds of models of social systems, sub-systems and the "analytical" relations between them. A recent work along these lines is *Economy and Society* by Parsons and Smelser (Glencoe, 1956) which apparently is understood neither by economists nor by sociologists. Grand Theory is essentially deductive in approach, picking up empirical material here and there in order to give substance to its "analytical" models.

Talcott Parsons and His School

Talcott Parsons and his school have evolved a special style of exposition which appears to be particularly appropriate to their theoretical preoccupations. Grand Theory gives a safe berth to the observation and description of facts so that it may bring to bear all its adroitness in the "associating and dissociating of concepts." This leads very soon from sociological theory to problems of semantics. To meet the requirements of clear and precise conceptual analysis a new language has been created which, to say the least, is unintelligible. Wright Mills reproduces several passages from Talcott Parsons for which translations in ordinary English are thoughtfully provided. Not that Talcott Parsons alone writes in

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this style. The master has many able disciples, and here is a veritable tongue-twister from Marion Levy Jr:

> "Functions refer to what is done, and structure refers to how (including in the meaning of "how" the concept "by what") what is done is done."
> (*The Structure of Society*, Pp 60-61)

One may ask, what are the purposes subserved by this kind of theoretical style? Grand Theory has many functions to fulfil, some obvious, others not so obvious. To those who wish to achieve reputation as theorists without a patient and painstaking analysis of facts, it affords infinite opportunities for hair-splitting argumentation. To the gullible it is the acme of theoretical sophistication. Wright Mills believes that in the United States today Grand Theory has, in addition, an ideological role. By creating impressive models of the "integrated social system" out of meaningless words it diverts attention from the real distribution of power in society. Grand Theory, in ignoring history, has failed to take account of the dynamics of change. It has dealt almost exclusively with static models, thereby justifying implicitly the *status quo*.

The real danger in this kind of theory is not only that it is sterile, but that it is so catching. The Action Frame of Reference has become a byword among those whose self-esteem is flattered by their familiarity with difficult words. If Grand Theory has few ideas that are new, its language, at least, is very different from anything that ever existed before. Grand Theory, which in the hands of Talcott Parsons may or may not be a serious endeavour, has become among his followers a poor facade for ideas without coherence or meaning.

"Now all this raises a sore point-intelligibility." The point becomes all the more sore when Grand Theory has to be considered in terms of the requirements of a University course. The followers of Grand Theory are not merely satisfied with the use of this kind of thing for their own research, but they would also like to make it a fundamental part of any theoretical training in sociology. The works of Talcott Parsons are making rapid inroads into University syllabuses, not only in the United States, but in this country as well. Since sociology in India is usually taught straight from the postgraduate level, the student in some cases makes his first acquaintance with the subject through the works of Talcott Parsons. The experience, to say the least, is likely to be shattering.

The teaching of sociology in India at the post-graduate level is tied up with a special kind of problem—the problem of language. The difficulties of communicating through a foreign language have always existed, and seem to be particularly serious now in view of what many regard as a decline in the standard of English in Indian Universities. Students are hard put as it is to read and write through the medium of a foreign language. Their troubles are not likely to be reduced if, in addition to this, they have to master a vocabulary which trained scholars in Britain and America often find it impossible to comprehend. It is doubtful whether all those who are required to teach this kind of thing themselves fully understand what it is about. Students, at the best, can hope to memorise some of the master terms and disgorge them in their examination papers.

Most Methods, Fewest Results

But Grand Theory, from the point of view of research, is a lesser evil when compared with Abstracted Empiricism. If Grand Theory is sterile, the other kind of thing is positively misleading. Abstracted Empiricism studies the interrelations of concrete social facts torn from their historical and structural matrices. Whereas Grand Theory is all-embracing in its generality, Abstracted Empiricism picks and chooses particular "variables" and studies their interconnections. Both have in common the fact that they ignore the existence of given historical structures, in the first case, in their relations to abstract theoretical models, and in the second case in their bearing upon the variations of particular social facts. Abstracted Empiricism, by choosing some variables rather than others, leads to conclusions that are often distorted, and sometimes false. The variables are chosen less in terms of their importance in a given historical context than for their adequacy with regard to The Scientific Method.

The increasing popularity of Abstracted Empiricism gives cogency to Poincare's statement about sociology that it is the science with the most methods and the fewest results. Substantive studies are pushed into the background so that attention may be properly focussed on Methodology. Each methodologist begins afresh and expounds his own logic of procedure appropriate to his particular substantive studies which, however, are not always forthcoming. Part of this preoccupation with Methodology arises out of a desire to make sociology respectable by creating a place for it among the established sciences. Since great prestige attaches to the natural sciences today, if sociology cannot be ranked with the best kind of academic endeavour, it can, at least, be ranked with the second best. There are many who seek vicarious satisfaction in this manner, and sometimes this is evident from the very names they select for their works, as in the case of a book entitled *The Mathematical Biology of Social Behaviour* by N Rashevsky (Chicago, 1951).

Obsession with "scientific methods" leads to the selection of problems that are trivial and without intrinsic sociological significance. In fact, there are some sociologists of whom it may be said that they have methods, but no problems. Such people are, however, far from inactive. Among their many creations are what go by the names of Operational Research and Inter-Disciplinary Research. Inter-Disciplinary Research calls for the co-operation of large teams of scientists and technicians, and this, as we shall presently see, has other than purely theoretical advantages.

Lazarsfeld has been one of the most enthusiastic advocates for the introduction of "mathematical thinking" into sociological theory. Two of his books which have gained wide acclaim in the United States and here are, *Mathematical Thinking in the Social Sciences* (Lazarsfeld, Paul F (ed.), Glencoe, 1954) and *The Language of Social Research* (Lazarsfeld, Paul F) and Rosenberg, Morris (eds.), Glencoe, 1955). Such works are recommended to those who would achieve expertise in the application of multivariate and other types of analysis in social research.

There can be little doubt that precision adds greatly to the cogency of a theoretical exposition. Sometimes quantitative data reveal new insights that are not otherwise available. One of the classics of sociology, Durkheim's *Suicide* is a testimony to the merits of statistical

analysis when informed with a proper sociological insight. It may be recalled that the statistical techniques at Durkheim's disposal were limited, and some of the tools he used were crudely fashioned out by himself. Yet Durkheim was able to produce a masterly sociological analysis while today we have nothing but correlations and multivariate analyses of meaningless social facts. The difference lies fundamentally in this that Durkheim analysed social facts not merely as isolated variables but in terms of their place in the total social structure which was always the starting point of Durkheim's analyses. Those who do not work with any clear conception of the total social structure can only drift, and select problems which may be amenable to statistical analysis, but are without any intrinsic sociological significance.

Indifference to Institutional Setting

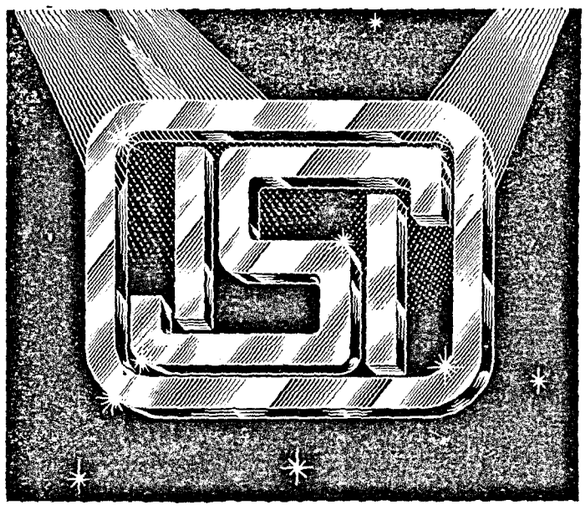
There is another basic difference between Durkheim's work and the work of modern sociometricians. The latter have erred when Durkheim specifically urged sociologists to avoid. Abstracted Empiricism tries to understand the institutional structure of society by simply studying the psychological reactions of individuals, ignoring thereby the difference between social facts and psychological facts. One needs only to turn to the works of Durkheim and Racliffe-Brown to realise that social facts cannot be reduced to psychological facts, and that a mere addition of individual reactions cannot lead to an understanding of the institutional structure.

Psychologism of this kind runs through the whole range of what goes under the rubric of Small Group Research. This kind of study, which requires the observation of human reactions under laboratory conditions, makes, in fact, little distinction between sociology and psychology. Needless to say, that this can only lead to further confusions in both the branches of study. An example of a Small Group Study made with almost complete indifference to the institutional setting of human interactions is a book by George C Homans entitled *The Human Group*. (London, 1951). Here five groups are studied as comparable units in order to arrive at certain invariable relations between the "social elements". The groups are: (i) a work room in a modern American factory; (ii) an American street gang; (iii) the family in Tikopia; (iv) a New England town, and (v) a group of executives in an American company. This is Comparative Method with a vengeance.

However, the more sociology becomes laboratory-oriented, the more it becomes quantified and inter-disciplinary, the easier it is to impress officials and the public about its practical utility. In the United States sociological research is rapidly becoming a part of bureaucratic activity. What Max Weber wrote fifty years ago about the alienation of the scholar from the means of his work seems more or less to be fulfilling itself in the case of sociology today. The sociologist is becoming increasingly a technician whose problems are dictated to him by the needs of large scale governmental and other bureaucracies. Lest it be thought that Wright Mills is unduly prejudiced against his colleagues, it may be mentioned that Robert Merton, one of the most popular figures in contemporary American sociology, has come to very much the same conclusions in his paper on *The Role of the Intellectual in Public Bureaucracy*. (in *Social Theory and Social Structure*, Glencoe, 1957).

Bureaucratic Ethos

The bureaucratic ethos seems to have pervaded social science research in America. What are its implications for the future of sociology in India? Certain kinds of sociological research appear to be more vulnerable to bureaucratic pressures than others. As long as the sociologist can depend upon his own field research, or his own library studies, he can keep himself detached from external pressures. On the other hand, certain kinds of research require large personnel, and these, in turn, depend for financial support upon governmental agencies or research foundations which appear to be fast increasing in number. Sociologists should be the last to harbour illusions that bureaucratic facilities can be made use of without submitting to bureaucratic pressures. Perhaps there is time to reconsider and to adopt once again the older type of work in which the sociologist was free to choose his own line of research, his own problems and his own methods.



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An Asian Looks at Discrimination in the U S

D D Karve

There are many Americans who recognise the necessity of a fair deal to the Negro and who are prepared to express their opinions publicly, but their number is small and their influence limited.

Northerners are well intentioned towards minority groups, but do not realise that discrimination is so widespread and affects such vital spheres of public life that mere good intentions or sympathy do not help.

Foreigners would imagine that the Federal Government would have the means and the desire to ensure non-discrimination against Negroes at least in the matter of voting rights. But the registration of voters for elections to fill even Federal offices are governed by State rules and conducted by State officials and as a result only a very small proportion of Negroes can vote.

There are signs that more people are moving towards humane treatment of Negroes.

But whether the top Federal, Congressional and State leaders realise that on the manner in which the Negro problem is handled will depend largely the appeal of American Democracy abroad is a question to which no answer can be given.

IT is not very unnatural that a citizen of a non-white country should look closely and critically at the Negro problem in the U S. In the first place, the United States is the leader of the Western world, which stands for freedom and democracy and self-determination, and non-white people all over the world are eagerly looking to that country for help, encouragement and guidance. Secondly, with very few exceptions, the newly liberated countries of Asia and Africa are basically democratic in their outlook (though for the time being, many of them are being governed by dictators or near-dictators) and want ultimately to have a democratic system of government, where colour of the skin or creed will play no part in deciding the fundamental rights of a person.

The picture in the U S, as a non-white foreigner sees it, is rather depressing. Let me first describe the different types of responses to the problem which one is likely to meet with here. There are a large number of Americans who are extremely liberal in their thoughts and actions, who not only recognise the justification and necessity of a fair deal to the Negro on humanistic and moral grounds, but who also recognise the importance of this question from the international point of view. They organise local groups in support of the Civil Liberties Union, are sympathetic to the NAACP (National Association for the Advancement of Colored People), and are not afraid to express their opinions publicly. But unfortunately their number, relative to the total population, is small, they do not possess much influence at the policy-making level and their efforts remain, on the whole, ineffective.

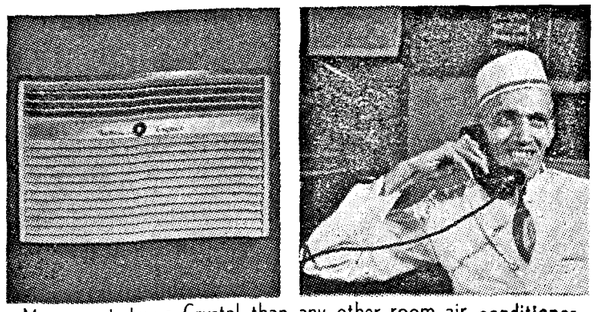
Then there are the Northerners who are also well-intentioned towards minority groups, but fail to realise fully that discrimination against the non-whites (or non-Caucasians, as they are often referred to) is so widespread and affects such vital spheres of public life that mere good intentions or sympathy do not help. Of course in most Northern and Western States there is no discrimination against the Negro in public transportation, restaurants, shops, churches etc. Also, in many States the schools are integrated in theory. But in the crucial areas of housing and employment, there is so much discrimination, that most Negroes have to live in segregated parts of the town and therefore have to send their children to schools which automatically become Negro schools. Similarly very few business and industrial concerns are employing Negroes in the higher or supervisory jobs. There are many Negroes in the independent professions and also those who own small business establishments. But these form a relatively small percentage. The large majority are in lower jobs.

Conservative Gang-up against Negro Rights

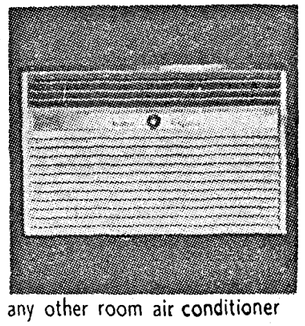
Then there are the Southerners of the "Deep South", the children or grand-children of the slave owners, who are just downright anti-Negro. They have never stopped regretting the liberation of the slaves and openly defy the feeble attempts of the Federal Government to bring any kind of integration into the Southern States. One can realise how powerful they are by a number of indications. Although six years have passed since the Supreme Court struck down the principle of "separate but equal" with regard to schooling and ordered integration in schools with all due speed, very little progress has been achieved in the hard-core States of the South.

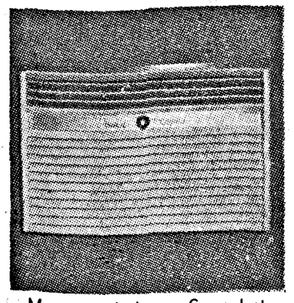
A peculiarity of the American two-party system, which an Indian familiar with party-discipline, the binding nature of the election manifesto of the party, etc. finds very difficult to understand, is the phenomenon of the Southern Democrats. The Democratic Party is very powerful in the South and most of the Congressmen, both Representatives and Senators, elected from the Southern States belong to the Democratic Party. In fact they get re-elected so often that they become the senior members in their party and in the legislative bodies and thus occupy many seats in the different committees with power to block or modify draft legislation not acceptable to them. On the question of civil rights, the conservatives of both parties make common cause and unite against any law that may give to the Negroes the rights that the Constitution guarantees to every American. And because of this, the leaders of both parties, even if they may be personally inclined to be liberal, find it necessary to put a brake on their liberal plans in order to get the support of the conservative wing of their party for their other proposals.

There are several aspects of the Negro problem which foreigners find difficult to understand. One would think that the Federal Government

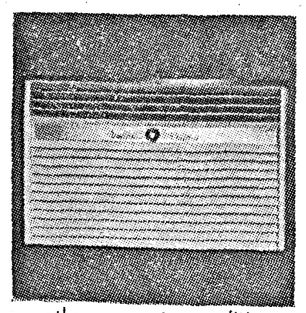


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would have the means and the desire to ensure that at least in the matter of voting rights they could eliminate discrimination against the Negro. But the registration of voters, even for the election of the President and the Congressmen, which are not *State* offices, the states make the rules and the officers appointed by the states register the voters. The result naturally is that in the southern states only a very small proportion of Negroes is registered and can vote, ensuring the whites, who are actually a minority in some parts of the southern states, their dominant position.

Recently, in two counties, Fayette and Haywood of Tennessee state, some Negroes made a serious attempt to register in large numbers as voters. In the first place they were discouraged as much as possible and made to wait for hours in a long queue, while whites could register and go away in a few minutes. Then several whites, who were employers of Negro labourers and domestic servants, went down the line of the waiting Negroes identifying those who had challenged the supremacy of their masters. These Negroes were then subjected to economic pressure by being dismissed from their jobs and, in many cases, asked to vacate the houses they were occupying at very short notice. Others who owned shops or gas stations could not obtain supplies from the wholesalers and big oil companies and were starved out of the area. Many of them are now living on charity or have moved away to other parts. A committee organised on the Campus of the University of California at Berkeley made a collection of old clothes, food and money for these unfortunates.

No Comparison with Indian Caste Prejudices

Many Americans, in their conversation with me, have occasionally compared their or their countrymen's attitudes towards Negroes with the attitude of the high caste Hindus towards the members of the lower castes or the untouchables. But, as I made it clear to them, there are very important points of difference between the two situations. In India, the Federal and State Governments are all 100 per cent united in their aims and efforts to establish complete equality among all castes and no individual or local body can act in opposition to this policy without incurring the penalties provided by law. The American Federal Government is either powerless or hesitant to call upon the full power of the law against States or local authorities. The absence of any real progress in the integration of schools in the four hard-core southern states, in spite of the decision of the Supreme Court six years ago, has already been referred to above. In the matters of housing and employment also the Federal Government can exert some pressure. Thus when housing projects are financed out of Federal loans, as they often are, the particular authority can ensure that discrimination in the allotments of the loans is eliminated. But usually this is not done. Similarly when Federal contracts are given out, the authority concerned can insist upon fair employment practices. But that also is not usually done.

Secondly, I do not think that any person of any importance, even though in private life he may still consider the touch of an untouchable as polluting, can openly justify the practice of untouchability without being denounced by almost every section of the population in India. In America on the other hand, important and respected persons in public life openly say that the Negro must never be allowed to become a full citizen of the country with equal rights. They are not only not denounced but are hailed by the conservatives as the champions of the rights of the states and the protectors of the white race.

The Bogey of Race Mixture

Many Americans forget two important points. The Negroes did not come to America as immigrants; they were brought here as slaves, against their will and for the benefit of the white man. Thus the Americans cannot now escape their responsibility towards the Negroes. It is but proper that these unfortunate people who were made use of in the white man's march towards prosperity, must now be given a fair deal. The Northerners forced the Southerners to put an end to slavery and to join in a federation. But they have been unable to bring about a change of attitude.

The classic line of argument of the Southern whites always ends up in the bogey of race-mixture, of which the Southerners have an indescribable horror. But this is a curious matter. It would be no exaggeration to say that there are very few pure-blooded Negroes in the U S today. It is obvious that the white man has never thought it a degradation to have sexual relations with slave women; but of course any children that were born were also "Negroes" and the white race remained "pure".

Fortunately there are some hopeful signs that more and more people are moving towards humane treatment of Negroes. Many States, including California have Fair Employment Practices Commissions to see that racial prejudice is eliminated as far as possible from the field of employment. Some housing projects are deliberately reserving a certain number of units for Negroes thus bringing the two communities together. But whether the top Leaders at the State, Congressional and Federal Government level realise that on the manner in which the Negro problem is handled will depend the appeal of American Democracy abroad, is a question to which I have not yet found an answer.

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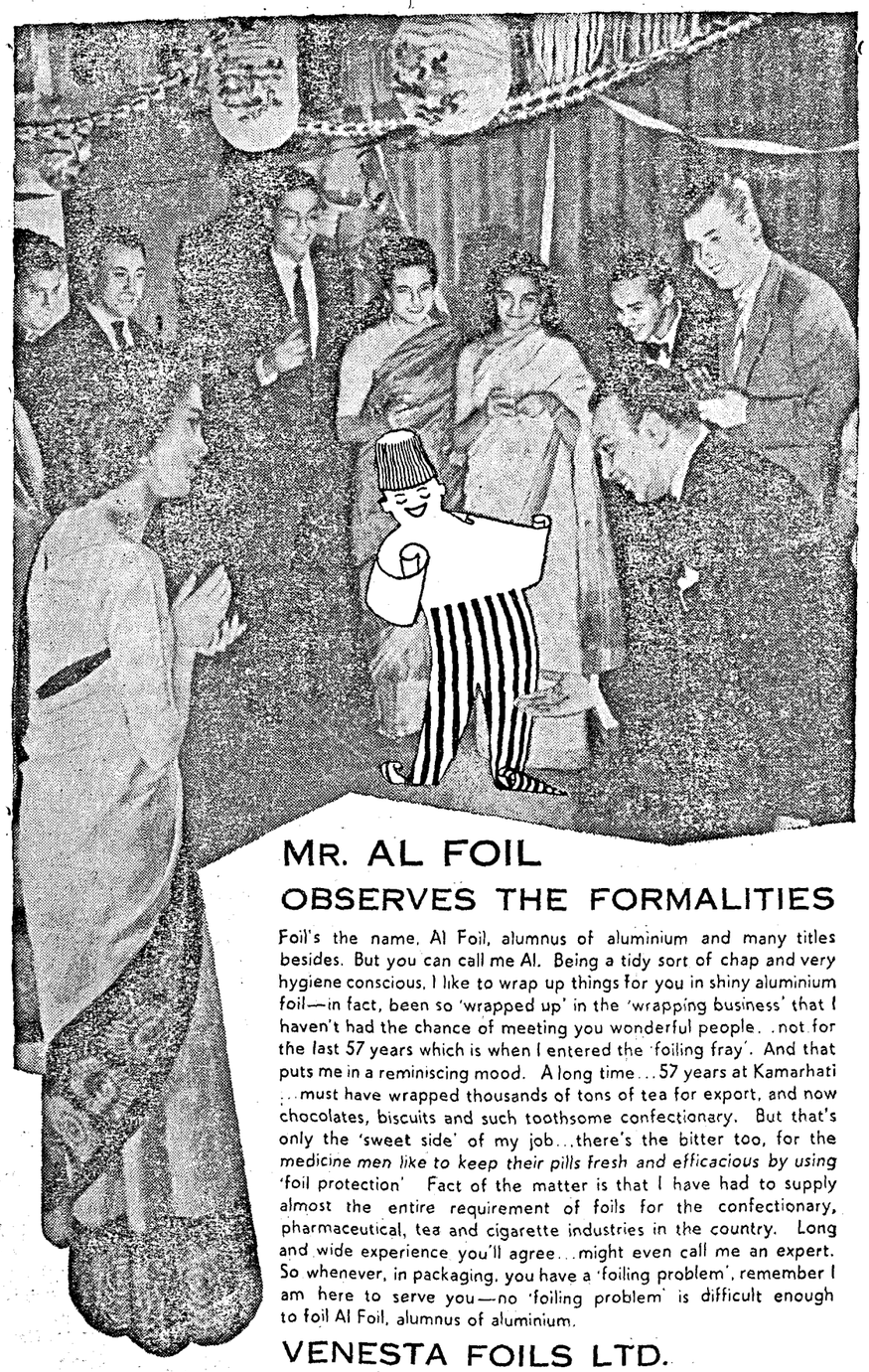
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Planning in China Today

Organisation and Procedure

Chao Kuo-chun

This is the second part of the article, published in the Annual Number, analysing the basic features of the planning mechanism in China.

A significant development in Chinese planning was the dispersion of administrative powers early in 1958. The organisation of rural and urban communes, in mid-1958 and early-1960 respectively, further strengthened the process of decentralisation.

The problems which arose following the decentralisation of planning authority — contradictions between central and local plans, persistent sectoral imbalances, technical bottlenecks, lack of trained personnel —and the planners' approach to solving them are discussed here.

THE State Council, in a series of directives at the end of 1957, transferred many functions in industrial, financial, and commercial management to the regional administrations. This reversed the earlier trend of centralization during 1949-1957. In the *Regulations on Improving the Industrial Management System* promulgated by the State Council on November 15, 1957, it stated, *inter alia*, that:

> With the above exceptions (of heavy industry enterprises and other units involving complicated technology), all factories suitable for transfer to the control of the lesser authorities should be so transferred gradually, (including units under the Forestry Ministry and the Ministry of Communications) ... The State formulates only annual plans. The various authorities concerned are required to decide according to actual conditions whether quarterly and monthly plans should be formulated by the controlling Ministries or (provincial) bureaus or by the enterprises themselves ... Except the leading administrative personnel (directors, deputy directors, managers and deputy managers) and principal technical personnel, all other employees and workers may be hired and fired by the enterprises concerned. On condition that the total number of workers and staff members is not increased, an enterprise may readjust its organization and personnel.

Similar provisions are found in the directives on improvement of financial and commercial management systems issued by the State Council at the same time.

Nature of Decentralisation

Since the popularization of rural and urban communes, in mid-1958 and early 1960, respectively, the area of decentralized planning has further expanded. Now the communes formulate their own plans on agriculture, industry, commerce, education and social programmes, sometimes for an area covering one quarter of a million people. In each commune there is a planning section, and extensive surveys are being carried out to collect data on manpower, land, raw materials, other means of production, savings, production enterprises, etc. The problem of coordinating the commune plans with those of the province or the State is a complicated one, and will be discussed below. The dispersing of certain planning powers does not mean that the Central Government relinquishes its control over allocation of capital goods, labour force, the fixing of the rate of accumulation (or consumption), prices of major commodities, resource utilization for major projects and other such vital aspects of planning. The communes also facilitate central planning by the State by making available more comprehensive and timely information.

Dynamic Balance

Chinese planners are not upset by temporary imbalances in one or more economic sectors as a result of other sectors "leaping forward". During the period 1953-57, State investment in industries (excluding construction and transport) came to 25,030 million *yuan* (or 45.5 per cent of total investment) while that in agriculture, conservation and metereology amounted to some 4,190 *million yuan or 7.6 per cent. In* 1958 and 1959 the basic approach in planning was "walking on both legs" i e, simultaneous development of industry and agriculture. In 1960, the slogan "agriculture is the foundation" was introduced, and an all out effort has since been made to modernize farming, foster multiple undertakings in the rural economy, consolidate the communes, and render all possible assistance to the agricultural sector, particularly by industries.

Taking a dialectical approach, the Chinese planners consider that short-term disproportions are neither serious nor entirely avoidable. The accent is on achieving a "positive balance", that is, facilitating the growth of every enterprise or unit at the *maximum possible tempo*, and at the same time exploring ways and means to enable the lower-placed units to catch up or even overtake the "advanced" ones. In this perpetual "frog-leaping," certain enterprises or sectors might be lagging behind in a relative sense at a given time but the entire national economy would surge forward through the dynamic formula of "balance-imbalance-rebalance" over a period of time. The trailing units may actually overtake their leaders in a particular economic sector due to improvements in labour productivity, technical innovations, or better organization.

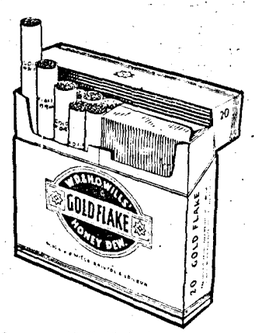
Utilisation of Indigenous Resources

While capital investment is concentrated in essential industries, the planners encourage and rely on better use of local resources. A variety of methods are employed to achieve this end. An example is Peking's vigorous programme to raise the number of hogs, which increased from 89.7 million in 1952 to 145.9 million in 1957, 160 million in 1958, and 180 million in 1959. This campaign has the triple goal of expanding the supply of manure to supplement chemical fertilizers, increasing the production of an ex-



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portable commodity, and enhancing the meat supply. Another example is the promotion of improved types of traditional farm implements. Ball bearings or rubber types are fitted to many tools while, at the same time, the invention of new farming equipment like planting machines for rice is encouraged. The number of such improved or semi-mechanized tools for agriculture put into use during the two years 1958 and 1959 exceeded 500 million pieces.* To encourage and popularise indigenous skills, experienced workers and peasants are often consulted in planning as well as during the implementation of the plan. Young and enterprising workers are encouraged and helped materially to experiment with new tools or novel methods.

The emphasis on technical innovations represents another significant aspect of planning in China. During the author's travel in China last summer, a movement whose major content was described as "semi-mechanization, mechanization, semi-automation, and automation," initiated in 1958, was in full swing. People in all walks of life—workers, peasants, technicians, students, employees, and even housewives—seemed to have caught the "fever" of technical innovation.

Higher Productivity

Incomplete data show that in 1959 over 37 million proposals for technical improvements were carried out—exceeding the total for all preceding years since 1949. In the same year, more than half a million outstanding teams and 6.3 million "model innovators" were elected, compared to 210,000 and 3.8 million, respectively, in 1958.† Between January and March 1960, the workers and staff members in the industrial and communications departments in China alone submitted 25 million proposals for technical innovations, out of which 9.6 million items were carried out. Technical innovations which have proved useful are systematically popularized in various parts of the country. When very important inventions are made or efficient methods discovered, they are often followed by "field conferences" attended by delegates from all over the country to study them.

At the National Congress of Outstanding Workers and Teams held in Peking in October 1959, the delegates helped their fellow-workers to improve on more than 22,000 proposals of technical innovations in a single month. The impact of this movement is reflected in the report that labour productivity of industrial workers increased by 15.5 per cent in 1959 and the costs in industrial departments of State enterprises were reduced by 6 per cent. In the Ministry of Building, costs were reduced by 13.5 per cent, and in the departments of transport and communications by 14.6 per cent.** The draft national economic plan for 1960 aims at a further rise in labour productivity, distributed as follows: 25 per cent in industry, 20 per cent in construction, and 20 per cent in railway transport. The reduction of costs envisaged in industry, transport-communications and commerce was 8, 6.9, and 5.5 per cent, respectively. Calculating on the basis of the planned targets for 1960, every rise in productivity of one per cent is estimated to equal an increment of 1,500 million *yuan* in output value.

Mobilising Surplus Manpower

Another significant aspect is of planning technique to the skillful employment of manpower, often involving interesting and novel social organizational forms, such as street workshops for housewives (in urban communes), agricultural production teams (in rural communes), and part-time manual labour for cadres and students. Practically all social groups are reached by the planners though a myriad of mass organizations including the Labour Union, Youth League, Women's Federation, Students' Association, Cooperatives for Handicraftsmen, and even Children Pioneers' Corps. Functionally, the national plans make good use of labour-intensive projects, such as conservation works, irrigation, afforestation, road-building, more intensive farming, small-scale industries, handicrafts, and local enterprises sponsored by the communes. As a result, there has been a shortage of man-power, since 1957, and its pinch was still felt in most communes when the writer visited the country.

Regional Development Patterns

The distribution of industries and business enterprises in pre-1949 China was concentrated in a few Treaty ports and along the coastal areas. Shanghai possessed (in early 1949) 46 per cent of the total number of spindles even though it is not located in a major cotton-producing area. On the other hand, Hupeh province which produced 15 per cent of China's cotton had only 3.3 per cent of the spindles. The province of Honan produced 6.3 per cent of the country's cotton, but had only 0.4 per cent of the spindles. As pointed out in the First Five-Year Plan:

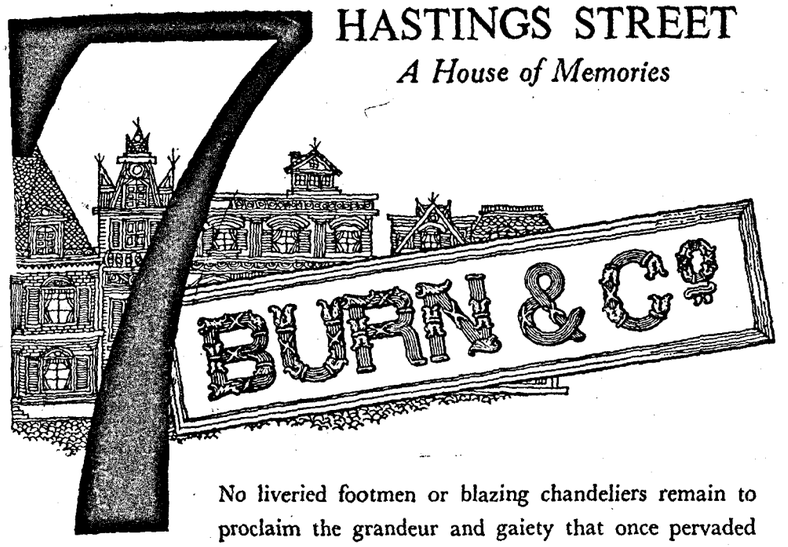
> The principle of appropriately distributing out industrial productive forces over various parts of the country, locating industries close to sources of raw materials and fuel and areas of consumption, and complying with the need to strengthen national defence must be followed, so as to change gradually the irrational distribution of industry and develop the economy of backward areas.

The success of planning in readjusting regional economic development in China is already in evidence. A number of new industrial areas have come into existence. These include the steel combines at Wuhan and Paotao textile factories at Chengchow Sian, and Peking; machinery plants in Wuhan, Sian, Kunming, Harbin, Tsinan, and Taiyuan; petroleum industry in Kansu, Szechuan and Sinkiang; chemical plants at Lanchow, Kirin, Shanghai, Chengtu, and Canton; non-ferrous metal plants in South-west China and North China; rubber industry on the Haisan Island. Between 1958 and 1959, in addition to more than 1,000 large-scale State enterprises being developed on the Chinese mainland, about 700,000 factories and mines were organized locally, some of them in the remote interior. Prior to 1958, steel was produced only in about half of the provinces and Autonomous Regions of China, but at the end of 1960 iron and steel furnaces were functioning in every one of them. There were, in early 1960, 1,400 iron and steel

* Li Fu-ch'un, "Raise High the Red Flag of the General Line and Continue to March Forward," *Peking Review*, August 16, 1960, p 8.

† Chu Chi-lin, "The Technical Revolution Rolls On, *Peking Review*, February 9, 1960, p 16.

** "Communique on the Progress of China's National Economy in 1959," *China Today*, New Delhi, January 30, 1960, p 14.



No liveried footmen or blazing chandeliers remain to proclaim the grandeur and gaiety that once pervaded the large red brick mansion that still stands in Calcutta's Hastings Street and which Warren Hastings, India's first Governor-General, built for his charming wife as her town house. For many years this fine residence was the scene of glittering assemblies and balls, the entrée to which was considered a high social privilege.

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enterprises of different sizes, not including 3,000 or so small iron and steel producing units employing indigenous methods. The success of new regional explorations of resources may also be seen from the discovery of important minerals in previously neglected areas as indicated in the following table.

Coordination of Programmes

There is also a close coordination of economic and non-economic programmes. Certain procedural measures for coordination are described by Li Fu-Ch'un, Chairman of the Planning Commission, while discussing the technical revolution movement in recent speech :

> Within a single enterprise, technical innovations which have been introduced in a single working process or workshop should be extended to the whole working process and to the entire enterprise. Coordination should be achieved between various links, such as the supply of raw and other materials, production, transport, etc. So far as a whole trade or department is concerned, experience in technical innovations gained by similar enterprises should be brought together to form a set or system of experience, thus systematizing the technical innovations introduced. A chain of coordination should be organized between related enterprises, trades, and departments; mutual aid should be maintained between industrial and agricultural departments, between productive, transport and distributing departments, and between the various departments of enterprises and scientific research institutions. In this way we will make technical innovation and technical revolution a comprehensive, systematic and well-coordinated activity in the national economy.*

Equally noteworthy is the close coordination of social and cultural activities with the economic programmes. For instance, plans for industrial growth have been assisted by such educational measures as the establishment of extensive chains of spare-time technical schools, practical training for students through field-work or manual labour, encouragement of research at grass roots level and the nation-wide literacy campaign. In 1960, the enrolment in agricultural and other vocational secondary schools was estimated at 2.8 million. Research or experimental groups were organized in every production contingent and factory, and illiteracy among the age group 14-40 was wiped out in 1960. Other examples may be seen in the public health programmes, measures for popularizing physical education, and the nation-wide campaign to practise economy and reduce waste.

* Li Fu-ch'un, "Report on the Draft 1960 Plan for the Development of the National Economy," March 30, 1960, *China Today*, April 9, 1960, p 25.

Problems of Decentralisation

Contradictions between Central and Local Schemes

The first problem which arose following the decentralisation of planning authority was that of contradictions between centralised control and local schemes for greater selfsufficiency. In view of the rapid developments taking place in the communes and their ambitious blue prints for the future, it is possible that a conflict may develop sometimes between the Central and local plan, e g, in deciding upon investment allocations, fixing the rate of accumulation and determining the disposition of manpower. The cultivation of a crop that yields a high income for a commune may be considered as having a lower priority compared to another crop which is less lucrative but more necessary from the national view point. The local labour force may be required simultaneously for certain State projects, e g, for building conservation dams or national highways, and some local enterprises. Although evidence of such contradictions is not extensive, there are a few isolated cases that point to this danger. For instance, an article — in the *People's Daily* of February 18, 1960, reports thus:

> "In order to get more profit, some people (in an urban commune in Tientsin) were reluctant to sell the flash powder they (the commune workshops) produced to the trade organs of the State, but attempted to sell them directly to the consumer units. After finding out about it, the Party branch educated in time the persons concerned, thus establishing a correct direction of production".

Even if all local units or enterprises resolve to subordinate their interests to those of the nation whenever contradictions arise, the problems involved in fitting the multifarious development schemes of, say, a rural commune into the overall plans of the State are still considerable.

Sectoral Imbalances

The second problem concerns the development of persistent disproportions in any planned sector of the economy. Temporary imbalances are understandably unavoidable in nation-wide planning with a comprehensive coverage and a fast tempo. However, disproportions in key sections of the plan, are disruptive and need to be rectified if they last too long. The slogan raised in 1960 that "agriculture is the foundation" indicates an awareness on the part of planners that the agricultural sector should grow at a faster pace.

During the first five-year plan period, the value of industrial production increased by 128 per cent (at 18 per cent per annum), while that of agricultural production increased by only 25 per cent (at 4.5 percent per annum). The annual growth rate of industrial production in that quinquennium was, thus, four times higher than that of agricultural production. In the years 1958 and 1959, the respective rates of increase in the value of industrial and agricultural output were estimated 66 per cent and 25 per cent; and 39.3 per cent and 16.7 per cent. It is true that industries, particularly capital goods industries, must form the core of planning, but agriculture should be able to attain a rate of growth adequate to provide raw materials and consumption goods. Within the agricultural sector, certain items such as livestock, several subsidiary products (tea, silk co-

Geographical Distribution of Ore Discoveries

(In percentages)

Area	*Coal*		*Manganese*		*Copper*		*Lead*	
	1953	1955	1953	1955	1953	1955	1953	1955
Coastal) region)	46.28	28.52	70.52	31.48	5.72	3.47	28.73	5.08
Inland) regions)	41.30	42.69	—	12.58	14.16	32.28	21.80	22.79
Border) regions)	12.42	28.79	29.48	55.94	80.12	64.12	49.25	72.13

coons, etc), soyabeans, sugarcane, and vegetables have increased at a relatively slower pace than others like potatoes, wheat, rice, cotton, and marine products. This led at times to shortage of a number of commodities. During 1960, demand for such things as pork, eggs, milk, sugar, vegetable oil, and domestic fowl exceeded the immediately available supplies in many cities.

Training of Personnel

A Third problem which confronts planning in China, as in most developing countries, is the need for more trained personnel, both managerial and technical. For instance, there are now over one million production teams under the 24,000 rural communes, and the need for section leaders, agro-technicians, books keepers, statisticians, teachers, and nurses must be tremendous. The success of development programmes as well as the morale of commune members depends to a great extent upon the efficiency of the personnel in charge of various activities. The Chinese planners have taken a number of vigorous measures for training cadres or recruiting activists. The impressive increase in the number of geological surveyors, the spare-time technical courses organized throughout the country, and extensive setting up of research groups in factories and on farms, are examples of such measures. However, that the quality of certain technical personnel needed to be improved was seen in the inaccuracies found in the preliminary estimates of agricultural production for 1958.

Various steps have since been taken by the State Statistical Bureau to improve its work, but the herculean nature of the tasks involved is indicated in a report on the statistical work in the province of Shansi in May 1960. The author of the report who is the head of the Statistical Bureau of that province, states that, after taking steps to improve the statistical work including the training of 78,000 statistical workers and establishing primary records in 95 per cent of the communes, the percentage of "first grade" communes (in statistical work) increased from 29 per cent to 60 per cent. That the problem is not completely resolved is indicated by the existence, even after the reform, of a number of third-grade communes (7 per cent, compared to the previous 33 per cent) and second-grade communes (33 per cent compared to 38 per cent earlier).

Another problem in planning operation relates to questions of quality control and reduction of waste in the process of increasing productions. As emulation contests are very common, a close watch is necessary to ensure that quantity is not achieved at the expense of quality, and quotas are not fulfilled or over-fulfilled by consuming excessively large quantities of raw materials or straining the equipment beyond limits. Since the initiation of the first five-year plan in 1953, there have been repeated campaigns to "practise economy and reduce cost". The latest one was introduced in August 1960. The personal experience of the writer after his extensive travels in 15 Chinese cities during May-July last year convinced him that waste of resources in China today is much less than in most other countries but the existence of the problem of wastage is indicated by the initiation of the movement itself.

Still another problem of planning in China is the existence of bottlenecks in the process of development. Some of these belong to the category of "growth pains" and can be cleared up after a short period. Some of them are symptoms of disproportions, as discussed previously. But some others are the result of irrational distribution (such as failure to provide sufficient means of transport for certain goods) or defective management.

Concluding Comments

Planning in China started practically from scratch about seven years ago. Understandably, weak links appeared and these had to be overcome through a process of trial and error. However, in view of the complex problems of the world's largest country, the deplorable conditions the nation was in when the People's Government was established, the lack of even basic data about the vital economic sectors, and the ambitious nature of China's planning, one must admit that the accomplishment of the Chinese planners has been substantial. The progress achieved in various socio-economic fields testifies to the ingenuity of the architects of the two five-year plans.

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The Promise for 1965-66

Wilfred Malenbaum

The Draft Third Plan calls for a 62 per cent increase in domestic savings over what was achieved in the Second Plan. The proportion of savings which the Government expects to use will, however, rise by more than twice this—by almost 130 per cent.

This is possible, of course, but the evidence of past experience suggests that it will be a very difficult task. The level of domestic savings available to the Government in 1956-61 involved heavy use of deficit financing and the ratio of public use of savings to total savings declined in these years relative to 1951-56.

The internal structure of the development programme as projected in the Draft Outline thus appears to be open to question.

Unless the programme is to achieve known rates of growth, what basis exists for specifying the required levels of supplementary resources from abroad?

FINANCING the Third Plan — just as financing the Second—poses the most dramatic challenge to India over the five years ahead. This is not as it ought to be in the best of all possible worlds. Certainly the real and important tasks concern the motivation of people, the awakening of popular enthusiasm and participation which measure India's response to the challenge of progress. But while this greater task proceeds—as it must—it always remains less spectacular than that of finding the resources, at home and abroad, to make possible the level of investment called for in India's new push toward self-sustaining growth.

The foreign dimensions of India's financing tasks are becoming increasingly familiar in the United States. The billion dollars per year from outside of India—in addition to the above-normal imports of agricultural products under P L 480, and in addition to the arrangements needed to defer the capital obligations that will fall due on past debt—has found varied reception here. There is on the one hand the great concern about the adverse pattern of the United States international account, now dramatized through gold exports. On the other, there is a growing awareness of competitive claims from Latin America and Africa upon an Administration fully cognizant of the current importance of rapid economic growth in free societies. On the whole, however, it is safe to say that the United States expects to play its part in helping meet India's needs from abroad. The test will come not in the generalities, but in the specifics. Import surpluses, even large surpluses, provide links in a larger total. How effective is the total effort in meeting India's development objectives? In the last analysis, this will be, as it should be, the question which will determine the U S role in meeting the stated deficit.

Increase in Domestic Savings

This is scarcely the place for an appraisal of this total effort. Indeed, even an appraisal of the domestic component of "the most dramatic challenge" is difficult to present in brief compass. However, it is possible to place the Governmental position on domestic financing in simple focus. This in itself presents interesting questions. The accompanying table gives more or less official data on the savings—investment flows in the period 1951-1966—actuals for 1951-56, preliminary for 1956-1961; projected for, 1961-66.* The most striking items are in the last section of the table, that concern with the level of investment financed by India's own current savings. (No adjustments have been made for the increase in prices over the period.)

*See GOI Planning Commission. *Third Five Year Plan. A Draft Outline.* June 1960, pp. 16, 24.

On the average, the Plan calls for a 62 percent increase in domestic savings over what was apparently achieved in the Second Plan years. But the level of domestic savings which government in India expects to use will rise by more than twice this percentage — by almost 130 percent. This rapid increase in the anticipated flow of domestic resources means that, from each Rs 5 of additional domestic savings over the period 1961-66, Rs 4 will somehow become available for governmental use.

This is, of course, possible but the evidence from India's own savings experience suggests it will be a very difficult task. Thus, even the level of domestic savings available to government during 1956-61 involved heavy use of deficit financing, and, as Table 1 indicates, the ratio of public to total use of domestic savings declined in those years relative to 1951-56. It is interesting to observe that the ratios of the 1961-66 column in the Table are almost identical with those which might be constructed for the projection for 1956-61 given in the

Table 1 : The Flow of Savings into Domestic Investment

(Rs crores)

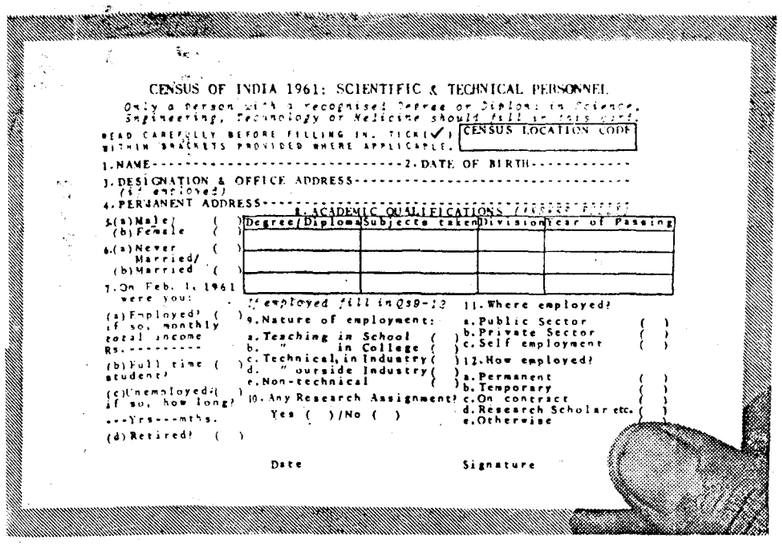
	1951-56 (Actual)	1956-61 (Preliminary)	1961-66 (Projected)
Domestic Investment			
Total	3360	6750	10200
Public Sector	1560	3650	6200
Ratio	46%	54 %	61 %
Net Imports			
Total	125 **	2000	2500
Public Sector	250	1900	2200
Domestic Savings			
Total	3235	4750	7700
Public Sector ***	1310	1750	4000
Ratio : Average	40%	37 %	52 %
Marginal	20%	27 %	80 %

Sources : All data are from official sources.
** There were net exports on private account over this five-year period.
*** This is not saved by public sector. It is the amount saved, or borrowed, etc, by government from domestic sources.

CENSUS 1961

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6.(a) Never Married/ ( ) (b) Married ( )

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(b) Full time ( ) student?

(c) Unemployed? ( ) if so, how long? ---Yrs---mths.

(d) Retired? ( )

8. ACADEMIC QUALIFICATIONS

Degree/Diploma	Subjects taken	Division	Year of Passing

If employed fill in Q9-12

9. Nature of employment:
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b. " in College ( )
c. Technical, in Industry ( )
d. " ourside Industry ( )
e. Non-technical ( )

10. Any Research Assignment? Yes ( ) / No ( )

11. Where employed?
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b. Private Sector ( )
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original Second Five Year Plan. * Domestic savings flows actually followed a very different pattern — that shown for 1956-61 in the Table.

It will also be remembered that in the Draft Outline for the Third Plan the Planning Commission shifted to a broader concept of domestic savings and investment, as compared with that used in the earlier Plans. The magnitudes of Table 1 are those measuring this new concept. Higher figures appear for private savings, since the concept now used encompasses all savings, i e including those which occur in non-monetized form. At least Rs 700 crores of the domestic savings total may reflect such types of transactions; if the percentage level is maintained, the comparable total during 1961-66 will be in excess of Rs 1100 crores. It is safe to assume that these savings do not flow into investment far from the saver. If we eliminate the possibility of government borrowing (or in any other way using) capital resources which are created in terms of stocks, the implications of the Third Plan for monetized savings are more extreme. Over 90 percent of the growth visualized in these more mobile forms of savings will need to flow to government for investment. Nothing approximating such a flow pattern has ever been activised.

Consistent with the same level of total financing from domestic sources is, of course, a pattern of investment in which government itself makes a smaller claim on the nation's savings. This would raise the ratio of private to total investment and, in the nature of the Indian economy, would tend to stress more the direct reinvestment of surpluses where they arise. This in turn would mean somewhat more emphasis on the small scale and rural parts of the economy.

While the present paper means merely to point up the above implications of the official plan for domestic savings flows, this last point reserves some further observation. Such an adaptation in the Third Plan — toward a somewhat smaller increase in public investment and a somewhat lesser increase in the overall capital intensiveness of new investment — makes eminently good sense on other grounds also. I have in mind the problems of employment: the new Plan is the first to acknowledge explicitly that there will be a growth in the pool of unemployed over the five years. I also have in mind certain unresolved questions about capital-output ratios in the new Plan.

Pattern of Investment

On this last, the draft outline implies an overall capital coefficient somewhat below 2. 8 :1. This compares with an actual coefficient of 3. 6 :1, now estimated for 1956-1961. There is no clear explanation for this marked reduction and the consequent bargain nature of the income projections for 1966. Table 2 presents the investment pattern over the 1961-1966 period. The allocation pattern by broad sectors presents striking parallels with the Planning Commission's estimates of what happened in the preceding five years. In particular, the more labour intensive agricultural and small scale activities show but a limited relative expansion. The percentage decline in transport and communications (generally capital-intensive) is more than offset by the percentage increases in power, heavy industry and mining — which together may not be appreciably less capital-intensive than transportation. On the whole, therefore, this very broad view of the sectoral pattern would tend to support similar rather than quite different capital-output ratios in the two periods.

On the same matter, there is not a compelling reason to expect a larger income flow relative to new investment in the Third Plan as a result of the smaller percentage of capital formation that will still be incomplete ("in process") in 1965-66 as compared with 1960-61. As against the new steel mills in the latter group, there will be steel-making and other heavy machinery in 1965-66. As against the heavier railway construction in the Second Plan there will be heavier power construction in the Third. (And as between power and railroads, the former seem to emerge as a bottleneck problem before the latter.) More facts on these matters are essential to a definitive conclusion. On the whole, however, there remain major questions as to the justification for the marked difference between the Second Plan's 3. 6 :1 capital-output ratio and the Third Plan's figure of 2. 8 :1. A shift in the allocation pattern to place greater weight on the rural and small scale sectors would thus serve to make the relationship between investment and income flows more acceptable.

Unanswered Questions

One interesting aspect of the employment problem can be noted conveniently here. The Draft Outline is quite clear that its total output target is less than 30 percent for the five year period. Since an important part of agriculture is scheduled for a 30 percent expansion, non-agricultural output must be expanding by a percentage below that for output as a whole. Moreover, the Draft Outline anticipates 10.5 million more jobs outside of agriculture. Roughly, this represents almost a 30 percent increase in the employed non-agricultural

Table 2 : Allocation of Total Investment : 1956-1961; 1961-1966

(Rs crores)

	Current Prices		*Percent*	
	Second Plan (prel)	Third Plan (Official Proj)	Second Plan (prel)	Third Plan (Official Proj)
Agriculture, Community Development and Irrigation	1340	2115	19.8	20.7
Small Industries	290	435	4.3	4.3
Power	430	975	6.4	9.5
Large Industry and Mining	1510	2500	22.4	24.5
Transp. and Communication	1375	1650	20.4	16.2
Social Services	1330	1725	19.7	16.9
Inventories	475	800	7.0	7.9
	6750	10200	100.0	100.0

Sources : *A Draft Outline*, pp 26-27, 51. Public investment data for 1956-61 are given on an outlay basis. They were shifted to an investment basis using ratios given in *The Second Five Year Plan*, p 56.

* See, for example, my "The Role of Government in India's Third Plan" *Economic Development and Cultural Change*, April, 1960, p 226.

labour force. On the average, therefore, productivity of the non-agricultural worker is not scheduled to increase over the Third Plan period. Insofar as the plan reflects any growth in output per worker — an important index of economic progress — this is due to the large expansion anticipated in productivity in agriculture. (The 30 percent increase in agricultural output is accompanied by a growth in labour force of less than 3 percent.)

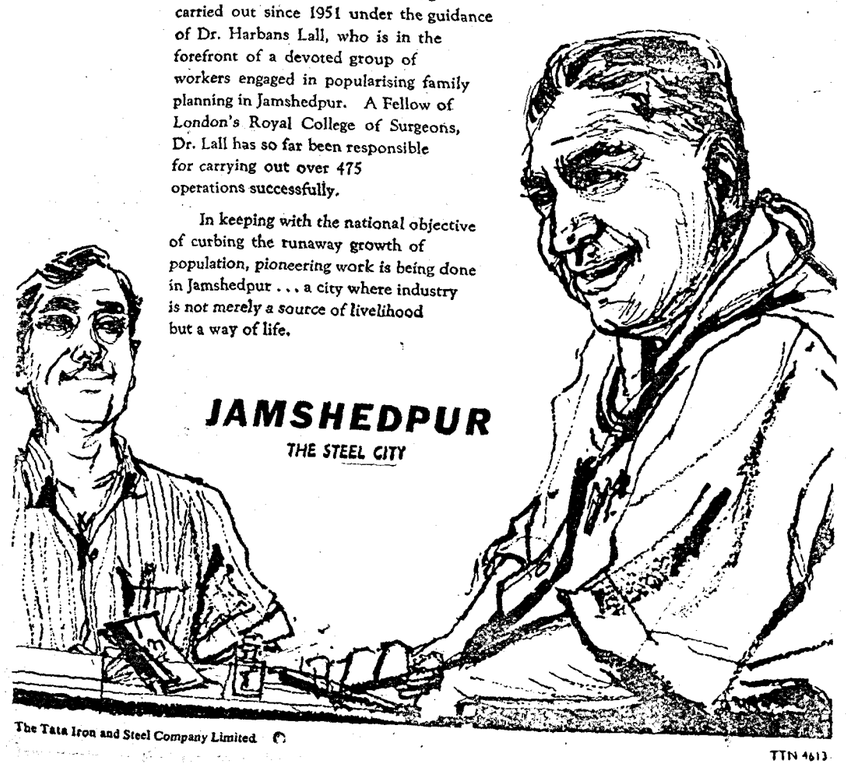
Clearly the need is for a larger increase in overall output (and in investment even if the questionable 2.8 ratio is maintained), or a larger ratio of new workers in agriculture and a significantly smaller ratio in the rest of the economy. As projected in the Draft Outline, there appear to be unanswered questions about the internal structure of the development programme. Unless the programme is to achieve known rates of growth — more or less — what basis exists for specifying the required levels of supplementary resources from abroad?

fewer children . . . happier families

In Jamshedpur, groups of workers' wives gather in the evenings at the seven maternity and child welfare clinics run by Tata Steel. Here, trained advisers tell them about the baneful effects of improvident parentage and distribute contraceptives at cost price to ensure planned parenthood. More such units are being set up. Jamshedpur is the first city in India where, since 1959, oral contraceptive pills are being tested out on a fairly extensive scale.

An important feature of these efforts is male sterilization operations being carried out since 1951 under the guidance of Dr. Harbans Lall, who is in the forefront of a devoted group of workers engaged in popularising family planning in Jamshedpur. A Fellow of London's Royal College of Surgeons, Dr. Lall has so far been responsible for carrying out over 475 operations successfully.

In keeping with the national objective of curbing the runaway growth of population, pioneering work is being done in Jamshedpur . . . a city 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

TTN 4613

Ownership and Control

A Supplementary Note

R K Hazari

THE publication of the preliminary study on "Ownership and Control" in the issues of November 26 and December 3 and 10, 1960, achieved its purpose. It has elicited useful comments and suggestions. A number of readers have been kind enough to draw my attention in particular to several errors of ommission and commission in the list of companies belonging to the Birla Complex. I am grateful to them for pointing out these errors.

The errors of ommission in the Birla list relate mostly to unincorporated enterprises which are beyond the scope of my study, and to joint stock companies which have either been liquidated or are inactive for some other reasons. The names of 41 inactive Birla Companies which were not published in the issue of November 26, 1960 are given below in List A.

The errors of commission relate to 39 companies which were wrongly included among the Birla Companies. The names of these companies are given in List B. The errors were largely due to the similarity in the names of certain individuals and families. The only excuse I can offer for being misled by these similarities is my inadequate acquaintance with the geneological ramifications of entrepreneurial families.

In addition to these 39 companies, two more, viz. Long View Tea and Bhartia Electric Steel, should be classified as Birla 'Minority' Companies and not as Birla 'Inner Circle' Companies.

The exclusion of these 39 companies reduces the number of companies in the Birla Complex from 346 listed in the issue of November 26, 1960 to 307. The net worth and total assets of the companies now excluded amount to only 1 per cent and 1.7 per cent respectively of the net worth and total assets of the Birla Complex. The pattern of ownership and control of the companies which emerge from my study or the conclusions derived from it, however, are not significantly affected by these corrections. The classification of Birla companies as given in the table on page 1715 in the issue of November 26, 1960 must therefore be corrected to read as follows :

List A — Inactive Birla Companies

Liquidated or Struck off :

1 Akhil Bharat Printers
2 Arya Prakashan
3 Bharat Farms
4 Bijli
5 Bragop
6 Building Materials P
7 Buyers & Sellers P
8 Central India Paper Mills
9 Departmental Stores
10 Durgapur Iron & Steel Works
11 General Commercial
12 Gwalior Industrial Bank
13 Hargaon General Suppliers P
14 Hargaon Oil Products P
15 Hargaon Traders P
16 Himalayan Products
17 Hind Textile Publications
18 India Laundry & Dry Cleaning
19 Indian Starch Products
20 Industrial Traders P
21 Magadh Construction P
22 Mahabir Trading
23 Mandelia & Sons P
24 Metal Sales Corporation
25 Morar Trading
26 Nevatia Textile P
27 Orissa Forest Produce P
28 Patial Industries
29 Pulgaon Farms
30 Saurashtra Chemicals

Amalgamated with other companies :

1 Bajrang Trading
2 Eastern Planters P
3 Investments
4 Jamna Investors P
5 Punjab Trading
6 Risheehat Tea
7 Vikram Trading Corporation

In existence but Accounts show nil or negligible activity :

1 Assam Produce P
2 Motolite
3 Newar Trading P
4 West Bengal Plywood P

List B — Companies Wrongly Listed as Birla Companies

1 Arthur Butler Mozzufferpore
2 Bajrang Mica P
3 Balrampur Dal Mills P
4 Bengal Sugar Agency
5 Bharat General Trading
6 Dinesh P
7 Fibre Manufacturers & Exporters
8 Ganganagar Merchandise P
9 Hind Sugar
10 Hindusthan Mineral Corporation (Exports)
11 Impex Tradiers P
12 Inderchand Rajgarhia & Sons P
13 Indian Ball Thread P
14 Industrial Investors
15 Kanoria & Sons P
16 Kanoria General Dealers
17 Kanoria Industries
18 Laxminarayan Jute
19 Mansfield & Sons
20 Memari Cold Storage P
21 Mobile Finance P
22 National Udyog P
23 North Bihar Trading P
24 P H Periwal Bros P
25 Plastic Moulders P
26 Putinbaree Tea Association
27 Rajputana General Commercial P
28 Shiva Jute Baling P
29 Shiva Jute Press
30 Shree Mahabir Industries P
31 Sonthalia Holdings
32 Sonthalia Tea Estate P
33 Sree Holdings

Companies in Birla Complex

	Sole Control	Majority		50-50		Minority	
		Foreign	Indian	Foreign	Indian	Foreign	Indian
No of Companies	291	2	1	—	1	2	10
	(331)	(2)	(2)	(—)	(1)	(2)	(8)
Net Worth (Rs lakhs)	99,04	42	1,24	—	—	1,60	1,75
	(100,40)	(42)	(2,01)	(—)	(—)	(1,60)	(76)
Total Assets (Rs lakhs)	286,13	67	2,69	—	—	3,28	3,42
	(291,53)	(67)	(4,27)	(—)	(—)	(3,28)	(1,55)

Figures in parentheses are those published in the table on page 1715, issue of November 26, 1960.

34 Swadeshi Printing Works P
35 Tapadia Engineers & Traders P
36 United Supply Agency
37 Usha Automobile Eng P
38 Villiers Holdings
39 West Bengal Manufacturing P

Rail Link Survey

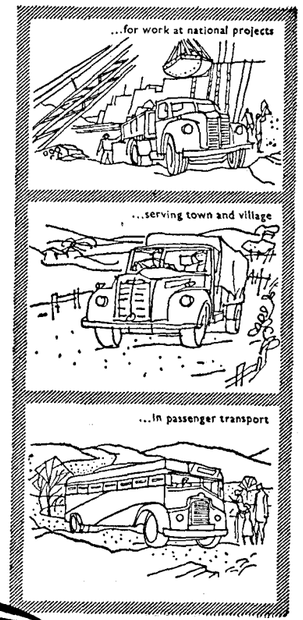
THE Railway Board has sanctioned the preliminary engineering and traffic survey for a broad gauge railway line to connect Singrauli Coalfields with Pipri, a distance of about 40 miles, at an estimated cost of Rs 190,000. The survey will be carried out by the Northern Railway Administration.

FARGO

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Fargo diesel trucks are doing more than their fair share of work at projects because of their rugged construction and ability to carry more loads at less cost per trip. No matter what the load and however tough the going, they are first-class for service, performance and economy



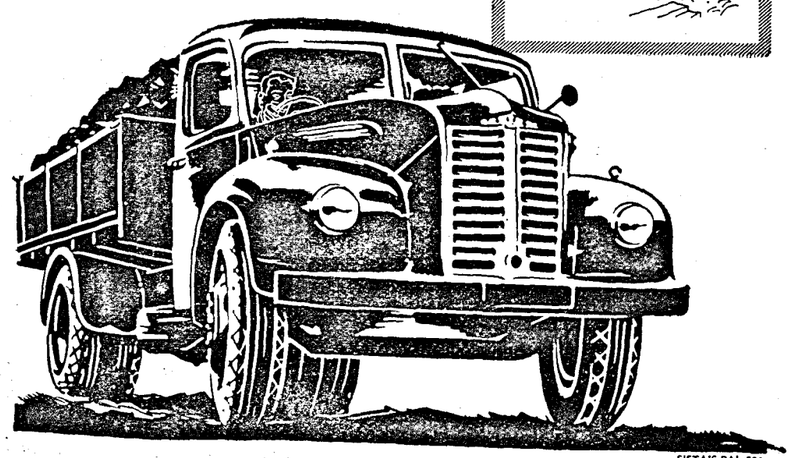
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The Japanese Press

From a Special Correspondent

For the first time since the war, the increase of population in Japan was not matched by a corresponding increase in newspaper circulation in 1960.

As the scope for increasing total newspaper circulation is getting limited, individual newspapers can increase their circulation only by amalgamation.

Will the Japanese press share the fate of the mass circulation papers in U K and go through a process of reorganisation, amalgamations and closures?

So far, however, there have been no moves in this direction, at least on the part of the bigger newspapers.

THE larger Japanese newspapers are of three types, national newspapers with a nation-wide circulation; influential local newspapers covering a large aggregation of population not found elsewhere, but with little or no readership outside the locality; and foreign and specialist newspapers. English newspapers need not concern us here as they are all subordinate to the Japanese newspapers in control and those that do not run at a loss, depend for their circulation on special supplements for the foreign community. The one exception is the semi-independent *Japan Times*, which takes an attitude so much to the right of even the most conservative Japanese newspapers that it is suspected of receiving a substantial subsidy from the Japanese Foreign office.

The mass circulation dailies are the backbone of the Japanese Press. The largest of these are the *Yomiuri*, the *Asahi* and the *Mainichi*. The only national press with a comparable mass circulation in the world is the British press. But both the *Yomiuri* and the *Asahi* claim to have a larger circulation than the *Daily Mirror*, which has the highest circulation in England. The *Mainichi* was founded in 1872, the *Yomiuri* in 1874, and the *Asahi* in 1888 but it was only after the War that their circulation reached such astronomical figures.

There is hardly any group in Japan which is not yet reached by the daily newspaper. The inroads made by television, some of which are run by newspapers themselves, make further expansion of newspaper circulation unlikely. Particular newspapers may increase their readership, but only at the cost of the other newspapers. This is quite clear to the newspapers themselves and during the last two or three years, there has been a determined effort by newspaper managements to improve efficiency and reduce costs by the introduction of new printing processes. The *Asahi*, for instance, has introduced a method by which the printed sheet in Tokyo is sent by facsimile microwave to its offices in Hokkaido, the northern island of Japan, and there printed within twenty minutes of its transmission from Tokyo. This makes it unnecessary to maintain a large editorial staff in Hokkaido. Other newspapers are following suit with similar innovations.

Established Clientele

There are, however, a number of special features of Japanese newspapers which are worth mentioning.

Unlike in other countries very few Japanese daily newspapers are hawked in the streets or sold at bookstalls. Nearly all newspapers are delivered daily to the homes of readers. Moreover, all large newspapers have their own retail distributor so that one does not see all the newspapers laid out in one place and where one could just buy the one which caught one's fancy. To promote sales, newspapers are often given away on credit. It has been estimated that at least 2 per cent of all newspapers 'sold' are never paid for. This has an interesting consequence. Newspapers often continue to be sold not for their content but on account of a feeling of obligation on the part of the buyer arising from his inability to clear past bills. Thus readers rarely change their newspapers.

Japanese newspapers give a much wider coverage to overseas and national news than newspapers I have seen anywhere else in the world. It is, however, the coverage given to local news which is of the most importance. The special page of local news is invariably extremely conservative in orientation (in contrast to the editorial comment, which is often radical) and it is nearly always this part of newspaper which makes the local subscribers buy it. The local edition of a national newspaper covers a very small area, often only a single town.

The local newspapers, which I mentioned earlier, depend almost entirely on strong local sentiment for support in their competition with the national dailies. They are often extremely powerful in their respective areas and have very good editorial staff. In the village where I spent my last summer holidays, nearly every villager subscribed to the *Shinano Daily News* and only occasionally bought a national newspaper. These local papers are by no means unimportant and many of them have circulations of several hundred thousand.

Editorial Control

In the Japanese press, the control of the editor over the various departments is much less than in a British newspaper, for example. Once an assistant is given charge of a particular department, say, the women's section or the science section, he enjoys almost complete freedom so that one sometimes finds different policies towards the government in different sections of the same newspaper. In spite of this, there are differences between the newspapers. The *Asahi* is the paper of the intellectuals and university teachers and the *Yomiuri* more that of of the working class. Some newspapers like the *Nippon Keizai Shimbun* cater to business and commercial groups.

None of the mass circulation newspapers in Japan descend to the level of sensational journalism which some of the British newspapers do. This is partly because editors do not find it profitable in terms of circulation. All newspapers like to think of themselves as "family" newspapers which can safely be brought into the home. Also, Japanese law prevents certain types of reporting allowed elsewhere. For example, the names of juveniles accused of offences must not be mentioned in reports. Divorce, a juicy subject for British newspapers, arouses little interest in Japan where less than 1/2 per cent of divorces ever reach the courts, the rest being settled outside court by mutual agreement.

On the other hand, Japanese newspapers evince a certain lack of responsibility in respect of editorial policy. Policy shifts to suit the popular mood are regarded as normal. During the demonstrations against the Mutual Security Treaty, there is no doubt that much anti-Government feeling was worked up by the newspapers because of personal animosity towards Prime Minister Kishi. After the demonstrations assumed more serious proportions and Kishi was removed, certain newspapers tried to shift the responsibility from their own shoulders by claiming that it was not their intention to encourage mass demonstrations.

'Pocket' Reporters

The system of 'press clubs' is another unfortunate feature of Japanese press. Most government departments and certain other organisations have special clubs or groups of reporters to whom they give news exclusively. Reporters are admitted to these 'clubs' through election by the members already in. This results in suppression of certain types of news. It also becomes possible, under certain conditions, for powerful politicians, to buy favours from newspapermen by paying their travelling expenses, etc. This is really a form of corruption although it is so subtly organised that it is not always clear even to the poor underpaid reporters themselves that it is corruption.

While the press is an extremely important medium of public information in Japan, the extent to which it can influence people is much less than is popularly supposed. Before the war, editorials were treated with much greater respect than today. Today, people's opinions are much more likely to be moulded in other ways and it is local news which makes the newspapers sell. It is thus of the utmost importance that opinions do not creep into the news columns and appear as facts. This often happens, for example, little information was given about India's side of the story in the reports on Sino-Indian border dispute in the Japanese press, and the impression that was created in consequence was that there was more to be said for China than appeared on the surface. In presenting national news, too, sympathy for a particular cause is often aroused by implication. When it comes down to local issues, however, the newspapers cease to be partisan. Since readers include those on both sides of local questions, anything short of completely impartial reporting would lose some of them.

As one moves away from local issues, reporting becomes increasingly partisan. Japanese newspapers, though among the best in the world, are nevertheless guided in the policies they present by considerations not always similar to those which influence newspapers elsewhere.

As the scope for increasing total newspapers circulation is getting limited, individual newspapers can increase their circulation only by amalgamation. So far, however, there have been no moves in this direction, at least on the part of the big three.

Around Bombay Markets

Cotton Prices Decline

Thursday, Morning

COTTON prices continue to decline and there is no knowing yet how far the market might go down still further. The hedge contract—April delivery—which had touched a high of Rs 614 per three quintals on December 22 was sold down to Rs 554 on February 14. The decline in spot prices has been no less pronounced. Until about the middle of December mills had to ask the Textile Commissioner to help them in getting their raw material at the ceiling rates through requisitioning. Today many varieties of cotton go virtually abegging at Rs 50 to Rs 70 per candy below the ceiling rates. Despite fairly good offtake of cloth, mills are reluctant to utilise their quotas of indigenous cotton.

The increasing pressure of arrivals, the upward revision of crop estimates, a larger inflow of foreign cotton and acute financial stringency—all these factors have contributed to the decline in prices. Arrivals of cotton in Bombay between September 1 and February 2 are placed at 8,58,640 bales against 4,81,569 bales in the corresponding period last season. Stocks with mills, exporters and dealers in Bombay as on February 2 are reported at 5,43,909 bales against 3,75,399 bales a year ago. About 30 lakh to 35 lakh bales are estimated to have been marketed by now. Ginning and pressing factories are fully stocked. The prevailing stringency in the money market makes the holding of large stocks difficult and expensive. Growers' co-operative societies have asked New Delhi for financial assistance to tide over the situation created by the steep fall in prices.

The East India Cotton Association also seems considerably exercised over the fall in prices and it has urged the Textile Commissioner to do away with the quota system or at least to urge the mills to utilise their quotas within a specified period of time and suspend compulsory surveys. It has also requested the Government to allow the export of one lakh bales of Kalagin and Wagad, which, apart from being in ample supply have been slightly damaged in quality.

Concern Unwarranted

The Association's concern over the decline in prices is quite unwarranted. For even at the current rate of about Rs 555 the April hedge contract is just half way between the ceiling and floor prices of Rs 693 and Rs 417 respectively. Spot cotton prices are still nearer the ceiling than floor prices. While the quota system of mill buying and compulsory surveys could be easily dispensed with as long as prices remain well below the ceiling, the Association's plea for an export quota for Kalagin and Wagad needs careful consideration because despite a larger crop of about 52/53 lakh bales the supply position of indigenous cotton cannot be considered very comfortable in view of the record low carryover from the previous season.

Industry's normal requirements of indigenous cotton are around 45/46 lakh bales and the consumption will go up if cloth output is to be increased by about 10 per cent as desired by the Government. A crop of 53/54 lakh bales should help the cotton textile industry to secure adequate cotton supplies at reasonable prices, make possible larger exports, help build a larger carryover and reduce the country's dependence on imports even if they come under P L 480. Far from being a source of any anxiety the recent fall in cotton prices is welcome. It will enable the trade to function smoothly and also help industry to maintain the profit margin which has been affected by the reduction in ex-mill prices of cloth. But the danger is that cotton prices may not remain on the low side for long. The downward trend is likely to be reversed when the pressure of arrivals begins to ease after about the middle of March.

Bengal Deshi Quota

The Government has released for export a further quantity of 50,000 bales of Bengal Deshi of which 2,500 bales are reserved for co-operative societies and another 19,000 bales are earmarked for shippers who had participated in the December quota. The balance is allowed to be exported on a first-come-first-served basis. The new quota makes a departure from the previous quota released in December in certain respects. Export this time is not linked with the supply of cotton to the mills and the quality allowed for export is fine and above instead of superfine and above.

The export quota announcement has had not effect on the market where prices continue to drift lower. The quantity allowed falls short of the market's expectations. With overseas demand, mostly from Japan, fairly strong and business remunerative, the new export quota should get exhausted in a couple of days. The ceiling for the December quota for a like quantity was reached within two days of the announcement.

Oilseeds

Dull Affair

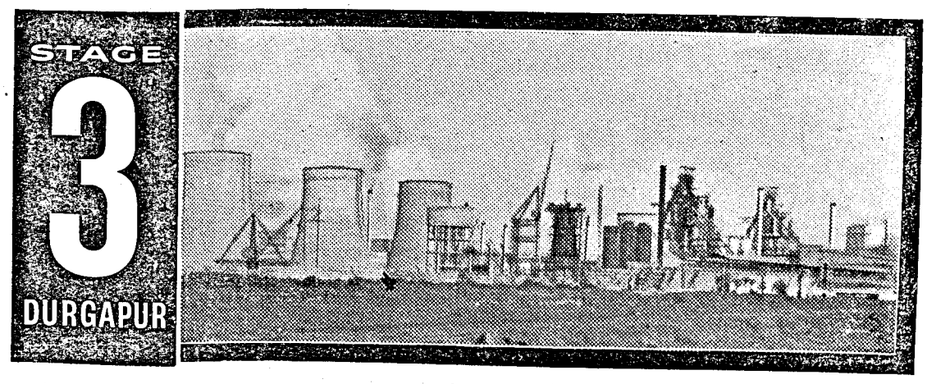
THE oilseeds market is having a dull time. Speculative activity has shrunk to negligible proportions. While groundnut February has been quoted above the ceiling rate of Rs 220 per 250 kilos since January 16, the May contract is only a little lower at around Rs 218.50. Few could be expected to take lively interest in groundnut futures when the margin is as heavy as Rs 10,000 per unit of trading—25 metric tons. Linseed and cottonseed have seldom been popular with the speculative community. Speculative interest therefore continues to centre mostly round castor but here also business is restricted because while export of castor oil continues to be unencouraging the bears are reluctant to be aggressive in face of a smaller crop around 1.10 lakh tons.

With even the inferior most quality of groundnut quoted at around Rs 240 per 250 kilos, there is hardly chance for futures to decline much below the ceiling rate of Rs 220 during the season. The announcement regarding the import of soyabean oil from the U S has not had any effect on the market because the quantity which is likely to be im-

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India's ambitious Durgapur Steelworks project is well on the way to completion. ISCON, the consortium of famous British engineering and electrical manufacturing companies, has been most successful and the end of the job is in sight.

Rolling mills, melting shop, blast furnaces, coke oven batteries and cooling towers have transformed the skyline. The birth of this new industry has already brought new employment to West Bengal. A steel city has been carved from paddy fields and jungle by people of two different nationalities and background, but working as a team with a single purpose. The result is a triumph for British industry and a better tomorrow for the people of India.



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BRITISH COMPANIES WORKING FOR INDIA

PSIC 23

orted will be small around 3,000 to ,500 tons. That is about all one illion dollars can buy. In view of he right supply position groundnut rices can be expected to keep firm ven if there is no export of ground ut oil this year.

Exports Slack

The export quota for 20,000 tons f groundnut expellers released to- ards the end of last month was xhausted within a few days but not uch has been sold out of the 0,000-ton quota for groundnut I P S, the shipment period for hich is valid up to the end of the ear. Export business in ground- ut extractions is reported to be ather poor and prices quoted by he foreign buyers are on the low ide. The latest U K quotation for xtractions 50 per cent is mentioned round £27-17½ per ton. Locally lso prices are easy because of in- reased crushing and slack off-take y the sugar factories. The output f extractions has increased appre- iably in recent years and the foreign uyers seem to be a better position o bargain.

Export of groundnut oil and nseed oil remains at a standstill nd the disparity between Indian nd overseas prices is so large that here is no chance of any important usiness in the near-distant future xcept under some barter arrange- ents or through attractive incen- ive scheme. The outlook for castor il, however, is not unencouraging ven though the performance since he turn of the year has continued o be poor. By about the middle of ebruary last year exporters had old nearly 10,000 tons of castor oil hereas total business put through his year is hardly around 1,500 ons. But the disparity in castor oil rices is almost negligible. The J K is reported to have purchased ome 700 tons of castor oil over the ast two weeks, with Commercial etching about £115-10 per ton.

New crop arrivals are gradually icking up and they might tell on he market if export business in oil ontinues to be poor. But if export usiness revives the market can be xpected to record good recovery ecause castor looks cheap in com- arison with groundnut.

Cottonseed have been subdued in ympathy with the pronounced eakness in cotton. Linseed, too, ave been displaying an easy ten- ency since recently because of the crop movement in Hyderabad. It will be some time before arrivals gather momentum. Even so, linseed prices might not record any appre- ciable decline because of their rela- tive cheapness compared to ground- nut oil. Exporters continue to re- port moderate business in linseed cake at around £30-2½ per ton, the U K being mentioned as the chief buyer.

Stock Exchange

Cautious But Firm

THE stock market is cautious but firm. Uncertainty about the Central Budget has affected the turnover but not the general tone of the market which continues to be bullish. In view of the much big- ger size of the third Plan the need for a larger tax effort is widely re- cognised. But the stock market seems convinced that Shri Morarji Desai is not the man who would do anything which might harm the cause of the private sector. Not in the pre-election year in any case. The market seems reconciled to an additional taxation of Rs 40 crores to Rs 50 crores in 1961-62 Budget, but mostly in the form of excise levies. Excise duties are unlikely to upset the market. The industries concerned might be affected if the excise levy becomes a direct burden.

The market has not yet started speculating on the Budget. It is difficult to say how the Budget ru- mours will influence the trading sentiment in the next two weeks. Budget proposals can certainly have a significant bearing on the outlook for equities but if one were to go by the recent performance of the market, equities could be expected to maintain an upward trend for many months to come. After a strong secondary correction between July-end and the beginning of Octo- ber the market staged an impressive rally lasting up to the end of No- vember. Thereafter it declined again and in the first week of Janu- ary it came very close to the Octo- ber low point. Equities have re- corded an all-round handsome im- provement from the January low levels and the market is back again near its November high. If the mar- ket were to cross the November high point technical analysts would be justified in taking the view that the market has resumed the major bull phase. Odds are that the lowest prices recorded in January will not be seen again for a long time, un- less, of course, the Budget turns out to be very bad from the market an- gle.

The table below shows the rise in prices since the turn of the year.

Bullion

Move for New Contract

BULLION prices continue to scale new highs. On February 10 gold Phagan delivery was bid up to Rs 122.75 per 10 grams and silver Phagan was done up to Rs 208.90 per kilogram. These prices work out to around Rs 145 a tola of gold and Rs 246 per 100 tolas of silver. Imports are banned and internal production of precious metals is negligible. But demand continues to be high. The position would be much worse but for the continued flow of smuggled gold. Floating stocks of both gold and silver, even when they are at their peak during the traditionally slack period, could be easily cornered by a few big pro- fessional speculators. Bullion prices have continued to rise despite heavy margins and with the demand and supply position being what it is, it is difficult to say how far the rise might go.

With supply limited, the futures market in bullion is all the time

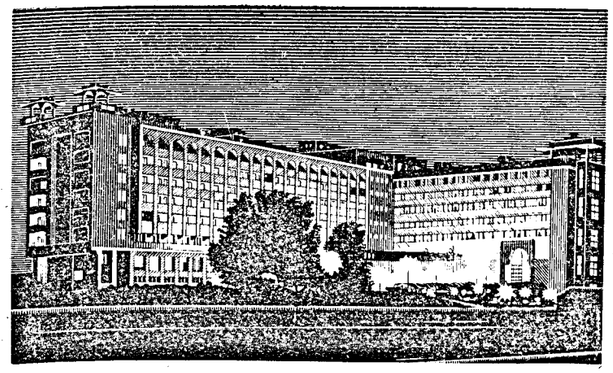
Shares	January Low	February High	Closing on 14-2-1961
Century	446.00	494.50	490.00
Kohinoor	261.50	285.00	281.25
Svadeshi	221.50	245.00	244.50
Standard	972.00	1156.00	1118.00
Indian Iron	23.00	24.80	24.60
Tata Steel	138.00	148.00	146.00
Hindustan Motors	18.76	20.52	20.16
Bombay Burmah	539.50	567.00	556.50
Larsen Toubro	33.50	38.50	37.50
National Rayon	463.00	511.00	501.00
Tata Engineering	278.00	304.75	298.50
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working under abnormal conditions. To facilitate smoother functioning of the market, the authorities are thinking in terms of a six-monthly contract—Shravan Sud Punam and Posh Sud Punam. Sellers will be allowed to effect delivery at the end of each month and the buyers will have to absorb it. But bulls cannot insist on delivery except at the end of the contract. 'Shorts' can keep their sales alive by paying a 'budli' of 50 nP per kliogram in silver and 25 nP per 10 grams of gold should the bulls press for delivery at the end of a month.

The suggestion for a six-monthly contract had been mooted once before quite a few years ago. But it had then been turned down by the State Government. The proposal might go through this time because it is believed to carry the blessings of the Forward Market Commission which is now the chief regulating authority. But if the six monthly contract goes through it will reduce the bullion market into a gambling den. Why must there be a forward market in gold and silver when the supply is so very limited and there is no chance of augmenting it through imports?

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Letter from South

An Unwanted Convention

WHAT was the purpose of the Convention of Legislators belonging o scheduled castes and tribes which net under the presidentship of Shri lagjiwan Ram in Hyderabad recenty? A statutory commission with Shri U N Dhebar as chairman is it present conducting a detailed enquiry into the implementation of the special measures taken during the ast ten years to safeguard the interests of scheduled castes and tribes. Further, the Central Government has lecided to extend reservation of seats for scheduled castes and tribes n the public services and legislatures for another ten years. Finally, he legislators who attended the Special Convention belong to different political parties and, surely, they could have used their party forums o ventilate any grievances they night have. The 'convention of legislators' was, therefore, unnecesary. More, it was unwanted.

Pandit Nehru, who inaugurated he Convention, made all this clear o the delegates. He disapproved of such conventions, he said, because hey tended to perpetuate the very differences—caste and sectional—which they aimed to remove. Far rom helping to promote self-reliance among backward sections of the community, they served merely as forums for grievance-mongering. The Prime Minister also expressed himself strongly against the practice of reserving seats for scheduled castes and backward classes in the public services and legislatures, because if backwardness and caste were the sole criteria for such reservation, it would n effect serve to put a premium on nefficiency and "an end to progress".

Pandit Nehru's criticism is especially pertinent in the context of the present disruptive trends in the country though one feels that he could have conveyed his disapproval more effectively by refusing to associate himself with the Convention. Nevertheless, his deprecatory remarks apparently went home and Shri Jagjiwan Ram was mostly on the defensive in his presidential address. The Railway Minister pointed out self-consciously that what the scheduled castes and tribes wanted was not special treatment or even reservation but a 'change of heart' on the part of the other communities. He conceded that reservation of seats in particular and special treatment in general made *harijans* "lame and dependent". He wanted equal opportunities for backward classes and elimination of their social disabilities.

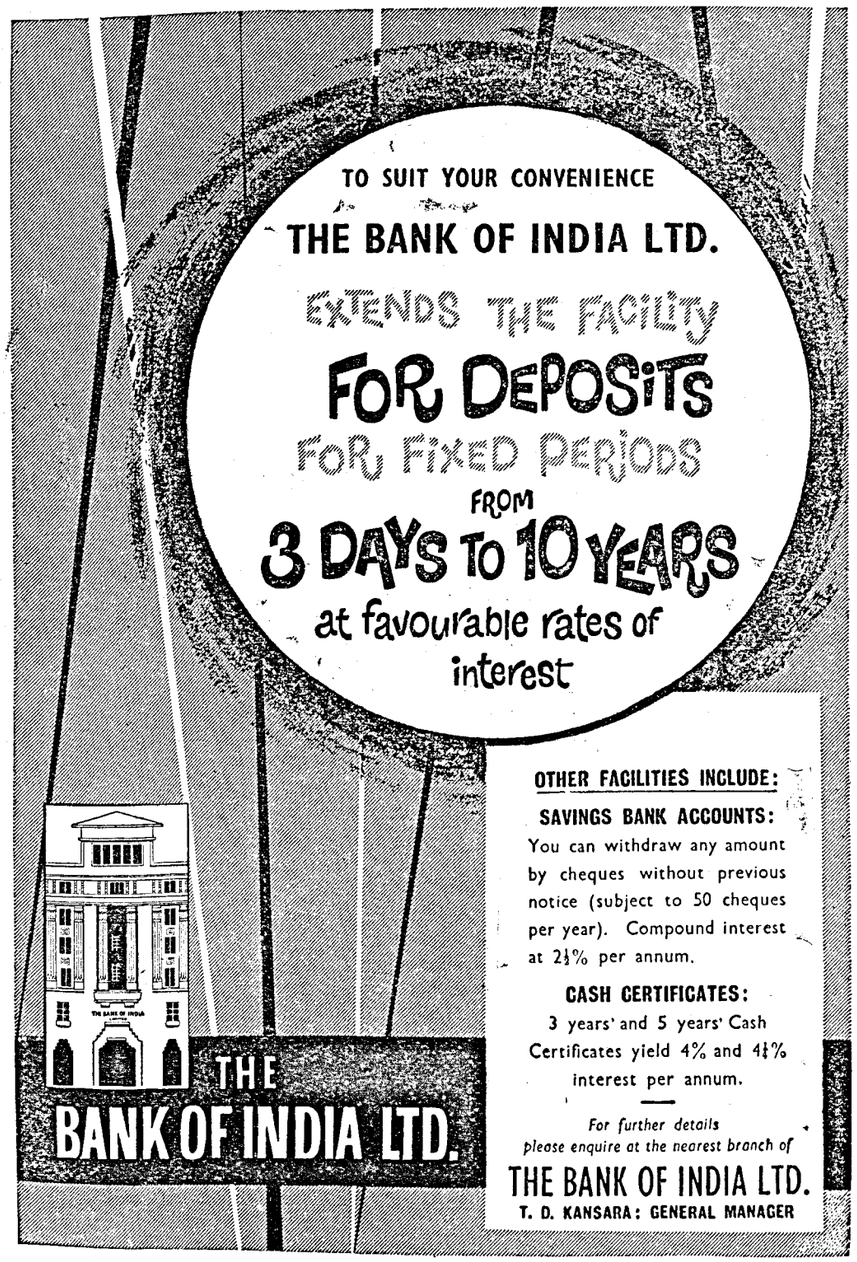
False Persecution Complex

One can readily agree with much of what Shri Jagjiwan Ram said at Hyderabad. Nonetheless, the *harijan* community must not labour under a persecution complex which is now largely baseless. The attitude of caste Hindus towards *harijans* has changed remarkably in recent years. The 'change of heart' for which Gandhiji pleaded in his lifetime and which Shri Jagjiwan Ram wants now is taking place much more rapidly than many realise and the movement for social equality is fast progressing. In Andhra Pradesh, for instance, social barriers that divided caste Hindus from *harijans* are breaking down under the impact of panchayati raj. At the same time *harijans* are being trained in a number of crafts and this helps them to secure gainful employment and better themselves economically.

Social equality, insofar as that term is taken to mean the complete elimination of caste, is, of course, far from achieved yet. In fact, it is doubtful if legislation will ever succeed in abolishing caste distinctions in this country, as Shri Jagjiwan Ram appears to believe. If the caste system disappears, it will do so with the efflux of time, imperceptibly, as economic differences between different sections of population are eliminated through land reform and development programmes.

Shri Jagjiwan Ram's sense of realism was, unfortunately, negated by the resolutions adopted at the Convention. The principal resolution called for the appointment of a "high powered" commission to investigate into the working of the safeguards and concessions afforded to the scheduled castes and to suggest ways for their effective implementation. Surely, the Convention could not have been unaware that a "high powered" commission is already assessing the manner in which the Constitutional provisions for the welfare of backward castes and classes have been implemented during the last ten years. To ask for another commission to perform the same task is absurd.





etter from Japan

Change on China Front ?

AST week Prime Minister Ikeda made his policy speech to the iet. It did not represent the views the Prime Minister himself but as rather a composite speech pre-ared by the Cabinet on which var-us sections of the Liberal Demo-atic Party are represented. Never-eless, it is clear that there has been slight but perceptible switch in nphasis in various fields. Most nportant, the Government is obvi-sly awaiting some major develop-ent in Sino-Japanese relations. s the policy of the Government nds at present, a substantial in-ease of trade with Communist hina is possible, provided that it is ndertaken on private initiative. oreign Minister Kosaka has stated at "With respect to the problem of ade with Communist China, we ope that it can be smoothly expand-l in commodities which are mutu-ly required by the national eco-omies of both sides". The en-uragement of Sino-Japanese trade, owever, cannot be on a government-basis as this would mean prejudg-g the question of the position of hina in the world community which nnot be settled apart from other uestions, namely the attitude of the w American administration. In ain language, the Government con-ders it unwise to encourage trade ith Communist China until it is re that such trade would not harm merican trade.

The Socialist Party, under pres-re from various small trading oups of leftist inclination, is ar-ing that the Prime Minister is los-g a golden opportunity in not im-ediately opening negotiations. As cover for a change of attitude in e future, Foreign Minister Kosaka s stated in an interview that he ac-pts the three principles laid down Communist China (mentioned by ur correspondent in the issue of ctober 29, 1960). So as matters and at present, the Government, e Socialist Party and the Chinese ommunists are all carefully cover-g the ground in preparation for ange. This is of course quite se-rate from the question as to hether China really *wants* to trade ith Japan. In the

trade as a lever to gain certain political concessions in Japan.

Be that as it may, the Prime Minister also emphasised his desire to reduce taxation which has been made possible by a continued increase in the national income and also to extend the social security system. The latter, however, has received a rebuff from doctors and hospital workers who went on a strike, demanding a different method of payment from the National Insurance scheme instead of a 10% flat increase.

Electoral Reform

Finally, the Prime Minister expresed his intention to try to reform the present electoral system, possibly in the direction of single member constituencies to replace the present multi-member constituencies. As it operates now, each constituency puts up a number of candidates, the top two or three being elected. In many constituencies, this results in Liber Democratic candidates being pitte against other Liberal Democratic can didates with the result that part allegiance is weakened. The amou of money required to win an electio has risen with each electio and this cannot be checked exce with a thorough reform of the ele toral system. This view also finc some favour with the Oppositio parties.

All in all, the speech of the Prim Minister reflects the general satisfa tion of the business community wit the rising standard of living and lurking suspicion that the situatio cannot continue in this way ind finitely, so that a sudden change i foreign policy may become necessar in the next few months. There hav already been some changes in Jap nese representation in the Unite Nations.

Shree Krishna Ganoday Sugar Limited

NOTICE

THE Twentysixth Annual General Meeting of the Shareholders of Shree Krishna Ganoday Sugar Limited will be held at the Registered Office of the Company at Dalmianagar on Friday, the 17th March, 1961 at 11.30 A.M. to transact the following business:

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31st July, 1960.
2. To declare additional dividend on Preference Shares for the year ended 31st July, 1959 in compliance with the Preference Dividend Regulation Act, 1960.
3. To declare dividends for the year ended 31st July, 1960.
4. To elect a Director in place of Shri T. R. Jalan, who retires by rotation under Article 106 of the Articles of Association of the Company but, being eligible, offers himself for re-election.
5. To appoint Auditors for the current year and to fix their remuneration. Messrs. Singhi & Co., Chartered Accountants, the retiring auditors, being eligible, offer themselves for re-appointment.

The Share transfer books of the Company will remain closed from 7th March 1961 to 17th March 1961 both days inclusive.

BY ORDER OF THE BOARD
S. K. Jain
Secretary.

Calcutta,
4-2-1961.

N. B. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of

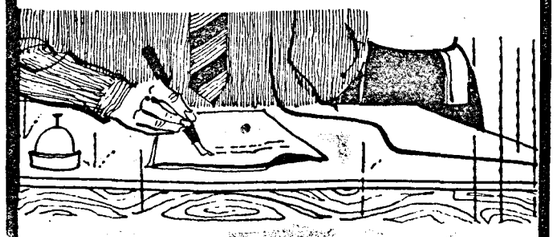
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Company Notes

Scindia Steam

DESPITE the slump in the freight market, the earnings of Scindia Steam during the year ended June 30, 1960 went up from Rs 16.87 crores to Rs 18.77 crores, but gross profit margin on them declined from 17 to 12 per cent. Net profit has gone down from Rs 142 lakhs to Rs 101 lakhs, representing a decline in earning on capital invested from 3.6 to 2.6 per cent, on net worth from 8.5 to 5.8 per cent, and on equity capital from 12.5 to 9 per cent. Dividend has been more than halved to 3 per cent. Out of the net profit, Rs 34 lakhs has been distributed and the remaining Rs 67 lakhs retained. Gross capital formation during the year amounted to Rs 3 crores against Rs 2.5 crores in the previous year.

According to the Directors "To produce any improvement in the freight side of the business the total volume of the world trade must increase or more ships must be scrapped. It is reasonable to expect that some adjustment will take place before long." The company is also adversley affected by the uneconomic rates of freight available in the Coast and adjacent trades. Delays in coal loading and unloading have considerably increased the losses in coastal operations.

The aggregate tonnage of the company's fleet now exceeds 2.65 lakh G R T and is insured for Rs 35 crores against marine and war risks.

Of the company's six subsidiaries, Jalanth Insurance has made a small operating profit, Eastern Bunkerers has given a dividend of 28 per cent, while the London subsidiary has done appreciably better. Kamal Shipping's income from freight and charter hire was halved to Rs 53 lakhs and so was the profit to Rs 7 lakhs. Scindia Workshop suffered a slight decline in earnings but increased its profit from Rs 64,000 to more than Rs 2 lakhs. Bombay Steam has slipped further into the red with an increase in accumulated loss to Rs 27 lakhs: its earnings declined from Rs 59 lakhs to Rs 55 lakhs.

Phaltan Sugar

ADVERSE weather conditions and shortage of cane supplies reduced the output of Phaltan Sugar during the year ended September 0, 1960. Net sales came down om Rs 130 lakhs to Rs 82 lakhs nd though gross profit margin on em went up from 21 to 27 per nt, net profits after tax came down om Rs 14 lakhs to Rs 11 lakhs. he latter represents 8 per cent on pital invested, 10 per cent on net orth and 22 per cent on equity pital. The entire profit has been stributed after a small transfer om reserves.

The sugar manufactured was ainly of D-29 grade. In the absence adequate release orders from overnment, stocks with the comny have accumulated to the equilent of 23 per cent of production ainst 3 per cent in the previous ar.

Income tax assessments for the ars 1953-54 to 1957-58 have been alised but those for 1947-48 and 48-49 have been re-opened.

Premier Auto

HE boom in the demand for automobiles and easier supply sition of components helped inase the sales of Premier Auto ring the year ended June 30, 1960 m Rs 17.43 crores to Rs 20.95 res and gross profit margin on m went up fractionally to 7 per t. Net profit has almost doubled m Rs 35 lakhs to Rs 65 lakhs has gone up in terms of capital ested from 4 to 6.5 per cent. Out the net profit, Rs 31 lakhs has n distributed at the rate of Rs 9 ss per share, and the remaining 34 lakhs has been retained.

All the machinery required for nufacture of Fiat transmission l axles has been received and talled, and all the important coments of front and rear axles for cks are now being produced at factory. The automatic heat tment equipment installed last r is in operation and has resulted improvement of quality of gears l other components requiring heat tment.

he project for manufacture of et metal components for Dodge cks and Fiat cars has received ernment approval and a loan of 2 mn from the U S Development n Fund.

Cooperative Sugar Factory

A COOPERATIVE sugar factory is proposed to be established at a cost of Rs 1 crore in Buldana district during the Third Five-Year Plan period. An *ad hoc* committee has been set up to investigate the possibilities of starting sugar factories in the area. The committee will make a detailed survey of sugarcane-growing area. About 15 specimens of sugarcane from some of the villages of the area were sent by the District Agricultural Officer, Buldana, to the Sugarcane Research Station, Padegaon, for analysis for various constants for determining juice quality. The report from this station states that the quality of the cane in Buldana district is quite good and could be exploited for commercial purposes.

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First 50 grammes	8 nP	First 50 grammes	12 nP
Each additional 25 grammes	3 nP	Each additional 50 grammes	6 nP
PARCELS			
Each 400 grammes or part	50 nP	Minimum charges for commercial papers and samples	30 nP
AIR SURCHARGE FOR PACKETS			
For each 10 grammes or part	4 nP		

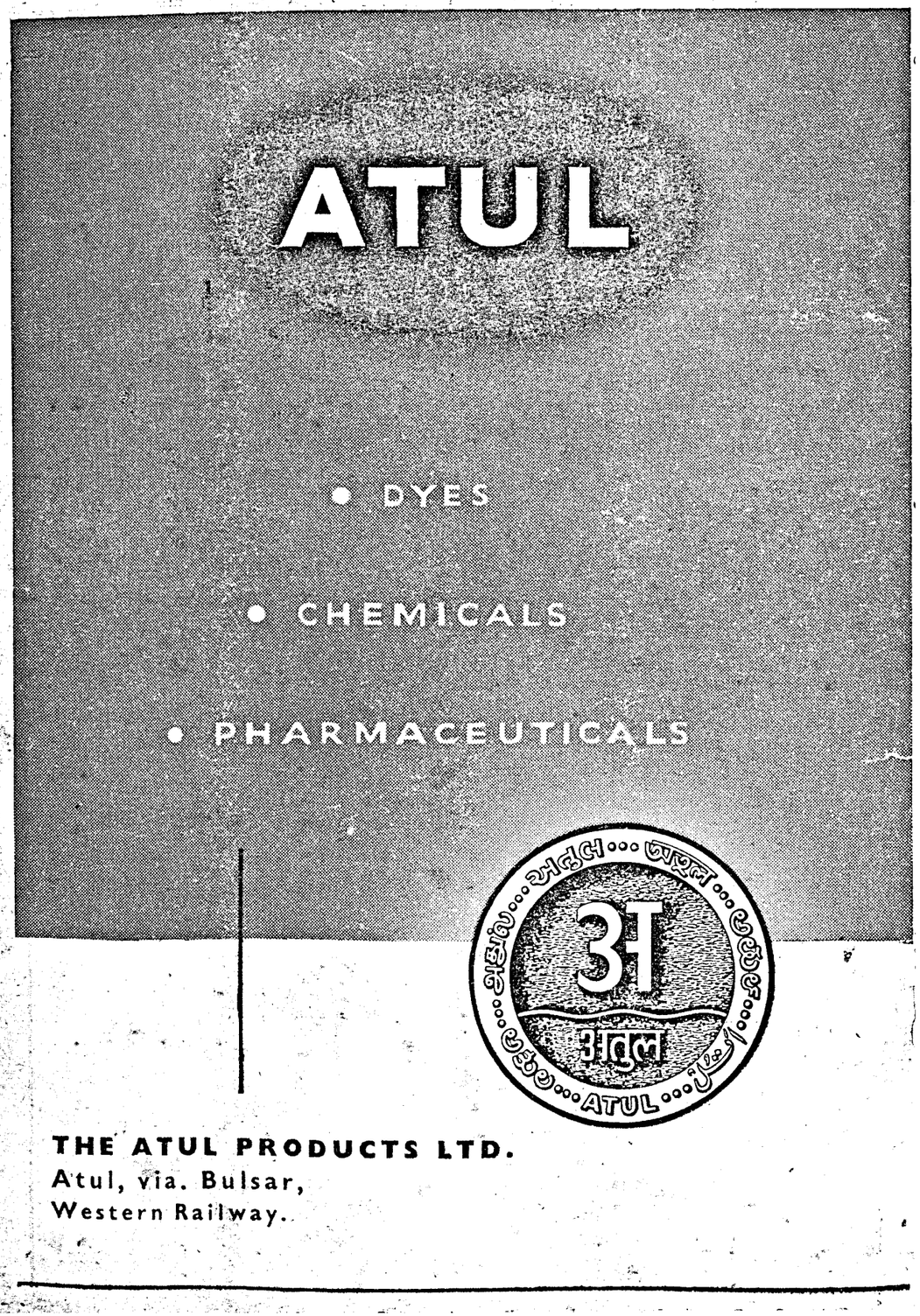
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More Evidence against China

THE team of officials which has been working with the Chinese to collect facts on the border dispute has produced such a mass of evidence in favour of the Indian case that New Delhi itself is surprised. Not that anyone in this country (apart from a section of the Communists) has ever entertained any serious doubts in the matter; but almost everyone, not excluding the Prime Minister, believed that in the main India's case rested on usage and custom rather than on much ground of a legal nature (though that too was not wholly lacking). Now the Indian official team has dug up an overwhelming amount of evidence of a purely legal character to show that Peking has no leg to stand on, as far as this question is concerned.

All praise is due to the Indian delegation for this; and no one can say it has been grudged. But it is well to remember, as we will not be the first to point out, that the achievement of the Indian delegation is a measure largely of the astonishing failure at previous stages of the Indian Government. The mass of evidence now collected would not have looked half as impressive as it does if the Government had already been aware of it. The light now dazzles the eyes because we have only just groped out of darkness. That we should have been groping in darkness like this is a sad reflection on the Government, which ought to have known its own case better than this and earlier than this.

An inescapable irony of the present position is that we might never have come to be so fully aware of our impregnably legal case but for the Chinese themselves. It is they who had suggested this study by officials — a suggestion, incidentally, which public opinion in this country had (not without good reason in the circumstances of that time) criticised as being unworthy of acceptance. The Chinese, of course, had their own reason for suggesting such a study : they wanted to stall the issue, and to keep on prolonging the dispute to such an extent that we in this country would more or less get accustomed to living with it.

But if our own Government had not realised how strong our case was in the strictly legal sense, it is clear that nor did the Chinese. Otherwise they would hardly have promoted such a study. We can, in condemning New Delhi for its tardy knowledge on so important a matter, take what comfort we can from the fact that Peking is no less surprised than ourselves at what the study has yielded. In view of this, it is not astonishing that China has decided simply to ignore the evidence produced by the Indian team. It just cannot afford to take a good look at this evidence and treat it at its real value.

All this is very well; but, unfortunately, it does nothing to alter the fact that the problem of Chinese aggression remains where it was. In the emphatic words of a contemporary, "while this country holds the evidence, China holds the territory". We must not lose ourselves in praises of our officials; we must wake up to the fact that we still have no policy with which we hope to defeat the Chinese agression. Pandit Nehru's latest speech in the Loka Sabha only confirms our inadequacy in this respect. The country has been told by the Prime Minister that no negotiated settlement with Peking seems probable in the foreseeable future,

and that he himself has certainly no intention at the moment of going to China to seek a settlement. At the same time, we are not prepared to take up arms in order to secure the vacation of the territory which China has already occupied. What then are we to do? Just sit and wait — in the hope that some miraculous change of heart will one day purge Peking of its expansionist ambitions?

There is an urgent need for a positive policy on China and New Delhi should lose no time in evolving it. There is no reason why we should not be able to wage a reasonably effective diplomatic war on Peking on this question. Mr Chou En-lai for his part is certainly not letting the grass grow under his feet; his attempts in recent months to secure some sort of a working agreement with Burma and Nepal are aimed largely at isolating India in this struggle and making it look petulant and stubborn by comparison with its neighbours. With the extremely valuable report which the Indian officials have now produced, the Government of India should be able to press the legitimacy of its case, even from the purely legalistic angle, all over the world. There is a great sense of dissatisfaction, even alarm, in the country as a result of an absence of policy on China. Pandit Nehru must take the earliest possible opportunity of removing this alarm by giving practical evidence of his ability to produce the policy that is needed.

Speeding Coal Movement

THE coal crisis has reached a point where it is very difficult to keep officials out from the controversy, acting on the Mahabharatic injunction that women and cows cannot be hit. It is difficult to keep the officials out, since the Ministers keep on talking on assurances which are obviously — shall we say? — not based upon a realistic appraisal of the situation. Sardar Swaran Singh has been badly let down on coal. But when the Railway Minister claims that railways supply many more wagons than the collieries can load and that the shortage is of coal and not of transport capacity, one begins to wonder. Even the official estimates of the coal-bearing capacity of railways differ so widely that one does not know whom to believe. The Minister of Steel, Mines and Fuel has placed the coal-carrying capacity of the railways categorically at 49.5 million tons per annum, while the Railway Minister claims equally categorically that it is around 52 million tons. While one speaks of the wagons loaded, the other has in mind the wagons which are allotted. Obviously, they are not speaking of the same thing.

Who is right? Is the deficiency that of coal production or that of transport? There is no question that much more coal could be carried by the railways if loading and unloading could be speeded up and movement of wagons were better planned. But it is fantastic for the Chairman of the Railway Board to claim that "all demands of the Coal Controller, who determined movement of coal to different areas, were being met", when they are not being met. To this categorical statement of Sardar Karnail Singh made on February 9, *The New Sketch*, usually well-informed on such things, has replied that, as against Coal Controller's recommendation of 5,476 wagons a day for the month of January, the actual allotment was only 4,857 wagons. The major coal-producers' organisations have also challenged the Railway Board Chairman's statement.

There has been some improvement in coal-loading. As the Railway Minister pointed out in his Budget speech, about 5,116 broad gauge wagons were loaded with coal daily during 1959-60, as compared to 4,974 wagons in the previous year, an improvement of 2.85 per cent. In the West Bengal and Bihar coalfields 4,047 wagons were loaded daily during 1959-60 against 3,959 wagons during the preceding year, an increase of 2.22 per cent. The special steps taken by the Railways to meet the increased demand for coal traffic for steel plants and other important industries and consumers have led to a further increase in overall coal-loading by 10 per cent during April-December 1960. In the Bengal-Bihar coalfields alone the rise has been of the order of 9.6 per cent. The present daily allotment of wagons in Bengal and Bihar is reported to be about 5,000 and another 1,500 wagons are alloted to other areas. The total allotment of 6,500 wagons can move 52 million tons of coal annually.

The actual use of wagons, however, has not kept pace with the rise in allotment. Against the current daily allotment of 6,500 wagons, only between 4,700 and 4,800 wagons are being loaded. Representatives of the coal industry have blamed this on administrative delay in sanctioning wagons which prevents collieries from availing themselves of allotment quotas, especially the 10-day allotment quotas. Collieries have also not been able so far to arrange full loading of wagons on Sundays and holidays. If loading could be arranged round the week, an extra 8 million tons of coal could be carried in a year.

In the Second Plan, the Railways expect to carry 13.5 million tons less traffic for the steel plants against which there will be a reduction of 2,000 million tons as compared to the original Plan. In respect of coal for users other than steel plants however, the Railways now expect to handle 4 million tons more, involving an additional 4,000 million ton miles. In these two categories alone therefore, there will be an increase of about 2,000 million ton miles despite a drop in originating tonnage by 9.5 million tons. The increase in lead of coal movements which seems to have caught the Railways napping is due to movements from coalfields in Bengal and Bihar which have been much larger than expected.

Even after better coordination is achieved between the Railways and the coal administration, the basic shortage of wagons to move coal will continue. The present daily requirement of wagons for carrying coal has been estimated at about 7,600. By the end of the Third Plan the Railways are likely to be called upon to supply about 10,000 wagons every day for transporting coal from the Bengal and Bihar coalfields alone.

Rapid movement of coal is vital not only to coal-using industries but also for coal output itself. Collieries complain that accumulation of stock at pitheads force them to restrict output. The American Coal Mission which studied the working of collieries sometime ago were confident that output from the existing collieries could be raised by as much as 20 per cent by improving transport alone. The report of the experts, who undertook the study on behalf of the T C M, is now being examined by the Government. The report, however, has not yet seen the light of day. Some day, let us hope, it will. The problem of steady movement of coal from the pitheads to the coal-users has in any case to be considered apart from the general expansion of the railways' carrying capacity in the Third Plan.

For some time past, the proposal for creating coal dumps at strategic points has been in active consideration. In fact, a number of States have already accepted this claim in principle. There is no reason why the others should not follow, unless there is some difficulty of finance for carrying the stocks which should not be too difficult to resolve. To create coal dumps, however, would make even greater demands on control and co-ordination of movement, since, the dumps will have to be built up during the slack season, between June and October, which would mean diversion of wagons not wanted elsewhere to this particular job.

Fuller utilisation of the capacity which the railways have already got is so much of a problem that, until progress has been made in this direction, the other proposal, which has been mooted for building a network of mono rails in the Bihar-Bengal coal belt to supplement the railways, cannot merit serious consideration. The Railways try to get off too easily from charges of inefficiency by comparing their performance with that of the railways in U S A or Canada. This sort of comparison is suspect, for the conditions in a developing economy are quite different from those of countries where railways are on the decline and are consequently loaded up with large idle capacity. More pertinent would be comparison with other nearly developing countries. No one in the Railway Board ever points out that much of the new traffic that it has been getting over the last few years is qualitatively different, enabling longer hauls and full train-loads which by themselves should step up efficiency.

Ganatantra-Congress Break Up

HOW reactionary is the Ganatantra Parishad and how progressive is the Congress? From the mere fact that they worked together for nearly two years, one can say very little. After all, many divergent elements have been working together in a coalition in Kerala. Or, should one say that they are not so divergent as their names might suggest, for, the Muslim League is now in the Congress and Praja Socialists came out of the same Congress. Even in Orissa, Dr Harekrushna Mahtab who had brought about the coalition had been hopeful, if not confident, of persuading Ganatantra Parishad to join the Congress some day.

How could one ever think of such a thing, when the fixed notion many people have of Ganatantra Parishad is that of a party of the deposed Rajas, of arbitrary rulers, temporarily put out of action but waiting and watching for their chance to stage a come-back? What makes the situation complex, if not confusing, is that the ex-Rajas are not conspiring to bring about a coup. They have all come back through the voting booth with the traditional village headman — and not the chairman of the new-fangled Village Panchayat — as their ally. There is a vacuum between the Raja and the village headman which traders and lawyers, largely from the coastal districts, are trying unsuccessfully to fill up.

Though the Orissa coalition had long been expected to break up, the end has come rather abruptly. Both the parties wanted to time the dissolution of the coalition in a manner which should suit best their party interests at the next election. While Dr Mahtab wanted to continue the coalition as long as possible, the Orissa Congress party had become restive and it is the organisational wing — the Pradesh Congress Committee — which really forced the dissolution, though the immediate provocation for it, it was reported, was the refusal of the Finance Minister who belongs to the Ganatantra Parishad to present the budget announced for the 21st, unless he was assured that the coalition would continue till six months before the general elctions. The Pradesh Congress Committee election sealed Dr Mahtab's fate when it chose as President Shri Bijoyananda Patnaik, who was determined to end the coalition.

Dr Mahtab has always been against any precipitate action, actuated by an anxiety not to deny the State even the little stability that the coalition had brought to it, after a long period of uncertainty and discord, apart from his hope of ultimately winning over members of the Parishad to the Congress. In any case, he does not under-estimate the strength of the Parishad, as some of his colleagues appear to do, and, as a realist, he must have felt that the guarantee of a stable regime lay in the continuance of the alliance in some form or other.

How the Parishad has managed to get the following it is credited with —whether by its inherent appeal to certain sections of the people or because of the strategic position it held in the coalition government — is, however, a debatable point which is apt, at least at present, to be argued to the disadvantage of Dr Mahtab by his detractors who feel that he has imperilled the chances of the Congress by his keenness to maintain the alliance in office. Even otherwise, the eagerness shown by the Parishad to prolong the coalition, as against the growing hesitation of the Congress party, might well be due less to any concern for ensuring stability of administration than to the scope it provided for improving their chances with the electorate.

With the coalition ended and the Congress party advised not to try for a Ministry of its own and the Parishad not able by itself to provide an alternative, the State is headed for President's rule. Though mid-term elections were talked of at one stage, the idea seems to have been abandoned. But as President's rule can continue, in the first instance, for not more than six months, extendable thereafter only by Parliament's consent, and as the general elections are still not close enough, the propriety of not holding mid-term elections is difficult to see.

Weekly Notes

Call Rate Freed

IN September 1960, the Reserve Bank issued directives to banks to increase their advance rates by at least ½ per cent with a minimum of 5 per cent on all advances and also introduced a ceiling of 2 per cent on deposits payable at a notice of 21 days or less. The directive thus widened the margin between the deposit and advance rates and was welcome to banks.

Ceiling on interest rates on deposits, however, acted like a boomerang on the banks — it virtually dried up call-money from the public. The only call-money banks could obtain was inter-bank borrowing, the rates of interest on which began rising immediately after the directives were issued. Since the latter part of December the rate has been pitched at 5¼ per cent. Even higher rates have been offered by those banks which have exhausted their quota for borrowing from the Reserve Bank.

The anomaly of restricting interest rates on short-term deposits while keeping inter-bank borrowing rates unrestricted resulted in a decline in time-deposits. Time deposits of scheduled banks declined from Rs 1161.15 crores to Rs 1088.20 crores between 23rd September 1960 and 10th February 1961. If the monthly transfer of P L 480 funds from the State Bank to the Reserve Bank is estimated at Rs 60 crores during the period, net decline of time deposits from the public amounts to Rs 13 crores. Much of this net decline appears to be due to the drying up of call-money from the public under the influence of the 2 per cent ceiling. Call-money from the public has in fact virtually ceased to exist. Some part of it has been transferred to long-term deposits and the rest taken out of the banking system for earning better yields elsewhere.

Although call-money from the public might not be large, banks relied heavily on such money before entering the inter-bank money market. This of course caused funds to float from bank to bank to a certain extent in search of higher yields but undoubtedly it also increased the total volume of banks' marginal funds so useful to them. With the busy season still to run for about two months and with the present stringency in the money-market, the decline in time deposits was anxiously watched by the banks. It is gratifying to note that the Reserve Bank has now removed the ceiling on call money rates which are expected to go up shortly due to competition among banks for funds to meet the increasing pressure for advances.

Steel Prices through Supplementary Demands

THE demand for supplementary grants is rather an unusual place to look for changes in steel prices. What made the Government select this very strange procedure for announcing the retention price for steel? The periodic fixing of retention price has been an event of considerable public importance ever since the present system of price control came into operation. The price of steel being the basis for pricing in so many other industries, considerable interest attaches to it. Of late, however, the selling price, the price which steel-using industries or other consumers have to pay for it has been more and more unrelated to the price received by steel producers. To that extent, for the wider public, the keen edge has been taken off retention prices. Not so, however, with speculators and investors. Steel shares continue to occupy the centre of the stage on the stock exchanges.

From the point of view of accountancy, it could perhaps be explained how retention price came to figure in the supplementary demands for grants — but only *ex post* to the extent that producers have to be paid out of the Equalisation Fund for any increase that may have been sanctioned. Of course there is nothing to prevent the Government from announcing the increase at any time and in any manner it likes, however odd the choice of medium may appear to be. It is not, however, the oddity or unconventionality of it which is of material importance. The departure from past practice in this matter is significant not because it is unconventional, but because it involves a significant change in the policy of price fixation in so basic and important a product as steel. The rationale of price fixation demands that prices be fixed in respect to something, and that it is done only after a careful examination of all the relevant factors, costs, incentive for production, consumers' interests, and progress of development generally. The price of steel used to be fixed after a careful examination of all these factors by the Tariff Commission. It was in 1955 that the Commission investigated the matter fully for the five year period ending March 31, 1960. There were subsequent changes in this five year period, but these were of routine adjustments according to the escalator clause which the Tariff Commission had tagged on to the price it fixed in 1955.

When the Tariff Commission investigated the question of steel prices, there were only three producers in the field — Tatas, Indian Iron and Mysore Steel. The last was in a separate category and uniform prices were fixed for the other two. It was expected that in the next period, the steel plants in the public sector would come up and the price situation would have to be considered carefully, *de novo*. That is why exceptional interest is attached to retention price for the current financial year and the next few years. It was assumed, and taken for granted, that so important a change would be carried out only after a careful examination by the Tariff Commission, as in the past. In fact, the Minister for Steel, Mines, and Fuel had more than hinted as much when he said in Lok Sabha on December 15 last in reply to a question that :

"The terms of repayment by the Tata Iron and Steel Company and the Indian Iron and Steel Company of the advances made to them by the Government for expansion of their steel plants were now under the consideration of the Tariff Commission along with the question of fixing retention prices for iron and steel for the period commencing April 1, 1960."

To repeat, the retention price for the period commencing April 1, 1960 — which has now been announced in so unusual a manner — would have to take into consideration the cost of production of steel in the public sector among other things. Is the Minister unwilling to expose the operations of the steel mills under his charge to the glare of publicity which accompanies Tariff Commission enquiries? Or is the present increase merely an ad hoc one, pending examination of the question by some other agency which he has in mind and about which he does not want to take the public into confidence just yet? The latter supposition is natural in view of the proposal that has been in the air for some time of setting up a Steel Board.

In another part of Sardar Swaran Singh's Ministry—which deals with oil — there is something corresponding to a Board, the Oil and Natural Gas Commission, of which the Minister for Oil and Natural Resources is the Chairman. The Estimates Committee which has just reported on it does not like the Minister to be the Chairman of an executive body. That is another matter, but neither does it like the manner in which the Oil Ministry fixes prices of oil by securing *ad hoc* concessions and reductions from the oil companies. The Estimates Committee thinks that it is always safe to determine prices on a rational basis. There's the rub. Who is to say which basis is rational and which is not? Hence the advice —not perfect by any means — of entrusting price fixation to an independent body which would be impartial, fair and also technically competent, so as to command respect from all the parties concerned, including the consumers.

Now the Steel Ministry fixes its own price, so does the Ministry of Oil and may be the Commerce and Industry Ministry alone would be still using the Tariff Commission. All the three bodies and possibly many more will have to deal with certain identical questions — What return on investment is to be judged fair? How are costs to be ascertained and apportioned? If the purpose of price fixation is to introduce and enforce a certain measure of uniformity and to regulate economic development on desirable lines, surely this is a matter important enough to deserve careful consideration — not through *ad hoc* enquiries such as the Tariff Commission is asked to carry out but through continuous study, so that the body entrusted with the job would know what to do when a new situation arises and to do it quickly. This is not to argue the case for totalitarian control but for a 'modicum of sanity and good sense in regulating what is perhaps the single most vital economic factor in a mixed economy. The basic commodities for which prices have to be controlled in any case would not exceed a dozen, why can't a sensible arrangement be made to study, regulate and control these dozen prices? This is not a matter to be left to ministerial autonomy.

Congress and Jabalpur

TO stamp out communalism, one has to start with children's education, which means not only the books used in primary school onwards but also the atmosphere in the children's homes. This is a painstaking job, to be carried out patiently and over a generation. Should we start at the grass roots or at the top? The temptation to begin at the top is strong, it is so much easier. What could be simpler than to ban all religious rituals on State occasions, and extend the process of fumigation to the Rashtrapati Bhavan and all the functions where State officials and dignitaries are present, whether it be at the laying of a foundation-stone, planting of a tree or inauguration of a public gathering. There are associations of incense, flowers and sandal paste with lots of things. There are fixed images and identifications. There may be difference of opinion, however, about how far one should go in rooting out communalism. There would be no disagreement, one would have thought, in carrying out the provisions of the Constitution. Hope was raised when the Congress Working Committee, on the first day of its meeting, decided to send a four-man commission to conduct an on-the-spot enquiry into the tragic happenings in Madhya Pradesh. This is what was reported and press reports added that the names of the members of the commission as well as the text of the resolution condemning the sudden outbreak of violence in Madhya Pradesh would be released on the following day. The text of the resolution was published, on the following day, but not the names of the members. In fact the appointment of the commission has not yet been announced. And it will not be announced. Instead, the Deputy Home Minister told the Madhya Pradesh Assembly that the Government would set up a committee of enquiry 'in due course', and that a High Court judge might head it.

Questions may arise about the constitutional propriety of the Congress Government of India appointing a Working Committee instead of the commission of enquiry. The dividing line between the party and the Government has never been very clear. And this was one case, where the question of correct form and procedure could easily be waived, so long as the job that cried to be taken up was taken up in right earnest. The high-sounding resolution petered out and the same Madhya Pradesh Government which had failed so ignominously in protecting the minority was left to sit in judgment over its own failings! The Congress evades whenever it comes to grappling with the thing, instead of beating about the bush. It evades and survives; that is at once its weakness and perhaps also the secret of its strength. And it continues to flourish all the same in a manner which suggests that its weakness is also its strength.

It would be banal to say all the things which are usually said on such occasions, that it is very bad to hold an entire community responsible for the misdeeds of one — in this case two — of its members, that there should be peace and amity among the communities, that all men are brothers and so on and so forth. The manner in which the demand for right action was worked up step by step, however, deserves to be put on record. Before the Working Committee met, the seven-man Committee of the Congress Parliamentary Party entrusted with fostering communal unity discussed the Jabalpur incidents. Several of the members suggested to the Congress Preside

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that a team should visit the affected area of Madhya Pradesh and submit a report after due enquiry. At this meeting, the conduct of the local administration came up for strong criticism and it was suggested that the officers immediately concerned should be strongly dealt with. It was also pointed out that, had the police taken immediate action against the criminals whose revolting crime had started off the riots, probably disturbances would not have assumed the proportions it ultimately did. The Members of Parliament also generally felt — and quite rightly, according to sane opinion — that the unfortunate incidents constituted a failure of the State Government and that the Union Home Ministry had special responsibility in the matter. Shri Sanjeeva Reddy, the Congress President, however, advised them to wait for the Working Committee to act. We now know how the Congress Working Committee has acted and how this special responsibility has been discharged by the Union Home Ministry.

Wider Capital Participation

IN the statement circulated to the shareholders along with the Directors' Report for the year ended December 31, 1960, Shri G L Mehta, the Chairman, makes the point that corporate enterprise should be more broad-based. Welcoming the proposal of public participation in the share of Government companies, he has advised the private sector to utilise the present favourable situation in the stock exchange to gear up their share capital and raise the ratio of equity to debt. There has been a marked tendency on the part of joint stock concerns in recent years to rely more and more on external sources of finance. In fact, the financial institutions which have come up have played so vital a part in much of the expansion in the private sector that it was almost inevitable. The shortage of foreign exchange and the particular form in which most of the financial institutions are generally able to render assistance have led to greater reliance on loans as against equity capital. So have the reluctance of many of the financial houses to widen participation lest their control be weakened. This trend, the ICICI Chairman regards undesirable because it stores up trouble for the future which he petition. In such periods, heavy loan commitments introduce an element of rigidity and may cripple the operation of joint stock concerns.

This is sound advice, indeed; in fact, it is the elementary principle of sound finance. It is also timely, because far too many promotors are coming up with projects requiring finances much in excess of the resources which they themselves can raise from the market. Without prejudice to its soundness, however, one could raise the question whether it is also realistic, viewed from the standpoint of the kind of planned development on which the country has entered? Perhaps Shri G L Mehta thinks that we have already passed the stage where enterprise has to lean heavily on institutional finance, that the capital market has developed sufficiently to enable entrepreneurs to fend for themselves, so that they can do without crutches. The financial institutions should therefore act as catalytic agents rather than foster-mothers or nurse-maids.

Apart from the question whether this stage of development has been reached or not, the degree of freedom of enterprise which is implicit in this point of view would be difficult to reconcile with the pattern of development which is implied in planning. To see far into the future is difficult, since the Planning Commission and the Government do not seem to be clear yet in their own minds what the future pattern is going to be. Whether one is prepared to go that far with him or not, there is sound sense in the conclusion that Shri Mehta derives, viz, that financial institutions should not be too rigid about the form of assistance they can render and that they should be much more active than in the past in building up the delicate mechanism of promoting and canalising savings into desirable investments. His own institution has been the first and only one in the field to promote these wider ends.

Six Years of ICICI

REGULATION of private investment is not the concern of the ICICI. Rather the contrary. Its business is to maximise private investment. During the six years of its working through 1960, it has sanctioned assistance exceeding Rs 31 crores, of which more than Rs 12 crores have been disbursed. The widements, to which no reference has been made in the Chairman's statement, is largely attributable to the lag between the sanctioning of World Bank and D L F loans and their becoming effective, together with the part payments on shares taken up through underwriting and direct subscriptions. This must be only a part, though the major part, of the explanation, and one wishes the Chairman had thrown some light on it. The lag between receipts and disbursements has compelled ICICI to keep nearly Rs 4.64 crores in the form of fixed deposits with banks (against Rs 5.31 crores in the previous year) and another Rs 1.69 crores in investments in Government securities and debentures.

The ICICI has so far received three lines of credit aggregating $40 mn or Rs 19 crores from the World Bank and a further $ 5 mn or Rs 2.4 crores from the Development Loan Fund. Together with its share capital, reserves, and two loans from the Central Government, the total potential lendable resources of the ICICI now amount to nearly Rs 45 crores, of which Rs 31 crores has been sanctioned so far. Unlike its foreign currency loans, the rupee loans of the ICICI have not grown rapidly enough, perhaps due to the competition from the Industrial Finance Corporation. Shri Mehta expects that "with indications of hardening money conditions and a slackening of demand for shares, ICICI's rupee operations may well rise further".

The distribution of the ICICI's holding of equity and preference shares among different companies appears to be a little skewed in favour of a few companies. Out of the total equity holding of Rs 233 lakhs at the end of 1960, nearly Rs 69 lakhs is in automobiles, and is shared almost equally between Premier Automobiles and Ashok Leyland. Similarly, out of the total preference holding of Rs 152 lakhs, West Coast Paper alone accounts for Rs 33 lakhs, in addition to Rs 11 lakhs of equity held in that company. All these investments are, of course, good and sound, and their market values are substantially higher than their book values. Their rather disproportionate share in the investment portfolio, nevertheless, does not seem to be entirely consistent

Letter from America

The Congressional Drama

"I will cooperate with Democratic leadership just as long and just as far as my conscience will permit me to go." —Representative Howard W Smith, Chairman, House Rules Committee

CURTAIN has been called down on one of the most intriguing and ruthless Congressional dramas to be enacted in years inside or out of Capitol Hill. It had the flavor of the nightly television shows here that depict the broad-shouldered sheriff riding out to get the villain who, till the final climax, successfully outmaneuvers the law. But the closing scene is invariably that of the proud lawman marching the bruised and battered scoundrel at gun point to the vacant jail. The upholder of law was the Speaker of the House, affectionately or otherwise known as "Mr Sam" who, not long ago had agreed to hitch his wagon to the Kennedy star. Against him were pitted the reactionary forces of the South and the Republican Party, having found their last best hope in the Chairman of the House Rules Committee, "Judge Smith". These two veteran legislators, both approaching the grand old age of 80, were cast in the leading roles, while the House of Representatives comprising 437 members, provided the setting. The White House (a phrase not easy to define), despite its professed claim of non-interference, played a mysterious role on the side of Mr Sam. The stakes were high since the entire Kennedy legislative programme was risked on a vote to "liberalize" the Rules Committee by "packing" it with members more responsive to the majority views of the House.

After a period of intense maneuvering, the showdown came on January 3, and the tough and skillful Virginian Howard W Smith was defeated by a razor's-edge margin of five votes. Sixty-four Democrats from the South with 148 Republicans lined solidly behind the Rules Committee Chairman while 22 Republicans dared to cross the party line to vote with the Democrats to enlarge the Rules Committee and thus curb its power to obstruct legislation.

Ever since the Southern rebellion against Roosevelt's New Deal, the Democrats from South have entered ry Republicans threatening and thwarting Presidential bids for progressive legislation. The unholy alliance has found its most effective weapon in the Rules Committee of the House whose function originally was to screen major bills before they reach the floor. From being the policeman regulating the orderly flow of legislative traffic, it has turned into a serious obstructionist, overriding the House majority by flouting both law and convention. So great has been its power in recent years that it has been referred to as "the Third Chamber" of the Congress, which could force modifications, delay or completely block major bills.

The arithmetics of the Rules Committee need some elaboration since two and two rarely add up to four and, particularly six and two never equal eight. The Committee has had a membership of twelve with eight Democrats and four Republicans. But whenever a controversial vote was taken, there was a 6 to 6 tie, two Democrats throwing their lot with the four Republicans and thus blocking major legislation.

Two Alternatives

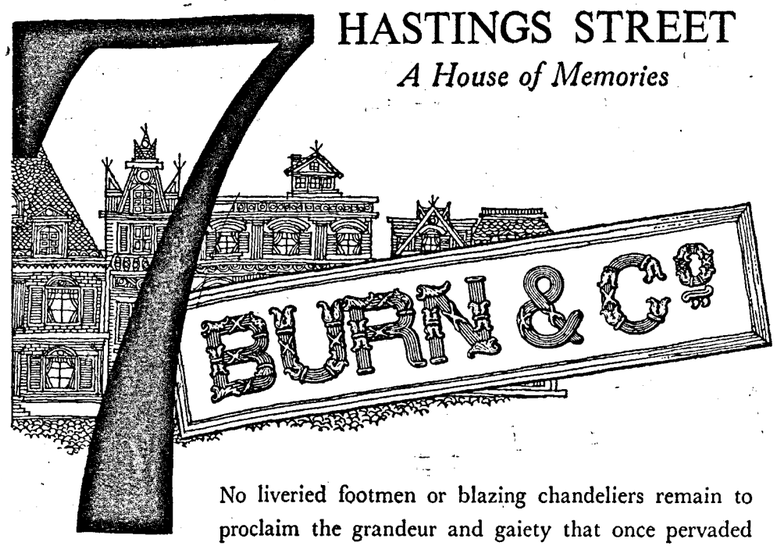
It was left to Speaker Rayburn to break the bottle-neck and ensure a speedy passage of the Kennedy legislative programme. For years Mr Sam Rayburn has overlooked the growing influence and power of the Committee, having had a tender corner in his heart for Judge Smith. But Kennedy's nomination and subsequent election drove a wedge between the two giants. Mr Sam had two alternatives before him: he could purge the Committee of Representative Colmer, Democrat from Mississipi, on the ground that he violated party discipline by actively working against the Democratic candidate for President or he could enlarge the committee to ensure that the fatal tie could be broken on major issues. He followed the second course and won a slim victory salvaging his own prestige as well as the hopes of success for welfare measure proposed by President Kennedy.

Howard W Smith has represented the Congressional district of Virginia for the last 30 years but shot into fame over the last 30 days. On several previous occasions, he has hit the headlines including the political duel with President Roosevelt in 1938 and the passage of the notorious anti-subversive Smith Bill more recently. But in recent years, the way in which he has conducted himself as "the keeper of the rules" has been branded by his colleagues as "un-American and undemocratic gag rule procedure".

In a more serious vein, Judge Smith discusses his ideological stand. He is shocked at the growing role of the Federal Government in the operation of the economy. Ever since his encounter with Roosevelt, he has sworn to fight for "free enterprise and state rights". He deplores any kind of foreign aid on the alleged ground that this country is making more enemies than friends. As regards Federal aid to distressed areas of this country, he recalls the aftermath of the Civil War when he himself lived on "much and molasses" and no one advocated aid to the South.

Ever since the Republican House leadership passed from the moderate compromising Joe Martin to the ultra-conservative uncompromising Charles Halleck, Judge Smith has found the Republican backing he badly needed. Apparently Mr Smith's conscience is quite clear on doing "business as usual" with the Republican minority leader.

The narrow margin of the Kennedy-Rayburn victory leaves many unpleasant features regarding the prospects for the new President's legislative proposals — the 261-to-174 Democratic majority appears nothing more than an elusive statistic. It seems that only the first act of the breath-taking drama is over: Halleck and Smith are going to get loose and Sheriff Rayburn will soon have to be urged by Kennedy to hit the trail and fight the bad guys. The 79-year old Rayburn is still one of the fastest guns!



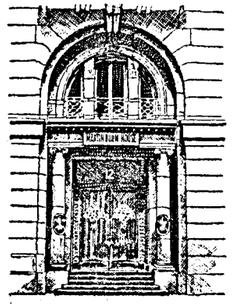
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Letters to the Editor

The Maharashtra Land Ceiling Bill

IN the current controversy about the Maharashtra Land Ceiling Bill (MLCB), very little consideration appears to have been given to the basic principle involved. Some people merely state that land ceiling is the accepted policy of the ruling party and they consider that as an adequate defence. Others state that the goal of the socialistic pattern of society makes redistribution of land holdings a necessity. What is the justification for taking away land from an owner on the ground that he possesses too much of a vital means of production, the total quantity of which is strictly limited by nature, that there is a large number of people who are "land hungry" and that it is in the interest of society to satisfy their land hunger? In the first place, why is not this principle applied to other means of production? In fact the produce of many of these latter, like textiles, processed foodstuffs like sugar, oils etc, is equally vital to the life of the community. Then again, why is it considered more urgent to satisfy "land huger", if there is any such thing apart from "food hunger", "clothing hunger" or "housing hunger", than other types of "hunger"? The eagerness with which rural populations are moving into urban areas does not support the hypothesis of a large class of people who are pining to engage in agriculture in preference to other means of gaining a livelihood. The supposed "land hunger" is just "employment hunger" and the inability of government to provide employment or to pay a dole to the unemployed has induced it to make a show of doing something to satisfy "land hunger". Actually the "hunger" for food, clothing and shelter is much more urgent and almost every aspect of state policy has to be examined from that point of view.

2 Is the MLCB then going to increase production? No advocate of the Bill has come out with a definite statement about this. This is a question not of political expediency but has to be decided upon technical grounds. If, for example, it could be proved that a five-acre holding of irrigated land or, say, a twenty-acre holding of dry land produces the highest yield as compared with a smaller or bigger size, then there would be no objection to all cultivable land in India being divided into such farms of high yield. But the production aspect is not mentioned in the MLCB either in the aims and objects or in the speeches of ministers. The conclusion is inevitable that the MLCB has nothing to do with the satisfaction of the food hunger of a *larger* number of people.

3 Coming now to some of the detailed provisions of the MLCB, the compensation proposed to be paid to the owners for the land to be taken away is utterly inadequate and has no relation to the current price of land. It is almost expropriation without adequate compensation.

4 The proposed ceilings, if the object is a redistribution of land at present owned by "large" landowners, are such that only about 11 lakh acres become available. If these are kept by the state and worked as state farms, nobody's land hunger will be satisfied. If these 11 lakh acres are distributed to the landless in the form of economic holdings, perhaps a lakh of families will benefit. This is a rather small proportion of the landless in the state and one begins to wonder at the avowed objects of the bill and the expected results it is supposed to achieve.

5 This is strengthened by the following further points.

(a) Land irrigated by wells or lift irrigation is not considered to be irrigated land for purposes of the MLCB.

(b) The amount of rainfall in different districts has not been given due importance in fixing the ceilings in different areas. Thus farmers in the areas of scanty rainfall and those in areas of high rainfall will be affected differently.

(c) The generally accepted equivalence of 1 : 4 or 1 : 5 between land with year-round irrigation and dry land has been changed to about 1 : 10 in the MLCB and no authoritative justification for this change has been forthcoming. Naturally people draw the conclusion that the change has been made in order to see that land owners in certain dry-farming areas, who have holdings of rather large size are thereby protected.

Thus it appears that the principle of the bill must be thoroughly gone into and defended on rational grounds and, if the basic principle is accepted, the different provisions have to be shown to be in accordance with the principle.

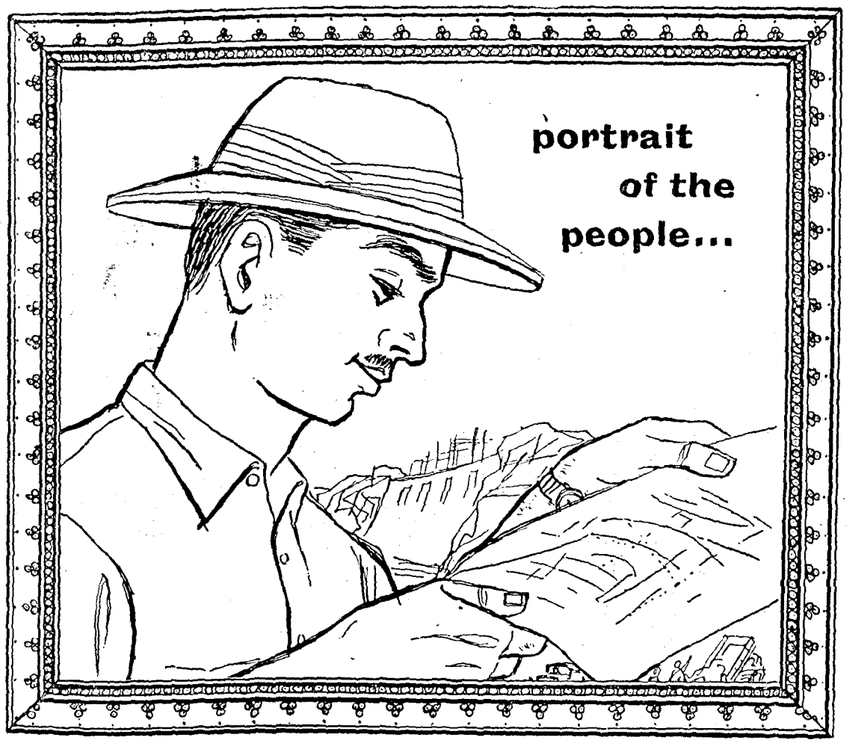
A NON-FARMER

Broadening of Investment in Shares

I have read with interest your comments in the *Economic Weekly* dated January 21, 1961, in which you refer to the article entitled 'Broadening of Investment in Shares in India' published in the *Reserve Bank Bulletin* of December 1960.

I, too, was struck by the figures quoted in the article. I, however, analysed them a bit more closely and found that the situation was not quite what had been stated in the article. The author has sought to establish that 'there has taken place in recent years some broadening of investment by people in shares.' The statistics when analysed, however, show that between 1955-56 and 1958-59 (the latest years for which figures are available) : (a) the largest increase in the number of shareholders took place in the income group above Rs 25,000 (the percentage increase was 36.7 per cent as against an increase of 23.7 per cent in the income group below Rs 25,000), and (b) the proportion of shareholders in the income-range below Rs 5,000 actually declined from 52.2 per cent in 1955-56 to 48.2 per cent in 1958-59 while that above Rs 5,000 increased from 47.8 per cent to 51.8 per cent. In other words, shareholders in the upper income range continue to be the main prop of the investment market in India. The figures cited by the Reserve Bank of India conclusively prove that, while the investment has broadened to some extent, it has not broadened in such a manner as to make India's capitalist sector a "people's capitalism".

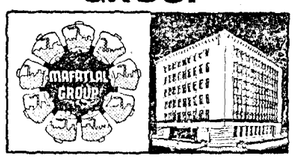
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Book Review

The Myth of Interest

H Banerji

Some Reflections on Monetary Policy in the Light of the Radcliffe Report by Sir Oliver Franks (Dorab Tata Memorial Lectures 1960) Asia Publishing House, London, pp viii + 72. Price 7s. 6d.

THE three lectures by Sir Oliver Franks on monetary policy, delivered to an Indian audience in Bombay, caused, we are told by the Chairman, "quite a stir in academic and business circles in Bombay" (p vii). Now published, they will reach a much wider circle in India and abroad which will no doubt find them equally stimulating. Sir Oliver's reflections, as the full title proclaims, are made "in the light of the Radcliffe Report". This does not mean, of course, that they are merely a summary of the Report of which Sir Oliver is a signatory. There is much in it that is fresh, much any way that will not fail to refresh the reader.

The reader's interest is aroused by what Sir Oliver calls a "puzzle". He says : "Nearly everybody in the United Kingdom who was interested in the workings of monetary policy had to confess he was puzzled. The Government had not merely after twenty years' lapse of time reactivated monetary policy but they had applied it, as they believed, sharply. Interest rates had been caused to rise considerably. The money supply had been limited. The banks had been told to lend less and so on. The screw was turned, no visible result occurred" (p 4). This is the puzzle; and the Radcliffe Committee was set up to find some answer to it.

The Puzzle

Before he gets to answering the puzzle, the author acquaints the readers with the way the Committee went to work : "a prolonged empirical survey of the ground, an attempt by this empirical method to find out what seems to be true in relation to the British economy and the application of monetary measures to it" (p 6). This emphasis on actual practice as distinct from theory is very welcome indeed and conforms to the methods of quantitative economics. Sir Oliver's observations while comparing the "objectives" of monetary policy accepted by the Radcliffe Committee with those accepted by the Macmillan Committee (which sat thirty years ago) are equally interesting. Maintenance of price stability and a satisfactory state of the balance of payments were accepted by both. The objective of maintaining a high and stable level of employment is by now generally accepted. The objective of economic growth is, however, new. That Governments have taken responsibility for the general regulation of the economy, Sir Oliver considers to be a fundamental shift in the relation between the Government and the general economic process. It indeed is.

Interest and Profit

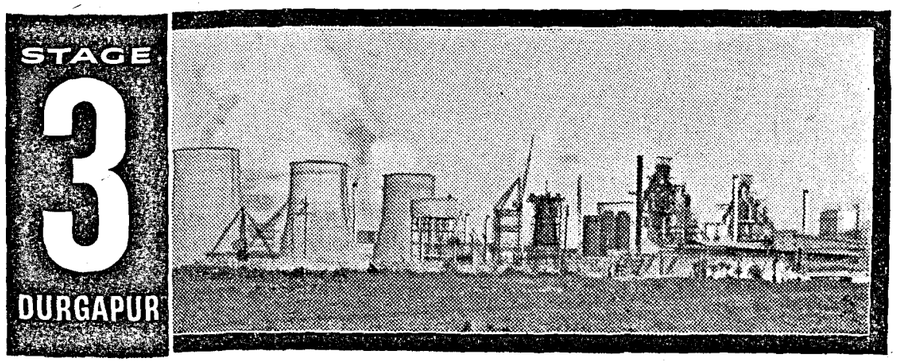
Two other points of difference in attitude mentioned by Sir Oliver are of considerable interest. The first is described by the author thus : "We have seen, not as a matter of theory but as a matter of hard practice, that the pursuit of one of these objectives may limit or even endanger the attainment of a second" (p 11). The second departure from traditional attitudes is the awareness that "we were confronted with alternative means of reaching a given end, alternative and perhaps complementary. And, therefore, there is not only a balance to be struck between the objectives that we pursue as I have been describing : there is also a balance to be struck between the extent to which you rely on these measures or those measures, what combination of means to achieve the objectives you desire to realise". In the terminology of the general theory of economic policy, this is to say that there are multiple target variables and more than one instrument. The stage is thus set for multiple target policies for an open economy. (The mathematically inclined reader may turn to Tinbergen's *Economic Policy*, problem 162, model 16). And the principal actors in it, the Treasury and the Bank could be expected to enter and leave the market with some effect.

The directives, which one finds in the second chapter are, however, somewhat puzzling. Practically everything that can be said against the effectiveness of the rate of interest is said : the weapon was brandished but it failed to frighten anybody, least of all the investors who have systematically departed from the text-book principle that business should contract when the rate is high and expand when the rate is low. Sir Oliver admits he is "puzzled" to see how little investors are influenced by the rate of interest. There is, however, nothing so puzzling about it. A little deliberation will indicate good reasons why the interest rate cannot play any decisive, or even important, role in determining investment demand. Sir Oliver mentions one such reason: interest cost is only a small part of total costs of production. While this is the most important explanation, several others can also be offered. For one thing, it is impossible for the rate of interest to fluctuate as much as the rate of profit. The parity is thus necessarily broken. One is surprised how little effect Tinbergen's penetrating analysis in his Statistical Testing had on British thinking on this subject. Even the results of empirical investigation by the Oxford economists do not seem to have converted many. Tradition dies hard, especially tradition as strong as British thinking on monetary theory. Lord Keynes who did more than any other economist in the present century to rid economics of much that is empirically unsound, was not fully free from the pull of tradition. In his *General Theory* one thus finds the ghost of interest casting its shadow over many long paragraphs. Fortunately, Keynes' stress on the rate of interest is not necessary for his own theory; but it was through the orthodox Wicksellian proposition of a divergence between the "natural" rate of interest and the money rate that the general theory of economic movements was discovered. It was not realised that the rate of return on capital or the natural rate and the money rate were far apart and no amount of

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theoretical persuasion could bring them together.

Yet, it would not be correct to suggest that British economists were completely unaware of the fundamental weakness of the theory. We have mentioned the work of the Oxford group of economists. Even pure theorists, while not seriously doubting the power of interest to stop an upward swing, frequently suspected that there was something untenable about the assumption that a cut in interest rates will do the trick in the downswing. Professor Hicks in his great work on *Value and Capital* was definitely in search of an explanation. While interest was found to be too weak in the short-run, in the long-run expectations were found too strong for interest to be effective. One might be forgiven for suspecting that the search was inspired by observation of reality.

One is almost led to believe that the Radcliffe Committee did finally see the point. Even the success of the 7 per cent rate in 1957, we are told, was more apparent than real. Sir Oliver makes the shrewd observation that it was applied at a time when the tide was going in turn, in any case (p 40). An economist used to thinking in terms of dynamic analysis would, of course, hesitate to accept any special explanation of a particular turning point of a credit cycle. The turning points 'need' no special explanation. They are to be expected from the existence of "leads and lags" in economic relations. But the point we want to emphasize here is that Sir Oliver is not prepared to accept the proof as decisive. What, then, is the type of monetary policy that is endorsed by the Committee? On the forecast that a degree of scarcity of capital would continue and assuming that much of the excess liquidity had disappeared it believes that "if interest rates were moved upwards, they (the businessmen) would think rather more than perhaps during the 1950 about the cost of money. And, therefore, monetary measures from this point of view would tend to be rather more effective". *Such is the power of a myth!*

The effect of a change in the interest rate on demand for money, the Radcliffe Committee were inclined to think, "had a little more weight perhaps than the interest-incentive effect". Some very interesting attempts have been made to "test" the influence of interest on demand for liquidity. Professor Klein's attempt to deduct a notional "transaction demand" from total money and correlate the remainder with the rate of interest meets with some apparent success. Even in this limited field, the verdict of facts is not quite unambiguous. Without any 'special' doctoring, total money demand shows *poor response to change in interest rates. The "transaction" demand* for money is unambiguously traceable for most countries, but the other most important factor influencing demand for money is not the rate of interest but share prices. Both the level of share prices and the rate of change in it are found to have more influence on the demand for money than the rate of interest. The influence of the rate of change in share prices is perhaps the *modus operandi* of the speculative factor. To suggest that the interest rate works indirectly through its effects on share prices is not very illuminating. The mixing of direct and indirect effects in literary discussions is often the source of considerable confusion. Determination of share prices is a tricky matter and the rate of interest certainly does not play the dominant role even there.

Demand for Money

Where, then, is the place of interest, one may ask. The Radcliffe Committee does offer an important clue which is worth pursuing. It says : "We did not think there was any absolute distinction between what is money and what is not. Take the range of financial assets of which an individual or a company may be possessed. No doubt it starts with money, cash and bank deposits. But, then, it goes on to things which are not quite money. You have a whole range of assets and you could always, so close is their substitutability, in fact make the substitution" (p 28-29). Sir Oliver calls it a "negative conclusion" (p 28). We are, however, inclined to seek in it the positive clue for a correct understanding of the nature of interest and money. *This "indefinable quality of money whereby what is near money slides over into money almost imperceptibly"* is the essence of the theoretical reflections of Professor J R Hicks on this matter. Professor Hick's study went a long way towards weeding out much that was useless in the controversy on this subject, at least on the plane of theoretical "judgment". The Radcliffe Committee has done much to verify it and has given the idea a local habitation. One would wish, however, to carry the "verification" further by "testing" the elasticities of substitution of the various types of debts — debts of differing maturities with respect to their relative returns, i e, relative rates of interest on them. One has, of course, to take into account the major complications introduced by speculation and risk which would render the task difficult but, we would think, not impossible. The quantitative results would help "debt management" where monetary policy would find its proper place.

There is much in the report, it is only fair to add, that leads to this conclusion. The reference to the effects of the heterogenous composition of public debt, ranging from treasury bills to funded debt, and the structural change brought about by increase in public debt for financing the "public sector" is most illuminating. But Sir Oliver sees in this only "a permanent possibility of conflict in the aims of monetary policy". This fear is groundless and stems from a faith in the interest rate policy. Further, though Sir Oliver very succinctly describes the importance of the budget (p 19), he disagrees with the view that we must rely on fiscal policy and the budget alone for the regulation of the economy (p 19). This is again the result of faith in the myth of interest. The public expenditure, the tax rate and, one would like to add, the wage rate, are the proper instruments for attaining the objectives wrongly described as the objectives of monetary policy.

On this positive note we should like to conclude our review and turn for a moment to India. Sir Oliver is very careful to point out that he is not talking about India and if anything he says is relevant to the Indian economy and to Indian monetary questions, this is for us, *not for him, to decide* (p 2). The chairman concludes his preface with this exhortation : "He (Sir Oliver) has certainly stimulated thought in many quarters and has led some of us to hope that a body like the Radcliffe Committee will be set up in our own country to study critically and impartially the problems

of fiscal and monetary policy that must arise in a developing economy at so crucial a time as the present" (p viii). We do not presume to do what a committee can. We venture to make the following observations in the way of a brief memorandum to any such future committee.

Our first observation is of a negative character: What Sir Oliver calls the interest incentive effect, is altogether absent in India. It does not require any painstaking empirical research to establish this. With the rate of return on capital, it is obvious that the parity between this and the money rate of interest is totally lost. Our capital-short economy is not short of money. It would, therefore, be injudicious to rely on the rate of interest as a regulator of investment.

What is called the liquidity effect requires more serious examination. A preliminary examination of Indian data suggests that the demand for money in the country is not seriously influenced by the rate of interest. Apart from the obvious transaction demand the other important demand factor is share prices and their rate of change. The influence of the rate of change of share prices suggests that speculation, more than 'direct' substitution is more operative in this field and, therefore, any control must largely work through control of speculative activity.

Interest and Debt Management

The factor of substitution between different types of debt cannot, however, be entirely ignored. An examination of the short and the long rates reveals quite a close correlation between the long rate and the average of short rates which lends support to Hick's thesis.

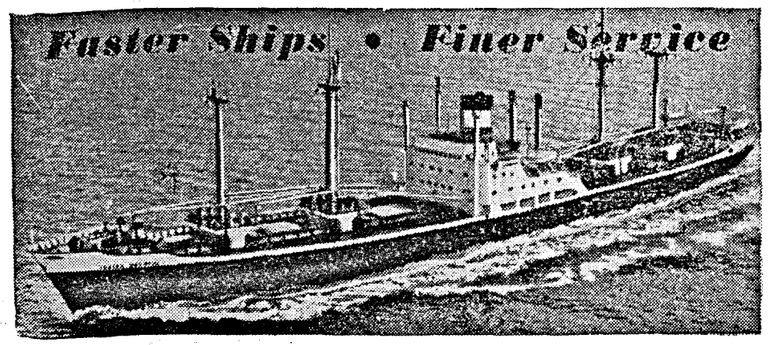
And this brings us to our final observation on debt management, especially management of public debt. Much of what Sir Oliver says is relevant here and deserves thorough empirical verification and quantitative measurement. "With us half the volume of industrial investment is in the public sector, but more important than that, since what we call our nationalised industries have not in fact made sufficient profits out of which to make savings for their own capital investment, the Government has had to raise from the private sector loans to enable these capital expenditures within the public sector to be financed" (p 19). This is relevant for us. And apart from its implication for immediate policy, it may have far-reaching effects if the trend in investment persists. The myth of interest is, therefore, not a myth after all: it is perhaps more in the nature of an apocalypse.

British Motor Industry

BRITAIN'S motor industry had a record output in 1960, with a total production of 1,352,728 cars. In 1959 the figure was 1,189,973. Exports increased from 568,971 in 1959 to 569,916 last year — another record figure.

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Study of Savings

THIS book* represents an admirable attempt by Dr Mazumdar to estimate business saving in India during the post-war period. He deserves credit for using the balance-sheet data published by the Taxation Inquiry Commission and the Reserve Bank even before the Reserve Bank itself used its data for estimating the saving of the corporate sector in India. The Reserve Bank study published in March 1960 issue of its *Bulletin*, however, is much more thorough and comprehensive than Dr Mazumdar's.

Dr Mazumdar, however, does not seem to be aware of some of the limitations of the data he has used. For example, though the T E C and the Reserve Bank data with regard to the corporate sector are not comparable, he does not even mention this fact.

The author's estimate of the saving of the non-corporate business sector is just as arbitrary and seems to be of dubious validity. He includes even a part of personal saving in this sector and estimates this sector's total saving by applying arbitrary saving-income ratios to this sector's income. This can hardly be called an estimate.

Interesting Comparisons

In the latter parts of the book, the author makes interesting international comparisons of profitability and propensity to save of the corporate sector. He finds that the rate of profits after tax in India is similar to that in the United Kingdom. The average saving-income ratio of the corporate in India is lower (40 per cent) than that in some of the advanced countries (about 50 per cent); however, the marginal ratio seems to be a little higher in India (80 per cent) than in the other countries (lower than 70 per cent).

This book is also interesting from the point of view of information regarding the work on saving in other countries. There are useful suggestions in the book for further research work in this field. On the whole, it represents a valuable contribution in the field of saving Studies in India.

* *Business Saving in India* by Dr H K Mazumdar, Vora & Co, Publishers Ltd, Bombay, 1959, pp 278, Price Rs 20.

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Agricultural Labour in India

Ranjan Kumar Som

In a developing economy the change in the pattern of employment indicated by a fall in the number of agricultural labourers and labour households should be welcome unless the erstwhile agricultural labourers shifted to less productive jobs or were rendered unemployed.

It is possible that among agricultural labourers those who were comparatively better off readily took the opportunity to shift to better occupations. But the supply of agricultural labour being still far in excess of demand, the wage rate failed to rise as a result of the reduction in the total number of agricultural labourers.

This is, of course, a hypothesis but some indirect evidence in support of it is found in the fact that the number of land-holding agricultural labour households fell, while that of non-landholding households increased.

Further, increase in the number (and proportion) of child labourers, the decrease in the extent of self-employment and the comparatively higher net income of the non-landholding households — all this may be construed to confirm the assumption that the comparatively better off among agricultural labourers have shifted to other occupations.

AGRICULTURAL labour constitutes, numerically, the most important single element among the gainfully employed population in India. It is also the poorest. The first Agricultural Labour Enquiry was conducted by the Ministry of Labour in 1950-51 to probe the economic condition of agricultural labourers. The second Enquiry was conducted in 1956-57 by the Ministry, through the agency of the National Sample Survey in the 11th and 12th rounds (August 1956-August 1957).

A Working Party consisting of representitives of the Ministry of Labour and Employment, the National Sample Survey Directorate, the Central Statistical Organisation, and the Indian Statistical Institute was responsible for planning the survey. It made some improvements in methodology of the survey, including the sample design. The concepts and definitions were pretested in the course of a Try-out on Agricultural Labour Enquiry in April-May 1959 conducted in 24 sample villages spread over 15 (pre-reorganization) States.

The definition of an agricultural labour household adopted for the second ALE was operationally different from and more convenient than that used in the first ALE. In the first ALE, a household in which either the head of the household or 50 per cent or more of earning members reported agricultural labour as the main occupation was deemed to constitute an agricultural labour household. In the second ALE, a household deriving 50 per cent or more of its income (after imputing the value of home-grown and self-consumed products) from agricultural labour was defined as an agricultural labour household. The Try-out on Agricultural Labour Enquiry revealed that the two definitions were co-terminus. All households which were classified as agricultural labour households according to the definition used for the second Enquiry also fell within the scope of the difinition used for the first Enquiry. The criterion of earnings to determine the occupation of the household was also adopted in the 1951 Census and later National Sample Survey rounds.

The days of work spent in different types of activities — agricultural wage employment, non-agricultural wage employment, self-employment. unemployment and activities outside labour force — were recorded separately under suitable "intensity"-of-employment classification along with the normal length of a full working day and the normal hours of work for the activity in the locality. The days of work were calculated after assigning proper weightage to part-employment. In the event of a person having more than one activity during a day, the activity which occupied him the longest was deemed as the major activity and the other activities as minor activities.

The Sample

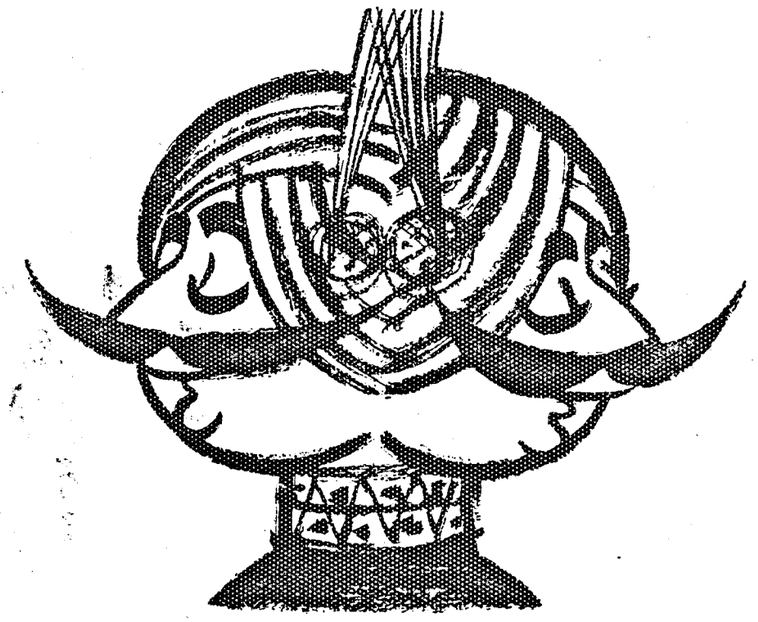
A two-stage stratified sampling design was adopted in both the surveys, the villages being the first-stage unit and the sample agricultural labour households, the second-stage unit. The selection of the sample villages was done with equal probability in the first ALE and with probability proportional to the 1951 Census population in the second ALE. Within the selected villages, a number of sample households was chosen with equal probability in the first ALE and systematically with a random start in the second ALE.

About 11,000 agricultural labour households in about 800 villages supplied information in the first ALE. The corresponding figures were about 21,000 households in about 3,700 villages in the second ALE. In the first ALE, the same set of households was to be visited every month for a period of 12 months and the annual data were to be built up from these monthly data. This led to difficulties since a number of households either left the village or were not available for interrogation during most months of the year. Consequently, the "universe" with which the Survey began changed considerably by the end. Also, the non-sampling biases are likely to be more if such a procedure is adopted. In the second ALE, the sample households were uniformly spread over time and the monthly data collected were inflated proportionately to give annual estimates.

In the first ALE the data were collected by an *ad hoc* staff. In the second ALE the task was entrusted to the regular staff of the NSS. The comparison made below of results of the two surveys assumes that the quality of data was similar in both surveys. This remains to be examined.

The reliability of estimates was calculated in the first ALE by the usual method of "standard error"; in the second ALE, although "standard errors" were calculated for some items, the margin of error was calculated directly, and more cheaply, from the estimates for the four sub-samples into which the full sample was divided. The probability that the "true" value would lie between the minimum and maximum of the four values is $1-(\frac{1}{2})^3$, or 7 in 8.

The proportion of agricultural labour households, with and without land, to the total rural households in the two surveys is given in table 1. The number of households was calculated in the second ALE on basis of the projected population and the average household size for the same period, obtained from the NSS. While the number of rural households increased



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Departure	Thurs.	—	BANGKOK	05.40 hrs.
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from 58.0 million in 1950-51 to 64.5 million in 1956-57 (an increase of 11 per cent), the number of agricultural labour households decreased from 17.7 million to 15.8 million (a decrease of 10 per cent). The number of agricultural labour households with land decreased from 8.8 million to 6.6 million (a decrease of 25 per cent) while that of households without land increased by 5 per cent from 8.8 million to 9.2 million. The percentage of agricultural labour households to total rural households decreased from 30.4 per cent to 24.5 per cent. The number of agricultural labour households with land decreased from 15.2 per cent to 10.2 per cent and that of households without land from 15.2 per cent to 14.3 per cent. The number of households and their percentage were about the same for agricultural labour households, with and without land, in 1950-51. The number of agricultural labour households without land, however, increased substantially in 1956-57 as did their percentage. The number of casual agricultural labour households was about three times that of the attached households (11.6 million as against 4.2 million). The percentage of households with land was slightly more among the attached households than among the casual ones (44.4 per cent and 40.6 per cent respectively).

Labour in Community Development Areas

The number of agricultural labour households in Community Project areas and their proportion to total labour households are also indicated in table 1. The number of rural households in Community Project areas was about one-third of the total. The proportion of agricultural labour households in CP areas to total agricultural labour households was also about the same.

The average number of persons per agricultural labour household was 4.3 in 1950-51, and 4.4 in 1956-57. The agerage size of attached labour households in the second ALE was 4.67 and that of casual households 4.30.

The agricultural labour households were defined as casual or attached according to the type of agricultural wage-employment from which the income obtained by the household during the year was higher. The difinition was the same in both the surveys. Attached labourers were defined as those in more or less continuous employment and under some sort of contract with their employers during the period of employment. All other agricultural labourers were defined as casual. They were employed from time to time, according to exigencies of work.

Households with cultivated land were described as land-holding households. Cultivated land was defined to include the net area sown (including orchards) and areas lying fallow during the previous agricultural year.

The total rural population and the number of agricultural labourers in 1950-51 and 1956-57 are given in table 2. The break-down of the number of agricultural labourers by adult males, adult females, and children is also given in the table. From 298.6 million in 1950-51, the rural population increased to 322.5 million in 1956-57, an increase of 8 per cent. The number of agricultural labourers in agricultural labour households, however, decreased from 35.3 million to 32.1 million, a decrease of 9 per cent. The decrease was more in the case of adult females, than in that of males (17 per cent and 8 per cent, respectively). The sex composition of the adult agricultural labour population thus changed from 137 males per 100 females as revealed by the first ALE to 153 males per 100 females. Adult male agricultural labour population numbered about 17.9 million

TABLE 1

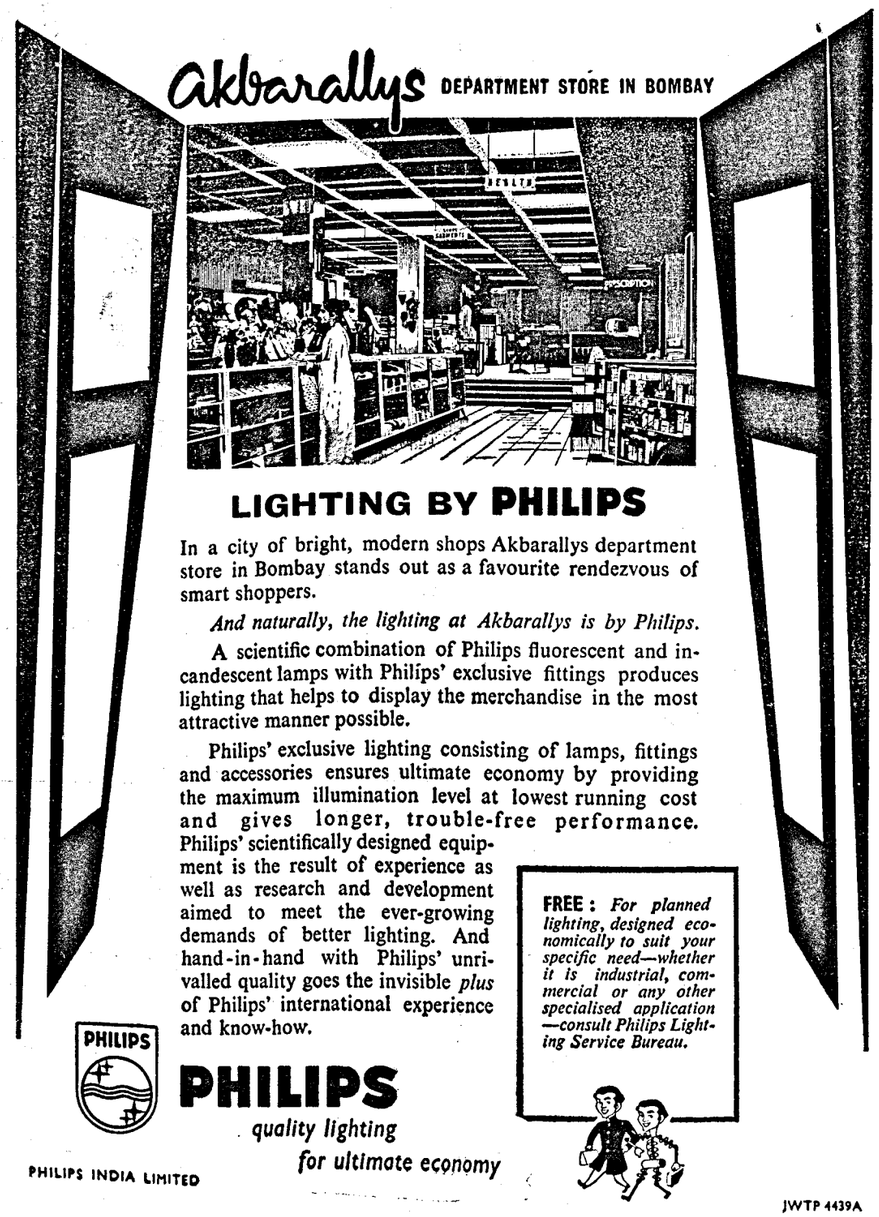
NUMBER AND PERCENTAGE OF AGRICULTURAL LABOUR HOUSEHOLDS

Item	ALE	ALE 1956-57					
	1950-51	Total	(Index)*	Casual	Attached	C.P. areas	C.P. area
Total number of rural households	58.0 m	64.5 m	(111)	—	—	21.8 m	42.7 m
Number of agricultural labour hhs.	17.7 m	15.8 m	(90)	11.6 m	4.2 m	5.2 m	10.6 m
i) with land	8.8 m	6.6 m	(75)	4.7 m	1.9 m	2.1 m	4.5 m
ii) without land	8.8 m	9.2 m	(105)	6.9 m	2.4 m	3.1 m	6.1 m
Percentage of agricultural labour hhs.	30.4	24.5	(81)	18.0	6.5	8.1	16.4
i) with land	15.2	10.2	(67)	7.3	2.9	3.3	6.9
ii) without land	15.2	14.3	(94)	10.7	3.6	4.9	9.5
Average household size of agricultural labour hhs.	4.3	4.40	(102)	4.30	4.67	4.41	4.40

Source : For A L E 1950-51: "Agricultural Labour Enquiry, Vol. I — All India" Government of India; for A L 1956-57, NSS Draft No 31, "Tables with notes on wages, employment, income and indebtedness of agricultu labour households", and No. 43, "Tables with notes on employment and unemployment", Indian Statistic Institute; the estimated numbers for the Second A L E are based on projected population.

Note : In this and following tables, the components have been rounded off separately and may not, therefore agr with the total. The percentages and indices were also calculated before rounding off.

* The index, in these tables, have been calculated as:
100 × Value for 1956-57 ÷ Value for 1950-51.



n 1956-57 and the adult female population 11.7 million. The child labour population increased by as much as 43 per cent, but in absolute terms the increase was small.

The agricultural labourers covered in both surveys were those in agricultural labour households only. There are, of course, a number of agricultural labourers in non-agricultural labour households. It has been estimated from National Sample Survey data relating to 1956-57 that the number of agricultural labourers belonging to other than agricultural labour households was about 2.5 million. The total number of agricultural labourers in all rural households may thus be estimated at 34.6 million in 1956-57.

The average number of agricultural labourers per agricultural labour household, by type of household and of labour, is given in table 3. Taking all agricultural labour households, on an average 2.0 persons in 1950-51 and 2.03 persons in 1956-57 were agricultural labourers. The number of agricultural labourers as percentage of the total population of agricultural labour households remained constant over the two surveys at about 46. The relative position of the adult males also remained unchanged (at about 26 per cent), but the number of adult females showed a slight decrease (17 per cent as compared to 19 per cent) and that of children a slight increase (3.6 per cent as compared to 2.3 per cent). The small change in the relative position of the adult females and children occurred entirely in the attached households. An average agricultural labour household thus consists of 4.4 persons, among whom 2.0 (1.1 adult males, 0.7 adult females, and 0.2 children) are earners.

Average Days Employed

The average number of days of employment and unemployment per year and the average days of work per month for the agricultural labour are given in table 4. To calculate these averages, suitable weightage was given to the partially occupied days in the second ALE. The average number of days of agricultural wage employment for the adult males increased from 189 to 194 per year, an increase of 3 per cent. For the casual adult males, the average days of employment remained unchanged but it decreased markedly, from 315 to 260 days, for attached male labourers. The days of non-agricultural wage employment decreased slightly (from 29 to 27 days) for the adult males. Casual adult males also worked fewer days on non-agricultural wage employment, but in the case of attached adult males the number of days of non-agricultural wage employment increased from 11 to 22. The number of days of self-employment decreased for both categories of the adult male labourers. Adult male agricultural labourers were self-employed for 33 days in 1956-57 as compared to 65 days in 1950-51. The adult males remained unemployed

TABLE 2 Number and Percentage of Agricultural Labourers

Item	1950-51	1956-57	(Index)
Total rural population	298.6 m	322.5 m	(108)
Number of agricultural labourers in agricultural labour households	35.3 m	32.1 m	(91)
i) adult males (15 years +)	19.4 m	17.9 m	(92)
ii) adult females (15 years +)	14.1 m	11.7 m	(83)
iii) children (less than 15 years)	1.77 m	2.53 m	(143)
Agricultural labour as % of gainfully employed	26.9	29.0	(108)
Gainfully employed as % of total population	49.3	37.1	(75)
Agricultural labour as % of total population	13.3	10.7	(81)

Source: As for Table 1

TABLE 3 Average Number of Agricultural Labourers Per Agricultural Labour Household

Type of household and agricultural labour	Number of agricultural labour per household.		Percentage of agricultural labour to household size.	
	ALE 1950-51	ALE 1956-57	ALE 1950-51	ALE 1956-57
Casual adult male	1.1	1.09	25.6	25.4
„ Adult female	0.8	0.75	18.6	17.4
„ Children	0.1	0.14	2.3	3.3
Total	2.0	1.98	46.5	46.0
Household size	4.3	4.30	100	100
Attached adult males	1.2	1.25	26.7	26.8
„ Adult female	0.7	0.71	15.6	15.2
„ Children	0.2	0.20	4.4	4.2
Total	2.1	2.16	46.7	46.2
Household size	4.5	4.67	100	100
All types adult male	1.1	1.13	25.6	25.7
„ „ Adult female	0.8	0.74	18.6	16.8
„ „ Children	0.1	0.16	2.3	3.6
Total	2.0	2.03	46.5	46.1
Household size	4.3	4.40	100	100

Source : "Agriculture Labour Enquiry, Vol I, All-India". and NSS Draft No 31

for 110 days on an average, compared to 82 days in 1950-51. In terms of the average days of work per month, while agricultural and non-agricultural wage-employment was higher for all adult males, (18.5 days compared to 18.2 in 1950-51) the total number of days of work, including self-employment, was lower at 21.2 days compared to 23.6 in 1950-51. The adult females spent 131 days in agricultural wage-employment in 1956-57 compared to 120 days in 1950-51. In non-agricultural wage employment, however, the number of days worked was lower at 10 compared to 14 in 1950-51. The average days of wage-employment for adult females was thus 11.8 per month in 1956-57, compared to 11.2 in 1950-51. If we take into account self-employment also, the days of work for adult females came to 169 and 14.0 per year and per month respectively in 1956-57. The intensity of employment was more for children than for adult females. Children were engaged in agricultural wage-employment for 187 days (compared to 194 days for adult males), in non-agricultural wage-employment for 17 days (compared to 27 days for adult males), and in self-employment for 44 days (much higher than for males or females). The days of work per month for child labourers thus came to 20.7, only slightly lower than that for adult males (21.2 days), but considerably higher than that for adult females (14.0 days).

The intensity of agricultural and non-agricultural wage-employment for adult males as a whole as well as for casual adult males was higher in 1956-57 compared with what it was in 1950-51. The number of days of self-employment was however lower. As a result the number of days of unemployment was larger. For adult females, comparative figures of self-employment and unemployment are not available for the first A L E. Figures of agricultural wage employment show that there has been an increase in the number of days worked.

Causes of Unemployment

The number of days worked by agricultural labourers per month as revealed by the A L E compared with that obtained from the National Sample Survey data relating to the 5th and 6th round (November 1952-August 1953), presented in N S S Report No. 14 entitled *"Some Characteristics of the Economically Active Population"*. The average days of work per month according to N S S data worked out to 17.0 for all agricultural labour, and 21.3 for male and 12.2 for female labourers. The different reasons for unemployment and their relative importance as obtained in the Second A L E are given in table 5. In classifying the reasons, "weather conditions", which accounted for a small proportion of total unemployment, (2.1 per cent) have been merged with "want of work". "Want of work" accounted for half (48 per cent) of the total unemployed days for all agricultural labourers. "Want of work" as a cause of unemployment was more important among casual adult male labourers than among attached adult male labourers, accounting for 55 per cent and 45 per cent of unemployment among the two categories respectively. "Own sickness" as a cause of unemployment was more important among adult males, especially among attached labourers. Adult females returned, as might have been expected, a higher proportion of "domestic" reasons for unemployment. Leave, rest, etc, accounted for 2 per cent of total unemployment among agricultural labourers. Unemployment due to "want of work" may be termed "real unemployment".

Table 5 compares the percentage distribution by reasons of unemployment for agricultural labour in 1956-57 with the percentage distribution of underemployment by reasons obtained from N S S 7th round (September 1953-March 1954) and presented in N S S Report No 14. The two sets of figures show similar features, but underemployment due to "want of work" was higher (about 60 per cent) in 1953-54, according to the N S S Report.

Wages and Income

The average daily wage of casual agricultural labourers has been given for the different types of operations in the A L E reports. The daily wage earned by the casually employed adult male worker decreased by 11 per cent from Rs 1.09 in 1950-51 to Rs 0.97 in 1956-57, and that of the casually employed adult female worker by 11 per cent from Rs 0.66 to Rs 0.59. The wage for non-agricultural operations earned by the casual adult male labourer remained constant at Rs 1.07 and that earned by the casual adult female labourer increased slightly from Rs 0.61 to Rs 0.62. The average wage for sowing increased for both adult male and female casual labourers but the average wage for all agricultural operations taken together decreased both for casual adult male and female labour — by 12 per cent from Rs 1.09 to Rs 0.96 for the men and by 13 per cent from Rs 0.68 to Rs 0.59 for the women. The wage earned by children was Rs 0.53 It was less than the wage earned by men for the different agricultural operations and either approximately the same or lower than those earned by men. Male agricultural labourers were employed on wages for 59 per cent of the total man-days (including those worked by women and children) in 1956-57. This was slightly less than the corresponding figure of 62 per cent in 1950-51. Female labourers were employed on wages for 34 per cent of the total man-days which was about the same as in 1950-51 and child labourers for 6.5 per cent of total man-days compared to 2.8 per cent in 1950-51.

The average daily wage of the casual adult male agricultural labour by the different modes of payment — cash, kind and a combination of both — is given in table 7 as also the percentage of man-days worked for which payment was received by each of the different modes. It has been noted above that the average daily wage of the casual adult male agricultural labourer in agricultural operations decreased in 1956-57. Wages in kind, however, increased by 10 per cent from Rs 0.35 to Rs 0.39. The real increase in the wage paid in kind may be more, however, since the value of these payments was calculated on basis of retail prices in 1950-51 and wholesale prices in 1956-57. The percentage of man-days worked by the casually employed adult male labourers for wages in kind increased from 32 in 1950-51 to 40 in 1956-57.

The average annual net income of agricultural labour households is given in table 8. For all agricultural labour households the average income was Rs 447 in 1950-51 and Rs 386 in 1956-57, showing a fall of 14 per cent. In percentage terms the fall was somewhat more for casual agricultural labour households (19 per cent) than for the attached labour households (5 per cent). Within the latter category, however, the income of households without land remained unchanged. When deflated by the price level, the fall in incomes is likely to be more. Casual households with cultivated land suffered most, their income showing a fall of 22 per cent.

The average annual income of the attached agricultural labour households without land by sources of accrual — cultivation, agricultural wage-employment, non-agricultural wage-employment, occupations other than farming, and other sources — is given in table 9. Incomes of other types of agricultural labour households from the different sources declined in 1956-57 compared to 1950-51. Attached agricultural labour households without land earned more from agricultural wage employment in 1956-57 than in 1950-51 (Rs 413 as compared to Rs 394, an increase of 5 per cent). Their incomes from non-agricultural wage employment, however, declined by 5 per cent from Rs 38 to Rs 36.

TABLE 4 Average Number of Days Employed and Unemployed for Agricultural Labour

Type of agricultural labour	Number of days per year								Average days of work per month	
	Wage employment agricultural		Wage employment non-agricultural		Self-employment		Unemployment			
	50-51	56-57	50-51	56-57	50-51	56-57	50-51	50-57	50-51	56-57
Adult Males Casual	167	167	33	30	75	40	90	128	22.9	19.7
Adult Males Attached	315	260	11	22	20	16	19	68	28.8	24.8
Adult Males	189	194	29	27	65	33	82	110	23.6	21.2
Adult Females	120	131	14	10	—	27	—	196	—	14.0
Children	—	187	—	17	—	44	—	116	—	20.7
All Types		171		20		32		142		18.6

Source: As for Table 3.

TABLE 5 Percentage Distribution of Unemployed Days by Reasons for Unemployment

Type of agricultural labour	Want of work	Own sickness	Leave, Domestic rest		Other reasons	Total
A L E, 1956-57: percentage distribution of unemployment days						
Adult males casual	55.4	7.9	7.6	2.2	26.9	100
Adult males attached	45.0	13.1	8.2	4.9	28.8	100
Adult males	52.7	8.9	7.8	2.7	27.9	100
Adult females	44.5	4.0	10.2	1.6	39.7	100
Children	46.7	3.2	7.3	2.1	40.7	100
All agricultural labour	48.0	6.2	9.2	2.2	34.4	100
NSS 1953-54: percentage distribution of the under-employed						
All agricultural labour	60.2	7.6	12.0	0.5	19.7	100
Males	62.0	9.2	7.2	0.2	21.4	100
Females	58.3	6.2	15.9	0.5	19.1	100

Source: NSS Draft No 31 and Report No 14, "Some Characteristics of the Economically Active Population", Government of India.

TABLE 6 Average Daily Wages of Casual Agricultural Labourers

(in nP)

Type of operation	Males 1950-51	Males 1956-57	(Index)	Females 1950-51	Females 1956-57	(Index)	Children 1956-57
Agricultural operations:							
Ploughing	105	100	(95)	66	59	(89)	60
Sowing	99	115	(116)	60	82	(137)	83
Transplanting	116	111	(96)	72	69	(96)	64
Weeding	89	88	(99)	54	52	(96)	51
Harvesting	126	93	(74)	79	58	(73)	55
Others	—	95	—	—	58	—	46
All agricultural operations	109	96	(88)	68	59	(87)	53
All non-agricultural operations	108	107	(100)	61	62	(102)	55
All operations	109	97	(89)	66	59	(89)	53
% man days worked	62.3	59.4	(95)	34.9	34.0	97	6.5

Source: As for Table 2.

TABLE 7

Wage of Casual Adult Male Agricultural Labourers by Mode of Payment

Mode of payment	ALE 1950-1951	ALE 1956-1957	(Index)
Average daily wages (in nP)			
Cash	63	47	(74)
Kind	35	39	(110)
Cash and kind	11	10	(94)
Total	109	96	(88)
Percentage of mandays worked			
Cash	57.7	48.7	(84)
Kind	32.2	40.5	(126)
Cash and kind	10.1	10.8	(106)
Total	100	100	—

Source: As for Table 2.

TABLE 8

Average Annual Net Income of Agricultural Labour Households

(in Rs)

Type of Agricultural labour households	ALE 1950-51	ALE 1957	(Index)
Casual	442	357	(81)
With land	495	387	(78)
Without land	393	336	(86)
Attached	489	464	(95)
With land	524	457	(87)
Without land	472	470	(100)
All types	447	386	(86)

Source: As for Table 2.

The average annual consumer expenditure of agricultural labour households is given in table 10 along with their average indebtedness. The average annual consumer expenditure for all types of agricultural labour households increased by 33 per cent from Rs 468 in 1950-51 to Rs 621 in 1956-57. The different types of households also showed an increase in the consumer expenditure, ranging from 26 per cent in the case of casual households without land to 40 per cent in that of attached households without land.

Indebtedness

The indebtedness of agricultural labour households was almost double in 1956-57 compared to 1950-51, increasing from Rs 47 to Rs 89. Indebtedness was greater in the case of the attached labour households (Rs 109) than in that of the casual labour households (Rs 82). This does not necessarily mean that the casual labour households were economically better off. The ability to procure a loan is directly related to the ability to pay it back. The latter ability is generally higher in the case of attached agricultural labour households, hence their greater indebtedness.

Some general conclusions about the employment position of the agricultural labour population as revealed in the two inquiries emerge from the discussion above. While the total agricultural population and households increased, the number of agricultural labour and agricultural labour households declined in 1956-57 compared to 1950-51. The average number of persons per household and the composition of earning members remained substantially unchanged over the period. The intensity of employment of the casual labourers and all adult males on wage employment was favourable compared to 1950-51 but the number self-employed working days decreased and the number of days unemployed increased. The intensity of employment of adult female labourers in agricultural wage employment was higher. About half of the days unemployed were accounted for by "want of work". For 68 days a year, agricultural labourers remained unemployed for want of work.

The wages of casual agricultural labourers remained about the same for non-agricultural operations, but except for sowing, wages for all agricultural operations declined in 1956-67 compared to those in 1950-51. Taking agricultural and non-agricultural operations, the average daily wage was Rs 0.97 in 1956-57, (Rs 1.09 in 1950-51) for casual adult males, Rs 0.59 (Rs 0.66 in 1950-51) for casual adult females, and Rs 0.53 for casual child labour. For casual adult males, wages paid in kind, however, increased in 1956-57 as compared to that in 1950-51. The average annual net income of non-land-holding attached agricultural labour remained constant at Rs 471 in the two surveys. For other types of households, average income declined. Taking all agricultural labour households, net annual income increased from Rs 394 to Rs 413.

Judging from the average wage of agricultural labour or the income of labour households, the condition of agricultural labourers may be said to have worsened in 1956-57 as compared to 1950-51.

Change in Occupation Pattern

In a developing economy the change in the pattern of employment indicated by a fall in the number of agricultural labourers and labour households should be welcome unless the erstwhile agricultural labourers shifted to less productive jobs or were rendered unemployed. It is possible that among agricultural labourers, those who were comparatively better off readily took the opportunity to shift to better occupations. But the supply of agricultural labour being still far in excess of demand, the wage rate failed to rise as a result of the reduction in the total number of agricultural labourers. This is of course an assumption but some indirect evidence in support of it is found in the fact that the number of land-holding agricultural labour households fell, while that of non-land-holding households increased. Further, increase in the number (and proportion) of child labourers, the decrease in the extent of self-employment and the comparatively higher net income of the non-land-holding households — all these may be construed to confirm the hypothesis though admittedly much more direct evidence is necessary to conclusively establish it.

TABLE 9 Average Annual Net Income of Attached Agriculture Labour Households Without Land by Source of Income

(in Rs)

Source of income	ALE 1950-51	ALE 1956-57	(Index)
Agricultural wage employment	394	413	(105)
Non-agricultural wage employment	38	36	(95)
Occupations other than farming	22	8	(36)
Other sources	18	13	(72)
Total	472	470	(100)

Source: As for Table 2.

TABLE 10 Average Annual Consumer Expenditure and Indebtedness Per Agriculture Labour Household

Type of household	Annual consumer expenditure			Average annual indebtedness		
	ALE 1950-51	ALE 1956-57	Index	ALE 1950-51	ALE 1956-57	Index
Casual	464	591	127	44	82	186
With land	509	672	132	57	112	196
Without land	421	532	126	32	61	191
Attached	506	704	139	73	109	149
With land	527	713	135	74	116	157
Without land	497	696	140	73	104	142
All types	468	621	133	47	89	189

Source: "Agricultural Labour Enquiry, Vol I All-India", and NSS Drafts No. 31 and 32.

"Inter—Sectoral Terms of Trade and Price Policy"

A Note

M L Dantwala

THE main theme of Dr. Khusro's article "Inter-Sectoral Terms of Trade and Price Policy" in the Annual Number of the *Economic Weekly* is that "when the annual rate of price increase is higher than the rate of interest, there is little incentive to save inasmuch as the annual earnings from interest are more than offset by a decline in the real value of the capital sum." For the purpose of the analysis of this proposition, Dr. Khusro adopts the annual rate of price increase between 1954-55 and 1959-60 which works out to about 6½ per cent per annum. As it happens, the range of the price rise is the highest between these two years. It is difficult to see the reasoning behind the selection of the year 1954-55 as the basis for calculating the annual rate of increase in prices. From Table 1 in his article, it would be clear that if any other year were selected for the purpose, the annual rate of increase would be very much less than 6½ per cent. For example, if instead of the year 1954-55, the year 1953-54 is taken, the annual rate of increase upto 1959-60 would amount to about 1.2 per cent. Similarly, if five year average upto 1958-59 is taken, the annual rate of increase would be a little above 2 per cent. Since the crux of Dr. Khusro's thesis depends upon the magnitude of the annual increase in prices, the figure accepted for the purpose assumes pivotal importance. Hence, one has to satisfy oneself that the most correct idea about the state of annual rate of increase in prices can be povided only when calculations are made with references to the year 1954-55 and no other.

A more important objection to Dr. Khusro's thesis is his implicit assumption that investment decisions will be influenced by the *average* annual increase in prices over a number of years (in his case since 1954-55) rather than by the expectations as to the future trends, for which the current situation or the one in the immediate past of say, a year or two, would be more relevant. Is there any reason to believe that the investors would make their decisions by reference to the (five-year) average rate of increase in prices between two particular years?

Dr Khusro cites the data on the "behaviour of savings" — in percentage of national income — as providing an empirical proof of the adverse effect of the movement of sectoral terms of trade in favour of agriculture. On closer scrutiny, however, it appears that the data do not offer any such proof. For example, in the year 1955-56 when the ratio of agricultural to non-agricultural prices went up to 0.93 from 0.79 in the previous year indicating a shift in terms in favour of the agricultural sector) the savings ratio actually improved from 6.6 per cent to 8.2 per cent of the national income. As a matter of fact, for all the years since 1953-54, the savings ratio shows improvement in spite of the fact that the terms of trade were turning in favour of the agricultural sector. As for the year 1957-58, which Dr. Khusro cites as indicating a "substantial decline" in the savings ratio, the terms of trade of the agricultural sector actually show a deterioration from 0.98 to 0.91. It will thus appear that more care is needed in trying to establish relationship between savings on the one hand and either the rise in prices or the movement in the terms of trade on the other. Leaving aside the empirical evidence, it is a moot point whether a shift in terms of trade or the change in the quantum of income will have a decisive effect on savings!

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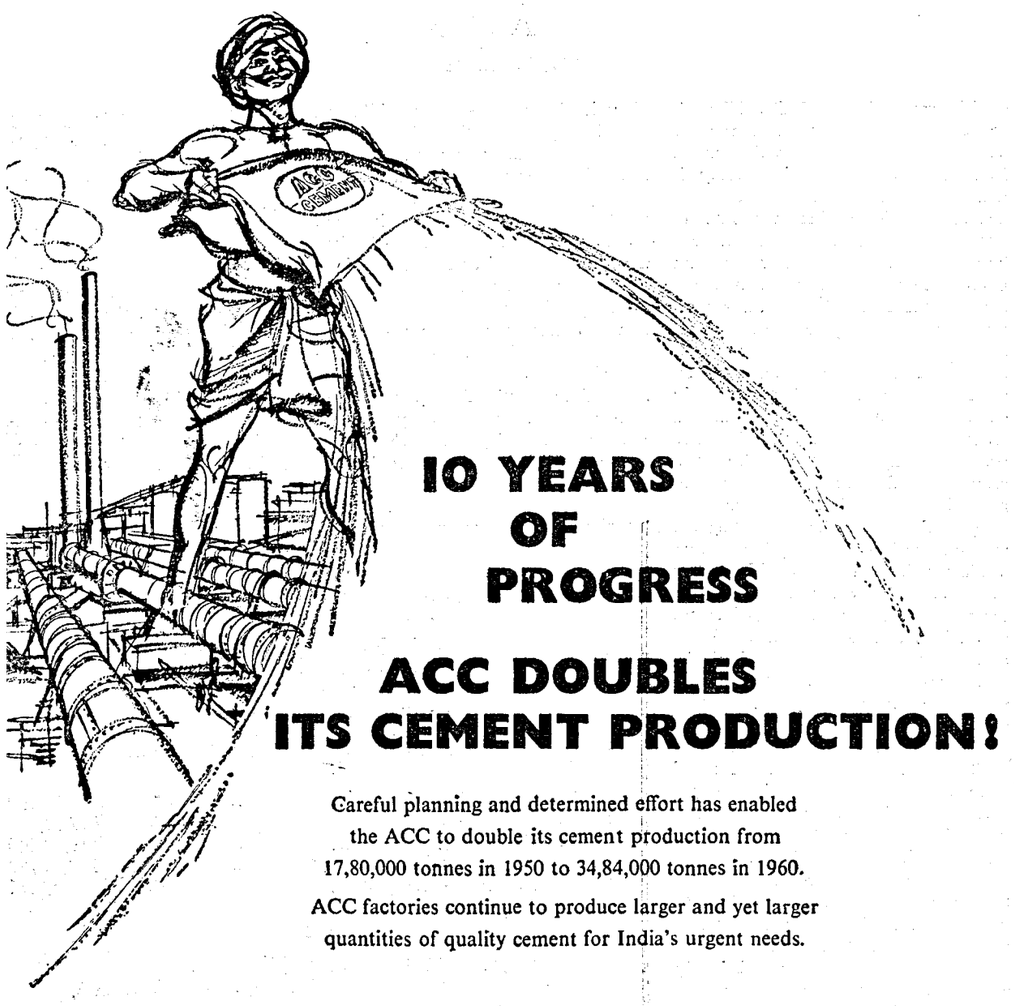
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Some Aspects of Yugoslav Economic Development

M Macura

Economic democracy as it operates in Yugoslavia has succeeded in decentralising economic decisions. Planning has been adopted as the rational means to achieve a fast rate of growth without, however, destroying the incentives and stimulants operative under competition.

Yugoslavia's rapid economic development has not been achieved without great sacrifices. But the increments in national income, once they were achieved, were used, without an unduly long time-lag, to increase investment and improve the standard of living of the people, which is, of course, the ultimate goal of economic development.

ECONOMIC growth involving structural changes in the economy was long considered a slow and long-term process. The development of the now industrialised countries was spread over many decades, even centuries. Judged against the requirements of less advanced countries today, the old theories of economic growth necessarily lead to very pessimistic conclusions about the rates of growth that are possible.

Fortunately new patterns of economic development have emerged in the last few decades. The economic growth of socialist countries constitutes a landmark in the transition from old to new patterns of economic progress. Slow or rapid development, spontaneous growth or planning, capitalism or socialism — these are the big issues and controversies that absorb the economist and the policy maker. Many socialist economies have attained a high rate of economic growth in the post-war period by raising the rate of internal saving and stepping up productive investment. Some capitalist countries have also attained rapid growth through high rates of saving, abundant supply of skilled labour, and because they did not have to support heavy defence expenditure.

Comparative analyses of economic theories and practices therefore are more valuable and meaningful today than ever before. We have the evidence of the theoretical and practical aspects of the economic growth of many countries, but owing to the gaps in intellectual communications our knowledge is more limited than it actually need be. This is a modest endeavour to diminish the gaps as far as the Indian knowledge of Yugoslav economic development is concerned.

The pre-war economy of Yugoslavia may be described in three words: semi-colonial, under-developed and stagnant. With per capita income at about 120 dollars, share of the agriculture in the national income at 51 per cent, rate of growth of national income at 1 to 2 per cent, agricultural population at 75 per cent and illiteracy at 46 per cent, Yugoslavia belonged to the family of backward South-East European economies. The Second World War had substantially destroyed the already small productive capacity: about half the fixed assets in agriculture were destroyed, one-third of factories bombarded and one-third displaced. In addition 1.7 million people, or 13 per cent of the pre-war population, were killed. So the starting point for the post-war economic development was very unfavourable.

However during the Liberation War, complete national independence was achieved and a new government established. Foreign capital was nationalised after payment of due compensation. The property of Nazi collaborators was also nationalised but without any compensation. All natural resources except agricultural land were declared public utilities by the new Constitution. Agrarian reforms were introduced in 1945 and 1951. Nationalised enterprises formed the nucleus of the public sector to which important additions have been made during the past fifteen years.

First Five-Year Plan

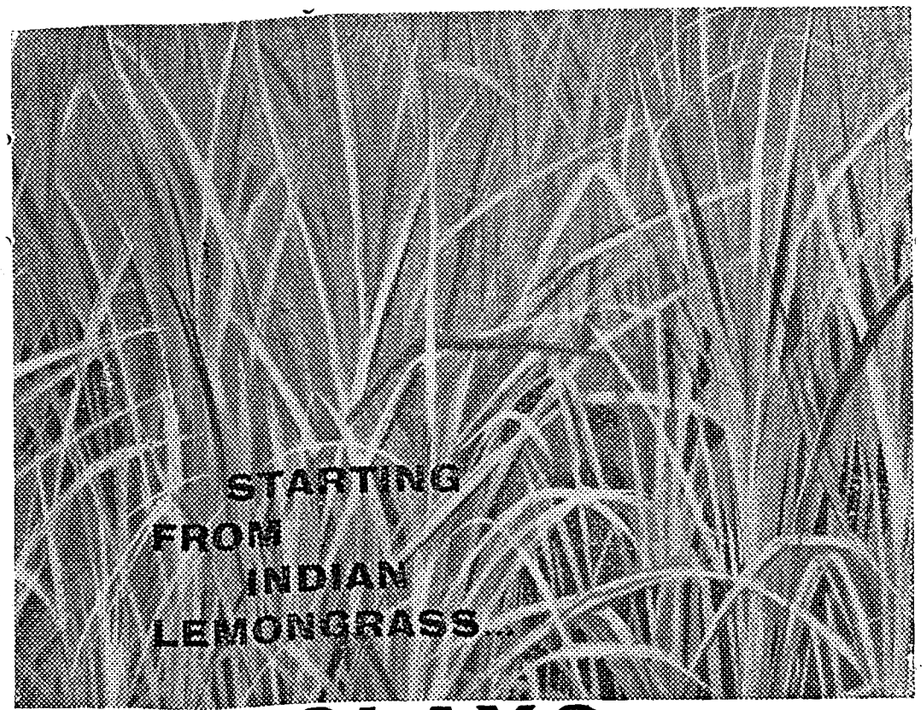
Only after the rehabilitation of the economy in 1945-46 was planned development initiated. The First Five-Year Plan covered the period from 1947 to 1951. But its targets were not achieved in the five-year period, due to the economic blocade organized in 1949 by East-European countries. Actually the First Plan was extended from 1952 to 1954 and then with yearly plans till 1956. The intention was to surmount internal and external difficulties caused by the blocade and to adapt the economy to the new circumstances. The Second Five-Year Plan was started in 1957 and was to be completed by 1961. Since its most important targets were achieved by 1960, the Third Plan was recently drafted for the period 1961 to 1965.

The idea of the First Five-Year Plan was to create the basis for industrialisation, to overcome economic and technical backwardness and to create circumstances favourable for further economic development. Emphasis was therefore laid on developing power, mineral resources, metallurgy and the machine-tool industry. The First Plan gave high priority to basic industries and as a consequence, agriculture and consumers' good industries were neglected. The main reason for adopting such a pattern of development was the necessity to complete the big projects already started. The level of living continued to be low during this period of development which was also marked by deficits in the trade balance.

The Second Plan gave priority to agriculture and to consumers' goods production, though basic industries have continued to be regarded as very important. According to the Second Plan targets Yugoslavia was to attain self-sufficiency in food production by 1960. Increasing the level of consumption was considered a main target, with a view to both improving the living conditions of the population and raising productivity. The country's external trade balance also received considerable attention.

Although apparently the objectives of the two Plans may seem to be different, the basic policy and strategy of the First and Second Plans was the same. A high rate of cccumulation, high priority to productive investment and the rapid growth of production have contributed to the economic development of this period. A large increase in net produce is intended to satisfy the growing wants and to generate savings for further investment. Transformation of a predominantly agricultural economy to an industrial one and the building up of a socialist society were the common objectives of both Plans.

As a result of the implementation of the policies described above all major indicators of economic development rose significantly over 1947-59. This can be seen from table 1. The rate of growth of population in Yugoslavia is high according to European standards. It is perhaps among the highest in Europe (1.5 per cent a year). The



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Vitamin A is just the first product of Glaxo's new Fine Chemical project at Thana. Soon cortisone, hydrocortisone, prednisone and prednisolone (already made by Glaxo from intermediates) will be completely synthesised there. Other products will certainly follow — all of them being a significant contribution to India's development in the Fine Chemical field.

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growth of the economy is however much faster. This has resulted in a marked rise of per capita income (about 6 per cent a year). In this expansion of economic activity basic industrial production at present is 4 times higher compared to pre-war production. Production of electric energy is 6 times more, crude oil 14 times, metal industry 7 times, electrical engineering and equipment 38 times, ferrous metallurgy 6 times and so on. A sound base for further industrialisation is thus continuously developing.

Rapid Industrialisation

Industrialisation should not be considered only as a process of increasing non-agricultural output through mechanising production. Economic development must be conceived of in a broad sense — as a process that brings all economic activity into the large-scale and mechanised area, that creates opportunities for employment, and provokes fundamental structural changes and diversifies the economy. As a matter of fact industrialisation means transforming the social division of labour, by changing an old and primitive pattern into a modern and industrial one.

Since 1953, when balanced and accelerated development began, the leading role of the industrial sector has been emphasised and has been reflected in the pattern of growth of other sectors of the economy. Table 2 indicates the progress of major economic activities.

As table 2 indicates, all sectors follow substantially the same pettern of development. Agriculture is perhaps the only exception. Special circumstances, which will be discussed below prevented the rise of agricultural output for some time. Agricultural production increased considerably only in recent years. Self-sufficiency in food was, therefore, achieved only three years ago.

Employment opportunities have been fairly good during the post-war period, except during 1949-52. Non-agricultural employment has increased at a rate of about 180 to 200 thousand a year. The annual increase of population is about 280 thousand, and new entrants into the labour force are about 140 thousand. So, not only is the natural increase in the labour force absorbed in the non-agricultural sector, a part of the agricultural population is also being continuously transferred to non-agricultural occupations. The demand for skilled labour, however, is still much higher than its supply. During the last few years only 50 per cent of new entrants to the industrial labour force had proper industrial training.

TABLE 2

Indices of Major Economic Activities, 1959

(Base : 1953 = 100)

Mining and manufacturing	214
Construction and building	174
Transport and communication	183
Retail trade	183
Exports	218
Imports	165

With a papulation of 19 million Yugoslavia may be considered a small country. She is, however, among the five biggest producers of maize and mercury in the world, among the first eight in bauxite, wine and lead, among the first 16 in timber and copper. Still her national income per head is estimated at about 360 U S dollars only. The consumption of total energy is equivalent to 580 Kgs coal per capita. Only about 70 Kgs of steel is produced per head. The consumption of fertilizers is no higher than 15 Kgs per hectar. In all these respects the Yugoslav economy is yet dificient. Nevertheless, with a rate of growth of 11 per cent of annual national income during the last 6 years, Yugoslavia is perhaps the fastest growing economy in the world* as may be seen from table 3.

Yugoslav index numbers of industrial production are undoubtedly the highest in the world during the last 6 years.†

TABLE 3

Index Numbers of Industrial Production

(1953 = 100)

Country	1958	1959
Yugoslavia	189	214
Japan	168	208
Soviet Union	172	191
Poland	163	178
Czechoslovakia	155	172
East Germany	151	170
West Germany	151	162
France	150	159

The annual rate of increase of industrial output over the last 6 years varies from 10 to 17 per cent. The rate of 10 per cent increase in industrial production which may be considered low is the result of the relatively low output of food processing industries which, in turn, was caused by the slow rise in agricultural production. The progress and stability of agriculture is thus revealed as a very important factor contributing to overall development.

How Agricultural Bottleneck Was Overcome

The recent experience in raising agricultural output is an interesting feature of Yugoslav economic growth. As already mentioned, agriculture was neglected for sometime and as a result it remained stagnant and threatened to become a bottleneck to the growth of the whole economy. The growing food requirements of the increasing population could not be supplied by domestic production. So it was necessary to import large quantities of food, in addition to import of capital goods, and this upset the country's balance of payments.

Food shortage during the initial phase of industrialisation is not a problem peculiar to Yugoslavia. Different

TABLE 1

Major Indicators of Development

(Index Numbers)

	1947	1950	1953	1956	1959
Population	100	105	109	113	118
National income (constant prices)	100	117	130	150	221
National income per head	100	112	120	131	187
Mining and manufacturing	100	143	151	221	326
Agriculture (1947-56 = 100)	93	78	110	100	169
Gross investment	100	141	154	202	302
Employment (non-agricultural, economic sector only)	100	166	149	180	221

* The chain index numbers of the national income over the last 6 years are: 1954 = 103; 1955 = 113; 1956 = 99.5; 1957 = 123; 1958 = 102; 1959 = 117. Low increment of national income in 1954, 1956 and 1958 is due to the decline of agricultural output caused by bad weather conditions.

† Two or three countries with high rates of growth but with low absolute production are not considered here.



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methods have been adopted by different countries to increase agricultural output but present economic and social circumstances seem to call for more efficient and more humane methods which will lead to faster progress and will be accepted by the population.

After various experiments a large-scale agricultural programme was initiated in 1956 with the aim of increasing production and strengthening the socialist pattern of the rural economy. Agricultural policy takes account of the structure of the holdings of which 90 per cent are small private farms of 3-5 hectars in size and only 10 per cent big — public or cooperative — holdings. The government devotes about 90 per cent of total agricultural investment to public farms and cooperatives with a view to providing essential facilities for both public-owned and private farms. Modern techniques are introduced not only by the public-owned farms, but also by the private farms through cooperation between cooperative societies and private farmers. Cooperative societies supply the farmers with credit, fertilizers and improved seed; they provide other ploughing, seeding and harvesting services, and also take care of marketing. While in the beginning emphasis was on raising agricultural production, especially crop production which was insufficient to meet the demand till 1957-58, animal husbandry and fruit and vegetable production were also increased to meet the rising demand of the urban and rural population.

Official economic policy aimed at creating a favourable climate for increasing agricultural productivity. In Yugoslavia there is no scope for increasing the area under cultivation and so all measures must be concentrated on increasing production per hectar. This depends primarily upon the interest the producer takes in cultivation. With a view to providing adequate incentive to the producer, the Government has improved the terms of trade between agriculture and industrial sector, guaranteed agricultural prices and introduced a reasonable income-tax system.

The increase in agricultural output is very encouraging so far. The index numbers of agricultural production are given in table 4. As will be seen from table 4, livestock production has grown progressively. This is considered very important from the point of view of consumption and nutrition. Though still subject to annual fluctuations, farm output seems to be more constant now than before. Modern agricultural techniques practised by the social farms and increasingly adopted by private farms have had an important influence. For instance in 1959 the average yield of wheat in quintals per hectar reached by the private farmers was 16.5, by the social farms 38.6. Private farmers who cooperated with the cooperative societies in applying modern techniques got 23.9 quintals per hectar, i e, 35 per cent more than those who did not.

So far modern techniques have been extended to cover 1/3 of major crops and 1/5 of live-stock production. With production of wheat at 4 million tons and that of maize at 6 million tons and livestock growing steadily in size, supply is adequate to meet domestic demand and even provide a small export surplus. It may be expected that the extension of modern techniques to the area at present under traditional methods of cultivation might increase the production by another 50 per cent.

Diversification of Economy

The changes in the economic structure of the country since the War are very marked. Over the last fifteen years there has been a considerable increase in investment in fixed capital in industry, especially in basic industry. Income generated by mining and manufacturing industries rose from 30 per cent of total national income in 1939 to 47 per cent in 1959. The contribution of the public sector to national income was previously only 3-4 per cent, but now the social sector contributes 71 per cent. At the same time the non-agricultural population increased from 25 per cent to more than 50 per cent and the agricultural population fell from 75 per cent to less than 50 per cent. The national economy thus became not only more industrialised, but also much more diversified.

The form of economic organisation has also been completely changed. Instead of small private enterprises with low paid-up capital, the public sector covers today about 67 per cent of total economic activity. 2700 public enterprises generate 100 per cent of industrial income; the public sector covers 76 per cent of building and construction; 78 per cent of trade and commerce; more than 90 per cent of transport and so on. Agriculture together with handicraft has remained the only unorganised sector, with traditional family-type organisation predominating.* Fixed capital assets in the organised sector are modern and the depreciation of the original value of these assets has not been more than 33 per cent till now.

The banking and credit systems in less developed countries are characterised by the existence of a large number of money-lenders and small private commercial banks and the weak control of the central financial agency over the interest rates. Compared to the pre-war situation, the credit system in Yugoslavia now relies upon the network of banks under the National Bank, municipal banks and cooperative societies. Special banks like investment banks, agricultural banks and foreign trade banks operate in the field of development. The National Bank is not only the central monetary and financial institution, but also wields substantial power of financial control over the economy.

Social services like education, public health, social insurance, cultural and recreational institutions, etc, are also organised by the public sector. Residential houses are largely owned by individuals. No one is, however, allowed to own more than two flats or residential houses for his own use.

Obviously, the public sector plays an important role in the economic life of the country. All major activities, except agriculture, are conducted under public or co-operative ownership. The private sector, operating in agriculture, handicrafts and small-scale urban activities, is controlled by the public sector through

Table 4 Index Number of Agricultural Production

(1951-55 = 100)

Sector	1956	1957	1958	1959
All agriculture	97	141	124	164
Farm production	92	143	118	165
Animal husbandry	112	125	131	150
Home processing of agricultural produce	62	95	120	121

* The semi-feudal institutions that existed in Southern and Northern part of Yugoslavia were completely abolished only in 1945, during the first after-war agrarian reform. At the same time all the farmers' debts were also liquidated.

taxation, the banking system, co-operative societies etc. There is, therefore, a monopoly of the socialist sector both in respect of ownership and control.

Natural resources, means of production and working capital belong, according to the Yugoslav concept of socialism, to the society. Society is to some extent a vague notion. However, it excludes implicity government as well as any particular group from ownership and from all benefits arising from such ownership.* Social capital is available to everybody who wants to work with any economic unit and participation in social labour is the title to income and the degree of contribution to social production is one of the most important criteria of distribution of income.

Decentralised Planning

These theoretical principles have important practical implications for the national economy. First, economic units are managed by the workers' councils elected by all employees who work for the unit. Neither the central nor the local government is allowed to interfere with the management of the enterprise. Second, besides taxation, each unit has to pay interest on its paid up capital. These contributions are the main source of new investment for further economic development which is planned by central or local legislatives. Third, economic units are free to make their own decisions about production costs, sale and investment. Their success or failure is judged by their competitive performance within the framework of the national plan. Fourth, personal income depends upon the economic performance of the enterprise and upon the individual's contribution to the unit's success. Fifth, centralised, physical and rigid planning is avoided. Instead, the financial mechanisms for distributing income, including taxation and price control, are combined with allocation of new investment to achieve the ends of national planning. Thus, economic democracy as it operates in Yugoslavia, decentralises considerably the decisions, incentives and responsibility for development. Planning, as a rational method of economic development, is combined with the stimulants of a competitive economy.

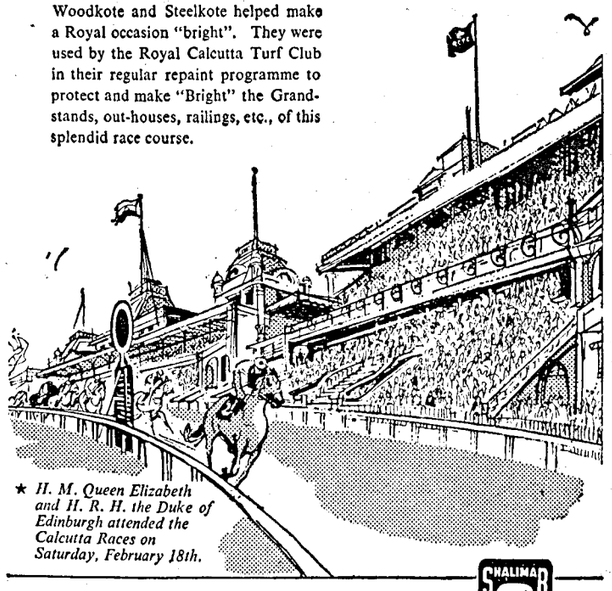
It should be added that economic development has been achieved not without much sacrifice. For many years, especially during the economic blocade, consumption was reduced to 50 per cent of the gross national product. The share of investment has been 30 to 32 per cent throughout. The consequences of such a distribution of the national product are clear. Benefits gathered in respect of economic development have been paid for by low standards of living. I personally feel that this was the only method of transforming the stagnant and low-saving economy into a fast-developing and high-saving economy. The large increments in national product have, however, been used with a relatively short time-lag of about 10 years to increase investment as well as to improve the standard of living which is the final goal of economic development.

* Personal ownerships of durable goods that are not used as capital, residential houses, currency holdings, etc, are permissible. Cooperative ownership differs to some extent from social ownership, but the difference is not essential.

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* *H. M. Queen Elizabeth and H. R. H. the Duke of Edinburgh attended the Calcutta Races on Saturday, February 18th.*

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Report on India-China Border

Subhash Chandra Sarker

A cursory glance through the 567-page volume containing the reports of the Indian and Chinese officials which has been released by the Ministry of External Affairs is enough to convince even the most optimistic souls of the extreme intractability of the problem that has arisen in the form of a dispute between India and China over the boundary between the two countries. The two teams of officials had met in accordance with the joint communique issued from New Delhi on April 25, 1960 by the Prime Ministers of India and China. The terms of reference laid down by the joint communique were, inter alia, that the officials of the two Governments would "meet and examine, check and study all historical documents, records, accounts, maps and other material relevant to the boundary question, on which each side relied in support of its stand and draw up a report for submission to the two Governments." If the intention behind setting up the joint examination had been to promote agreement (there could hardly be any other justifiable purpose for that), this has certainly not been fulfilled, by judging from the contents of the Report which is before us.* In reality there is not one *but* two reports — one drafted by the Indian officials and the other by the Chinese officials — contradicting each other on all the important and material points. The reports undoubtedly bear testimony to the diligence and perseverance of the officials to uphold the stand of their respective Governments. This constitutes both the strength and weakness, the usefulness and the deficiency of the volume under consideration.

The very nature of the assignment to a considerable degree predetermined the outcome; it tended to rule out an agreed report. Officials in general are not expected to publicly arraign their own Governments —with the formulation of whose policies they are often closely associated.

*Ministry of External Affairs (Government of India) *Report of the Officials of India and the People's Republic of China on the Boundary Question*. New Delhi, February 1961. Pp 12+342+213 Rs 3.00

On the other hand conduct of government would become impossible if officials went about denouncing the Government in public. After the sharp and protracted series of exchanges between the Governments of India and China on the boundary question denoting their inflexible and contradictory standpoints, it hardly would appeal to reason to expect that the officials of the two countries would be able to produce an agreed draft which was more likely than not to involve giving up the claims of one of the parties. It is to be remembered that the officials were asked to determine facts. It is not quite charitable to suppose that the Governments had been arguing without having first ascertained the facts from their respective officials. But facts of a situation over a period of time could not be so contradictory as the statements of the Governments of India and China were, without either being wrong. The prospects did not become any brighter when on both the sides, it was the same groups of officials, who had been assisting their Governments in forming their opinions, were called upon take up that reexamination.

Too Much of Mutual Distrust

It is making too heavy a demand on their capacity for self-criticism to expect them to recant before an international audience. Not that the position would have been very much better, had a different set of personnel been selected, unless there was a corresponding change in the procedure followed. The boldness and dispassionate spirit with which officials can work in the secrecy of their own ministerial archives is difficult to maintain when they have to deal with a contentious subject under the challenging gaze of a foreign Government. Inevitably a spirit of contest and self-righteousness clouds the atmosphere, which militates against any effort at an objective assessment. On the other hand if the Governments so desired, they could have asked their officials to re-evaluate their materials and apprise them of the outcome of such re-assessment. The note thus prepared could then have been exchanged and examined by each other and perhaps at that stage, a joint siting of the officials of the two Governments could have been held to a greater advantage.

That such a procedure was not followed has proved particularly unfortunate. The reports that have come out are not such as could provide the basis for further discussions. The utterly unaccommodating and belligerent spirit in which the officials approached their task was reflected in the protracted controversy over the points that should form the agenda of discussions. Even on this procedural matter, two separate reports have been produced. The extreme regidity in the Chinese stand found expression even in the statements leading to the adoption of the agenda as summarised by the Chinese. The Chinese officials object that "It (the Indian side) advocated the discussion of only one question, namely where does the Sino-Indian boundary lie." This stand, according to the Chinese, was not justified. If the Chinese were unwilling to fix the agenda in such unexceptionably precise terms, one wonders why did they ever agree to a joint meeting of officials at all. Did the dispute not relate precisely to the exact location of the boundary line? Even when the wranglings over the points to be discussed were overcome, there arose a difference as to how they were to be discussed. The Indian side wanted that all evidence under all the three heads — (Basis in Treaties and Agreements; Basis in Traditions and Customs; and Basis in Administration and Jurisdiction — should be completed for one sector (the boundary was divided into three sectors—Western, Middle and Eastern) before proceeding to the consideration of another sector. To this, also, the Chinese objected.

This much from the long, long list of differences has an important bearing on the outcome of the joint parleys. There was too much of mutual distrust between the two sides to enable them to come to any agreement, even if they had sincerely wanted to, though there is room for doubt even on this point. One cannot pronounce a judgment on such contradictory evidence, particularly when one happens to be a

party to the dispute. Yet even the most dispassionate commentator would also find it a little difficult to understand the Chinese insistence on claiming on the one hand that the boundary between India and China had never been delimited and maintaining, on the other, almost at the same breath that whatever the Chinese were saying was the truth and nothing but the truth and that here could be no doubt about the Chinese alignments. According to the report of the Chinese officials, "The Chinese side pointed out that the unfortunate incidents and other unfortunate happenings which occurred in the past along the border could not be explained away by the lack of precise knowledge about the Chinese alignment by the Indian personnel." (*p.* CR-6) Again, according to them, "the occurrence of the border clashes or friction was mainly caused by the intentional pressing forward by armed Indian personnel in an attempt to change the *status quo* of the boundary." (*Ibid*) In other words, the Chinese did not care much for delimitation: Whether delimited or not the boundary as claimed by the Chinese must by difinition be the right one. That was the gist of the Chinese stand.

Defects in Maps

These impudent assertions about Indian aggressiveness can hardly be reconciled with the utter reluctance with which the Chinese had proceeded to discuss the alignments of the boundary. Apart from being impudent, the Chinese had resorted to practices which are hardly to be commended. The Indian officials' report mentions that in some cases "the translation and examination of the photostats supplied by the Chinese side showed that the passages cited by the Chinese in their statement and said to be taken from specified documents actually were not to be found in the full texts contained in the photostats" (p 260). As has been pointed out by the Indian officials, the Chinese have themselves recognised the defects of their own maps — formally in the case of the border between China and Burma. The formal delimitation of the China-Burma boundary in a recent treaty amounted to an unqualified admission that an area of about 25,000 square miles of Burmese territory had been earlier incorrectly shown in the official Chinese maps as parts of China.

THE INDIAN ECONOMIC JOURNAL

Vol. VIII January 1961 No. 3

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The Theory of Foreign Trade	Henry J. Bruton
Impact of Regional Variations in Foodgrains Production in Relation to its Regional Demand on Price-Level	O. P. Anand
The Development Banks	M. S. Joshi

II. *Notes*

III. *Reviews*

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The most shocking disclosure of Chinese bad faith was their reluctance to discuss questions pertaining to the boundary of Kashmir State of India west of the karakoram Pass and to the northern boundaries of Sikkim and Bhutan. The Chinese officials brazenly aver, "the western sector of the Sino-Indian boundary *as mutually understood by the two sides* starts from the Karakoram Pass eastwards." (Italics added. See page 11 of the first section of the report which has three sets of pagination). To foist such "mutual understanding" on India against the categorical assertion of India's sovereignty over these areas is another Chinese trickery. According to them, "in view of the present actual situation in Kashmir, it was also inappropriate for the two sides — China and India — to discuss the boundary west of the Karakoram Pass between China's Sinkiang and Kashmir." That has not, however, precluded China from starting negotiations with Pakistan, although the Soviet Union, China's proclaimed leader of the Socialist camp, has officially recognised that the entire area of Kashmir including the portion lying west of Karakoram Pass belongs to India. With the Chinese taking such an antagonistic attitude, there was little scope for agreement.

The submission or the publication of the report of the officials is no step forward in the direction of a resolution of the conflict. The secretive character of the regime in China does not allow much information to come out of that country, particularly when the Government is apprehensive of the repercussions of such disclosure on ideological or political grounds. Some observers had noted a lack of emphasis in the Chinese domestic propaganda on the border dispute. Yet later reports definitely indicate a change, and an activisation of anti-Indian propaganda, both at home and abroad. Apparently, a turn in the tide of public opinion elsewhere has shaken the self-confidence which the Chinese had had by virtue of their physical occupation of much of the territories concerned. This sudden activisation of the propaganda campaign against India may also imply a realization by the Chinese of the weakness of their stand.

Confidence Demonstrated

In the past, it was always the Indians who had protested against wrong Chinese maps with the Chinese Communists replying that they had been following old Kuomintang maps which they had no opportunity to revise. Never for once had the Chinese Communists considered it necessary to protest against any Indian map official or otherwise. Nor was it until late 1959 that the Chinese Government had stated that it viewed the entire length of the India-China boundary as undefined. By taking the initiative in bringing out the reports of the two teams of officials, the Government of India has at least demonstrated its confidence in the correctness of its own stand.

L I C Business in 1960

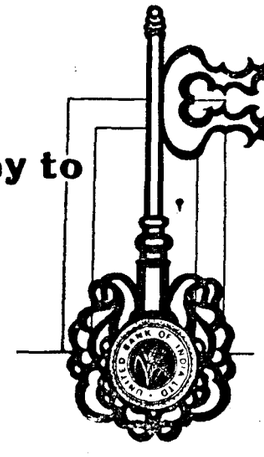
THE total amount of business completed by the Life Insurance Corporation during the calendar year 1960 is provisionally estimated at Rs 411.42 crores.

Zone-wise figures are :

Northern Zone	Rs	62.40	crores
Central Zone	Rs	57.27	crores
Eastern Zone	Rs	86.86	crores
Southern Zone	Rs	107.41	crores
Western Zone	Rs	97.48	crores

The total amount of business completed in foreign countries amounted to Rs 7.96 crores during 1960.

The Finance Minister, Shri Morarji Desai, gave these figures in the Lok Sabha. The final figures of completed business during 1960 will be available by the end of this month.



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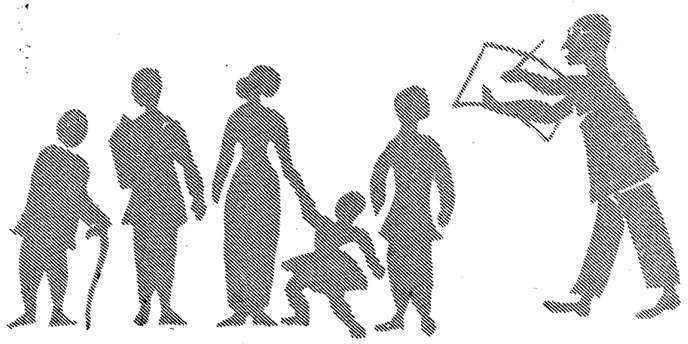
Bulsar Chemical Plant

A CONTRACT worth about £1,300,000 for the design and construction of a chemical plant in India has been placed with Humphrey & Glasgow Ltd of London, a firm of international contracting engineers. The plant is to be built at Bulsar, 120 miles from Bombay, as an extension to the existing chemical works of the Indian company, Atul Products Ltd.

British technicians will supervise the erection of the factory and British experts will come to India to supervise the initial operations, remaining on to train Indian staff. Nearly 50 per cent of the equipment and material for the factory is expected to be Indian-made. The remainder will be supplied from Britain. Design work is now in progress, and it is expected the factory will be operating in 1963. It will produce chemical products based on naphthalene for use in the preparation of dyestuffs. The manufacturing programme includes a range of 24 different products but these can be extended to meet other demands.

CENSUS 1961

10 February—5 March



Between these dates every person will be counted in our country, in cities or in the remote villages, in the hills or in forests, at sea or on shore.

The counting will start on 10 February and end at sunrise on 1 March. To make doubly sure that every one has been included in the Census, there will be a revisional count between 1 and 5 March. Make sure that the entire family is counted, from the oldest to the youngest.

The enumerator has a heavy responsibility. Please help him in his task.

All census information will be strictly confidential and fully protected.

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From the Chair

UNDER SECRETARY TO GOVERNMENT 2 - MAR 1961 PUBLIC DEPARTMENT

The Industrial Credit and Investment Corporation of India Limited

Speech 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, 163, Backbay Reclamation, Bombay 1, on Thursday, March 23, 1961, 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, 1960.

I have great pleasure in welcoming the Shareholders to the new premises of the Corporation, to which the Corporation's registered office was transferred in May, 1960, and in placing before them the sixth Annual Report of the Board of Directors of the Corporation for the year ended December 31, 1960.

2. In many ways, 1960 marked an important stage in the planned development of India. After the foreign exchange difficulties in 1957 and 1958, the country was able to consolidate its position in this sphere, thanks partly to the aid of friendly countries. Industrial production increased by about 15 per cent over the level reached in 1959—the result of completion of earlier efforts. Available reports indicate a favourable situation as regards agricultural production. Credit which appeared plentiful at the beginning of 1960, however, became subsequently scarce. Inflationary pressures in the economy have been largely contained. The situation has improved sufficiently to embolden Government to plan on a larger scale for the Third Plan period, an effort underpinned by the successful negotiation of a large and long-term agreement for the import of food grains and other agricultural commodities from the U S A.

Trends in Industrial Finance

3. Of more immediate interest to this Corporation were developments in the field of industrial finance. The upsurge in investment to whose beginning I had referred in the last year's statement, assumed much larger proportions during 1960. This upsurge was reflected in the capital market both in the number of new issues and in the heavy over-subscription of these issues of capital and the premiums quoted on new shares. A gratifying aspect of this trend was the widening of interest in industrial shares, as evidenced by the large number of applications made for the issues. I would also refer to the fact that the interest apparently was confined to variable dividend securities rather than to fixed interest bearing securities. Considerations of growth appear to have outweighed considerations of yield.

4. This phenomenon has, however, to be interpreted with some qualifications. It is likely that a part of the demand for the new issues was based on short-term considerations of quick capital appreciation, as frequently happens in a rising market. Moreover, with investors failing to secure required shares in one issue, it was often the same applicant and perhaps the same money chasing successive issues. Besides, as over-subscription became a common phenomenon, people may have tended to apply, even with borrowed funds, for larger amounts than their investment requirements, in order to ensure at least a part allocation on their application.

5. But even after allowing for stagging of new issues, double-counting of many applications and inflation of demand, it is possible to infer that there was a substantial increase in genuine investment demand for industrial securities. The upsurge has proved to be transient as the results of more recent issues indicate; nevertheless, the shift in investment habit, once acquired, is likely to have an enduring impact, although the intensity of its manifestation is bound to vary with market psychology and the general climate.

6. There are one or two aspects of this phenomenon which are of importance from the view-point of sound industrial development. There seems to be a strong demand for equity participation in industrial enterprises, more so where there is foreign collaboration. In this connection, I should like to welcome the recommendation of the Committee appointed by Government to invite, as an experiment, minority public participation in a few selected public sector companies. The success of this experiment, however, will depend upon the choice of issues, their timing and the care bestowed on details as well as adequate preparation for ensuring satisfactory public response. Unduly high expectations about public subscription to such issues should not be entertained in the initial stages; the benefits of this policy will be realised over a period of years.

7. In the private sector also, it is necessary that the present opportunity be used to improve the gearing of share capital. There are various factors which appear to favour an increasing resort to debt-financing in private industry. A smaller equity base considerably improves the profitability of a company. Very often, the amount of equity capital fixed is based not on the requirements of the project but on the financial resources of the entrepreneur, with the result that where an entrepreneur takes up a very large project and tries to retain controlling interest, he keeps the equity low and seeks to obtain the balance of the cost of the project by means of borrowing. Most finance institutions also cater to supplying loan capital rather than providing assistance in the form of underwriting of or subscribing to share capital. Finally, foreign exchange, because of its shortage, is available mostly by way of loan capital (except to the extent financial participation is forthcoming from foreign collaborators) instead of being purchased with rupees raised on the capital market, as was previously the case.

8. I cannot help feeling, however, that excessive reliance on loan obligations in the capital structure, particularly of new companies, has its risks which entrepreneurs are, in their optimism, prone to overlook. Such borrowings lead to an accumulation of interest charges in the early non-productive (construction) years

of a new enterprise, which can be avoided by raising equity. Moreover, while in prosperous times it may be apparently easy to service debt obligations, when the winds of competition blow, such enterprises would be hard put to meet their growing commitments. Further, the existence of debt obligations may reduce the capacity of a company to borrow in difficult times when borrowing alone may be possible and becomes unavoidable.

9. It would, therefore, be prudent for private industry to raise the required resources by way of share capital when circumstances permit. Times like the present should be used to strengthen the capital structure rather than to seek capital appreciation by keeping equity low. Financial institutions should have the necessary flexibility for providing assistance in this direction.

10. I am aware of the fact that there are different views on this subject. Undoubtedly, the capital structure appropriate for a company depends upon several factors such as the nature of its business, the magnitude of its requirements, the stability of its operations over a period of time, and the climate of the capital market. What I have tried to indicate are some of the considerations relevant to sound finance which should not be overlooked when we desire not merely rapid but also healthy industrial development.

Widening of the Financial Market

11. The investment market is being broadened by the expansion of the functions of finance institutions. Many commercial banks have started giving medium-term loans; the existence of the Refinance Corporation should further strengthen this development. Commercial banks have also entered the underwriting field. As regards finance for small industries, the benefit of the guarantee scheme operated by the Reserve Bank of India, available to commercial banks, has been extended to State Finance Corporations.

12. The widening of the financial market is also indicated by the growing practice of giving guarantees. Guarantees are now being given by one set of financial institutions to another: as, for example, by commercial banks on behalf of Indian borrowers to foreign financing agencies like the Export-Import Bank and the Development Loan Fund as well as to Indian financing agencies; or by finance institution on behalf of Indian purchasers to foreign suppliers of machinery as by the Industrial Finance Corporation for deferred payments.

13. ICICI's contribution to these developments has to be judged in relation to its resources: it is, therefore, more qualitative than quantitative. ICICI has always kept in view a broader objective, namely, to help foster the growth of a capital market in India. To this end, it has consistently tried to keep in touch with other finance institutions, to exchange information on matters of common interest and to take up joint underwriting and other financing operations. We have done joint financing also in respect of foreign exchange loans thereby augmenting the foreign exchange resources available to the country. We have done so in cases where we could have met all the requirements ourselves and although it was not necessary to invite other institutions to participate. We consider such operations to be also in the interest of ICICI in so far as they help to reduce risk by spreading it.

ICICI's Operations

14. ICICI's own operations during 1960 reflect some of the trends noted earlier. ICICI benefited from the upsurge in investment activity in the country, as shown by the total volume of assistance, Rs 13.43 crores, sanctioned by it. A large proportion of this assistance was in the form of foreign exchange loans since, with the acute scarcity of foreign exchange, ICICI became an important source of foreign exchange for industry. At the same time, as a result of its policy of limiting its stake in any one unit (which, in view of foreign exchange shortage, often took the form of foreign exchange loans) and because of the buoyancy of the share market (which reduced the need for underwriting and encouraged other finance institutions to take up such business as became available), ICICI's own rupee operations, although higher than during 1959, tended to grow less rapidly. With indications of hardening money conditions and a slackening of demand for shares, ICICI's rupee operations during 1961 may well rise further.

15. The amount of gross assistance sanctioned by ICICI during 1960, as already mentioned, was Rs 13.43 crores to 44 companies, consisting of rupee assistance of Rs 5.81 crores and foreign exchange assistance of Rs 7.62 crores. Of this, an amount of Rs 11.21 crores was sanctioned to 39 companies for new projects. A finance institution is a catalyst in the sense that it helps bring into being investment much larger than the amount of its own assistance. For example, the total amount of investment in the new projects of the 39 companies assisted by ICICI in 1960 would be Rs 55.22 crores (of which Rs 43.69 crores would be for fixed assets) — almost five times the figure of ICICI assistance. The foreign exchange component of the fixed investment of Rs 43.69 crores was Rs 17.84 crores, of which ICICI provided about 40 per cent; the balance of the foreign exchange requirements was met from Government releases of foreign exchange to the companies concerned, participation by foreign collaborators and deferred payment terms given by suppliers. The turnover of these projects when completed is estimated to amount to about Rs 39 crores.

16. The companies financed this total fixed investment of Rs 43.69 crores by raising ordinary share capital of Rs 18.75 crores, preference share capital of Rs 2.15 crores and long-term loans of Rs 21.22 crores; working capital requirements of Rs 11.53 crores were more than fully covered by bank credit and internal cash accruals of Rs 13.10 crores. I would like to add that the larger reliance on long-term loans in these cases was partly due to the fact that a substantial part of the requirements was in foreign exchange which, except in the case of cash licences or foreign participation, can be obtained only by way of loans; besides, old companies can more safely go in for preference shares or loan commitments than new companies.

New Loans to ICICI

17. With the increasing tempo of ICICI's operations, it was found necessary to augment our resources, particularly of foreign exchange. The Second Loan from the World Bank was fully committed during 1960, much earlier than originally anticipated. I am glad to report that during the last year ICICI obtained a further foreign exchange loan of U S $ 20 million from the World Bank. This is the third and the largest foreign exchange loan obtained by ICICI, the first two being of U S $ 10 million each. We are grateful to the World Bank for its increasing confidence in this Corporation. I would take this opportunity to thank the distinguished President and the staff of the World Bank for their understanding and co-operation. We are also obliged to the Government of India for its helpful attitude, and particularly for its guarantee to the World Bank in regard to the Third Loan.

18. ICICI has also successfully negotiated during the year a loan of $ 5 million from the Development Loan Fund of the United States Government. Some formalities remain to be completed in regard to this loan, and it is hoped the agreement would be signed at an early date. I take this opportunity to thank the officials of the Development Loan Fund for this loan and for the interest they have evinced in the activities of this Corporation.

Working Results

19. Reflecting the rising tempo of operations, the Corporation's profits before tax increased from Rs 50.66 lacs in 1959 to Rs 62.60 lacs in 1960. After providing for tax (Rs 26.94 lacs), the balance carried to revenue appropriation account is Rs 35.66 lacs in 1960 against Rs 28.23 lacs in 1959. As required by Clause 163 of the Corporation's Articles of Association, we have set aside Rs 9 lacs out of this to the General Reserve; we have also transferred the entire amount of realised profit on investment, being a sum of Rs 24.87 lacs (net), to Capital Reserve.

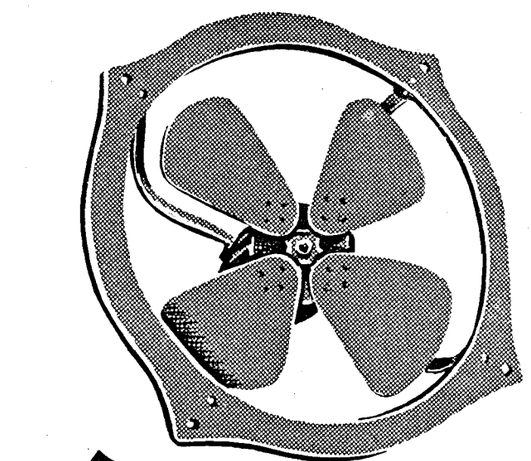
20. The directors recommend a devidend at the rate of 5.75 per cent. After deduction of tax at source, this leaves in the hands of shareholders an amount slightly above 4 per cent. Thus we have been able to restore to the shareholders the cut in dividend necessitated by the change in the system of company taxation. We have represented to the Government that the present tax system bears heavily on finance institutions of which there are about twenty at present, which do not benefit from the various tax incentives like development rebate and tax holiday made available to manufacturing concerns. It would therefore be equitable to extend to these institutions tax concessions as has been done in some countries. In view of the need to encourage the saving and investment habit in the country and in recognition of the catalytic impact of finance institutions on industrial development, I trust the Government will see its way to extending these reliefs to finance institutions.

General

21. I should finally like to refer to two matters of general interest to investors, in which ICICI played an important role. A legislative measure of considerable importance to the investor — the Preference Shares (Regulation of Dividends) Act 1960 —was enacted during the year under review. While the Bill was under discussion, your Corporation, as a matter of public service, jointly with other institutions, made representations to the Finance Minister as also to the Select Committee. The Government has seen its way to grant some relief to shareholders as a result of these efforts.

22. I had referred last year to the proposal to form an Investment Centre. I am glad to report that the Indian Investment Centre has now been set up in New Delhi. ICICI has played a prominent part in its establishment. The Government has chosen five Members of the Governing Body of the Centre from among the Directors of ICICI; I have the honour to be the first Chairman of this body. I have every hope that, as a result of the Centre's activities, the flow of foreign investment to India will increase.

23. The staff have carried out their duties loyally and efficiently. I take this opportunity to thank them for their valuable services.



The Scindia Steam Navigation Co Ltd

Speech of the Chairman, Shri Dharamsey M Khatau

THE following is the Speech of Shri Dharamsey M. Khatau, Chairman, The Scindia Steam Navigation Co., Ltd., delivered at the 41st Annual General Meeting of the Shareholders of the Company held on February 22, 1961 :

In his address to the shareholders of the Scindia Steam Navigation Co., Ltd., at the 41st Annual General Meeting, Shri Dharamsey M. Khatau, Chairman of the company, referred to the performance of the Company during the year ended 30th June, 1960 that while the cargo carried was higher by over two lakh tons and the freight earnings were higher by over Rs. 1.75 crores, as compared to the previous year, there was a fall in the net earnings due to the low level of freight rates and increased expenditure directly attributable to the increased calls made at different ports, charter hire and direct expenses by way of stevedoring, marine and canal dues. Excluding the provision for special depreciation amounting to Rs 101 lakhs and not taking into account the surplus on sale of assets of Rs. 6.74 lakhs, the working of the Company showed a profit of Rs. 74.53 lakhs which, under the depressed conditions in the shipping industry the world over, could not be regarded as unsatisfactory.

The Dividend proposed is 60 nP. per share, subject to deduction of tax, to be paid out of the General Reserve.

Depression in Shipping

The low level of freight rates in the overseas trades, the Chairman remarked, was due to severe impact of general depression in shipping, continued low level of tramp rates and the increased competition by tramp and liner vessels which called at Indian ports en route while engaged in international trades not directly connected with India. There was also the competition offered by tonnage bringing foodgrains and fertilizers to Indian ports which could offer to carry cargoes on the way back without regard to economic rates of freight. Shri Khatau, confirming the recent arrangements between different Liner Companies engaged in the India/U.K.—Continent trades, referred to the discussions between the Scindia Company, India Steamships and the other Conference colleagues and observed that the shipping services have been reappraised in the light of modern developments and measures aimed at co-ordinating the services of the Member Lines taken to ensure the best utilisation of ships employed and to provide optimum coverage for loading/discharging ports. This he added was a scheme of rationalisation no different from what is normally followed in any other well-organised group of industries and was meant to give a more satisfactory and efficient service.

Referring to the criticism levelled against the efforts made by underdeveloped countries in the matter of expanding their national shipping, by the General Council of British Shipping recently, Shri Khatau said it was unfair to foist the responsibility for the present day difficulties experienced by shipping the world over on countries like India. Shri Khatau stated that the difficulties presently experienced by shipping in the international field had been brought about by over-acquisition and over-building of tonnage year by year by traditional maritime nations who should have had a better appraisal of the situation and should have taken precautions to adjust their tonnage from year to year to the world trade requirements. He instanced an increase in tonnage by some of the countries as under.

In commenting on the future trend, Shri Khatau referred to the decrease in the world laid-up tonnage from 8.7 million G.R.T. in October 1959 to 3.3 million G.R.T. in January 1961, but observed that the rates of freight had however not registered any increase to justify an inference that the imbalance between world tonnage and world trade had been sufficiently adjusted.

Dealing with the coastal and adjacent trades Shri Khatau referred to the diversion of salt and coal cargoes by rail, delays to coastal shipping both at loading and discharging ports owing to slow despatch consequent upon the inefficiency of unloading operations and lack of wagons. These factors coupled with restricted loading due to unsatisfactory drafts in the Hooghly River meant a considerable wastage of shipping tonnage employed on the coast. These problems, he said, had been placed before the National Shipping Board and also before the Neogy Committee. He urged the need for a proper co-ordination of all modes of transport and an early solution of the difficulties which the coastal shipping had to face.

Referring to the tonnage programme, Shri Khatau said, that efforts had been made to improve the efficiency and competitiveness of the Company's services by adding new and recently built vessels to the fleet.

Tonnage as at 1st July Each Year :

(in millions of G.R.T.)

	1948	1955	1958	1959	1960
WORLD TOTAL	80.3	100.6	118.0	124.9	129.8
Of Which					
U. K. & Northern Ireland	18.0	19.3	20.3	20.8	21.1
U.S.A.	26.9	23.9	23.1	22.8	22.3
Countries of Europe other than Scandinavia & U.K.	8.1	14.7	18.5	19.6	20.1
Scandinavian countries	7.3	11.7	14.7	16.3	17.2
Greece	1.3	1.2	1.6	2.1	4.5
Liberia	—	3.9	10.1	11.9	11.3
Panama	2.7	3.9	4.4	4.6	4.2
Japan	1.0	3.7	5.5	6.3	6.9

War Risk Insurance

Shri Khatau stressed the urgent need for establishment of War Risk Insurance Scheme by the Government of India by which it would be possible to save foreign exchange presently spent abroad. He pleaded for an early adoption of the proposals before the government. Shri Khatau referred to the increasing cost of building new tonnage and rise in the cost of operations and pleaded for a suitable policy in the matter of economic rates of freight for shipping either employed in the coastal or international trades. He said, in making this plea the shipowners asked for nothing more than what was conceded to every shore industry of importance. Shri Khatau further emphasised the need to bring about the expansion of Indian tonnage on a planned basis so as to ensure maximum utilisation of the available tonnage and to avoid wasteful and unhealthy competition between Indian Lines and with this end in view, he pleaded that further licensing of vessels should be only for routes either new or not adequately covered by Indian Lines presently. In referring to the operations of the subsidiary companies Shri Khatau stated that B S N (1953) Pr. Ltd., which operated on the Konkan coast had made a further loss of Rs 6.95 lakhs, which brought the cumulative loss to Rs 28.63 lakhs. He hoped that the Government of India will arrive at an early decision on the report recently submitted by the Konkan Shipping Services Committee. The Scindia Workshop Pr. Ltd., showed a small net profit of Rs 1,673. Shri Khatau referred to the acquisition of one of the Ship Repair Firms in Bombay by the Government and urged that there should be no change in the usual practice of the Government Shipping Corporations to invite tenders from all the workshops for ship repair work and to entrust to the lowest tenderer as hitherto, thus ensuring that the Corporations enjoyed the benefit of economic repair costs. Operation of the Jalamath Insurance Ltd., he observed, had brought an increase in insurance premium by about Rs 1.88 lakhs and added that effective from 1st January 1961 the Company had been able to enter into reciprocal treaty arrangements in the U K — Continent and Far Eastern Countries which would benefit the Company further.

In conclusion Shri Khatau thanked Dr. Subbaroyan, the Minister for Transport, Shri Raj Bahadurji, Minister of State for Shipping, the Secretary to the Ministry of the Transport and the Director General of Shipping and his Officers for their efforts in furthering the cause of Indian Shipping. He further thanked all the Company's patrons, shipppers and consignees at home and abroad and looked forward to their increased support to the Company's services.

Economic Prospects for Britain

SPEAKING of British economic prospects, the Chancellor of the Exchequer, Mr Selwyn Lloyd, told the House of Commons on February 6 that it looked as if the year 1961 would be a better one than 1960, but there was a long way to go before the balance of payments was satisfactory.

The level of economic activity in Britain was very high, the Chancellor said. There were 42,000 fewer people unemployed last month than in January 1960. Real earnings went up 5 per cent. between October 1959 and October 1960. Personal savings were estimated at 9 per cent. in the first part of 1960 compared with 2 per cent. in 1950. Consumer expenditure, in real terms, was the highest ever, and "we are undertaking vast programmes in the social service field".

Mr Selwyn Lloyd said that "net investment overseas has been £2,000 million over the last nine years. Sterling has remained strong throughout 1960, which was a year of considerable international difficulty. We have been able to maintain the system of freely moving trade and payments which is the cornerstone of our policies".

In manufacturing industry, investment had gone up during 1960 by 24 per cent, and for 1961 it was estimated it would go up by a further 30 per cent. The Government would do everything possible, appropriate and reasonable to help exporters in the task they had to attempt to fulfil. Certain practical measures had been taken to help the exporters.

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Campany Notes

Voltas

SALES of Voltas during the year ended August 31, 1961 went up by 16 per cent to nearly Rs 20 crores. Gross profit margin on them was maintained at 7 per cent. Net profits have gone up even more impressively by 35 per cent to Rs 62 lakhs but this figure includes nearly Rs 12 lakhs received by way of compensation insurance for fire damage. The net earnings represent 11 per cent on capital invested, 20 per cent on net worth and Rs 24 per equity share of Rs 100. Dividend has been maintained at Rs 13. Out of the net profit, Rs 33 lakhs has been distributed and Rs 29 lakhs retained.

Despite foreign exchange restrictions, the volume of imports handled by the company during the year at Rs 13 crores showed a small improvement because the bulk of them was comprised of essential machinery, and the company's knowledge of import license formalities enabled it to give excellent service to clients. Locally manufactured goods, nevertheless, accounted for more than one-third of sales turnover. Sales of goods produced by the company itself and its associates amounted to nearly Rs 4 crores. In addition to the company's own manufacturing programme, negotiations are in hand for joint ventures with various Principals, some of which, if successful, will be located on the company's newly acquired lands at Thana, near Bombay.

According to the statement of the chairman, Shri J D Choksi, circulated along with the Directors' report, negotiations for the manufacture, among other things, of mining machinery are being actively pursued. It is proposed to establish a new enterprise for the manufacture of Carrier air-conditioning machinery and equipment in collaboration with Tatas, J Stone and Carrier.

Bhopal Sugar

DESPITE a fall in *net* sales from Rs 71 lakhs to Rs 37 lakhs, Bhopal Sugar has been able to increase its gross profit margin from 20 to 35 per cent and maintain its net profit at Rs 7 lakhs. The latter represents 15 per cent on capital invested and net worth, and Rs 3.43 per equity share of Rs 10. Distribution is Rs 2.25 and together with the dividend on preference shares absorbs Rs 5 lakhs.

The directors attribute the decline in sales to adverse weather conditions and lower average yield on farms which led to a shorter crushing season. The inability of Government nominees to lift sugar at controlled rates has resulted in practical trebling of sugar stocks, and has also exposed the company to competition from producers in U P and Bihar.

Government approval has been secured for expansion of crushing capacity from 750 to 1250 tons. Machinery for the first phase of expansion has already been installed.

Export Risks Insurance

IN the third year of its working, the Export Risks Insurance Corporation, a Government of India concern, issued 324 policies with a maximum liability of Rs 8.14 crores against 243 policies with a maximum liability of Rs 7.87 crores in 1959. Forty per cent of the policies issued were those for which maximum liability was Rs 50,000 or less. Shipments, Contracts and Credits insured during the year amounted to Rs 6.96 crores against Rs 5.88 crores in 1959.

Exports insured were of 69 commodities sent to 109 countries and amounted to about 1.1 per cent of total exports in 1959 and 3.5 per cent of estimated insurable exports. In the case of 18 countries, insured exports ranged from about 5 to 25 per cent of the total exports to those countries.

Policies issued by the Corporation are treated as additional security by banks. Ninety-four policyholders obtained finance facilities in respect of shipments of the value of Rs 2.37 crores by authorising the Corporation to reimburse the financing bank in the event of a claim.

Sixty-four insured exporters increased their exports after insurance. Of these 21 exporters increased their exports from 25 to 100 per cent, 10 from 101 to 399 per cent and 20 from 400 to over 1000 per cent.

The Corporation has decided to cover risks involved in packing credits given by banks to exporters to purchase and/or manufacture goods for exports.

Metallised Paper Project

A new company will shortly be formed for establishing a continuous process plant for vacuum metallising of paper. The promoters are Shri Arvind N Kilachand and Shri M C Chhatrapati. This process patented in Germany, is of very recent origin and involves a deposition by evaporation of highly lustrous coating of metal. Both aluminium and paper, the raw materials required for this project, are readily available within the country.

Liners Combine

THE difficulties of the shipping industry have not ended, though world laid-up tonnage has declined from 8.7 mn G R T in October 1959 to 3.3 mn G R T in January this year. This decline, according to Shri Dharamsey Khatau, Chairman of Scindia Steam, has not been accompanied by an improvement in freight rates. Consequently, Indian shipping companies continue to have a clean time, in spite of larger tonnage and greater cargo lifted. To safeguard their position, the Liner companies operating on the India-U K-Continent route which are members of the Karmahom Conference have "reappraised" their shipping services "in the light of modern developments and taken measures to ensure the best utilisation of ships employed and to provide optimum coverage for loading/discharging ports. This (is) a scheme of rationalisation no different from what is normally followed in any other well-organised group of industries."

This measure is expected to protect the liner companies against competition offered by tramps and other liners which call at Indian ports en route while engaged in international trade not directly connected with India. It might also offer some degree of protection against the potential competition of ships which after unloading foodgrains and fertilisers at Indian ports may offer to carry cargo back without regard to economic rates of freight.

Indian shipping companies do not even have the consolation of making up on the coastal trade, for that is even less profitable than overseas trade. Shri Khatau has in this connection again drawn attention to the diversion of salt and coal cargoes by rail, delays at ports, and the unsatisfactory draft of the Hooghly, all of which result in considerable wastage of tonnage on the coastal trade. He has also once again stressed the need for the establishment of a War Risks Insurance Scheme in India which would save foreign exchange presently spent abroad.

Around Bombay Markets

Dalal Street Is Buoyant

Thursday, Morning

DALAL STREET pushed its way further up last week. Equities recorded fair gains all-round. The performance of cash shares was no less impressive than that of the speculators' favourities. There was an appreciable increase in inquiries for cash shares, old as well as new. Bombay Oxygen and Permanent Magnet which were available at a premium of Rs 4.50 and Rs 6 respectively about a fortnight ago were eagerly sought at premiums ranging between Rs 12 and Rs 13.

Seldom indeed has the stock market displayed so much buoyancy so very close to the Central Budget. The market's optimism stems from the pattern disclosed by the State budgets. Bihar, West Bengal and Andhra have not cared to impose any additional taxes in the first year of the third Plan which calls for a massive investment outlay. And the Maharashtra Government is content with a tax effort yielding only Rs 1 crore against the Plan target of Rs 52 crores. The view is widely shared that the Centre too would like to wait till after the general elections for the major tax effort needed to put through the ambitious Plan. The stock market's confidence in Shri Morarji Desai may not prove misplaced. And if the Central Budget does not contain any untoward measures, the stock market can look forward to a period of prosperity ahead.

While it is the optimism about the Budget which is largely responsible for the recent buoyancy on the stock exchange, other factors too have helped sentiment. Cement shares responded to the Government's decision to fix the selling prices of cement on an unpacked basis with effect from Feb. 20. Cotton Mill shares firmed up on encouraging reports of cloth off-take and the marked decline in stocks with mills. The January-end figure of 371,400 bales is 40,100 bales less than at the end of the previous month. Stocks of yarn too are substantially down. Both industry and the trade expect a further decline in stocks. Meanwhile efforts are being made to step up cloth production.

Steel Prices

The prolonged uncertainty about the quantum of increase in the steel retention prices has also been ended, the price having been increased by about Rs 45 per ton with effect from April 1, 1960. Though no official announcement has been made to this effect, the information is contained in an official volume giving details of the supplementary demands for grants for expenditure of the Central Government in 1960-61. On an estimated production of 12 lakh tons by Tatas and nearly 6 lakh tons by the Indian Iron and Steel Company, Tatas and HSCO should gain about Rs 5.4 crores and Rs 2.70 crores respectively. Of course the increase in retention prices is allowed to offset the rise in production costs, which are beyond the control of the producers. Tata Steel and Indian Iron which were quoted at around Rs 149 and Rs 25 respectively on Wednesday morning were bid up to Rs 150.50 and Rs 25.35 in kerb dealings in the evening. The increase in retention should impart strength to Steel shares, which have long been neglected by investors and bulls.

The stock market is in very good temper. Technical considerations and the Budget uncertainty may cause a setback due to precautionary bull liquidation. But prospects of any important decline can be discounted unless of course the market's optimism about the Budget is belied.

Cotton

A Technical Rally

COTTON futures (April contract) which had been sold down to Rs 554 per 3 quintals on February 14 moved irregularly up to Rs 566.50 by February 22. The market had been declining for long and the fall had been heavy. A technical correction was overdue and it came last week. How far this recovery might go, is difficult to say. But the market would seem to be considerably oversold. While the recent rally is essentially technical — a correction of the preceding steep decline – sentiment last week was helped by reports that the Indian mills have been given an extra quota of 90,000 bales of indigenous cotton to enable them to raise cloth production. Reports from the cotton piecegoods market were also encouraging. With off-take continuing to be good, stocks of cloth with mills at the end of January totalled 371,400 bales against 411,500 bales at the end of December. Stocks of yarn declined from 52,700 bales from 43,100 bales.

The spot cotton market was also distinctly steadier. In view of the continued good flow of arrivals mills showed little anxiety to make large purchases. Even so the turnover was moderate. Sellers appeared somewhat reserved at lower levels. While 1960-61 crop is estimated at between 52 lakh and 53 lakh bales, the trade reports considerable damage to the quality of Vijay and Kalyan crops. With the subnormal quality outturn of the Gujarat crops and the rather mixed accounts about the Laxmi crop in the South, the supply position, quality-wise, has undergone a marked change. No longer will there be such an ample supply of cottons in the 29/32" to 15/16" range, while cotton suitable for lower counts will be less scarce than previously anticipated.

Consumption

The consumption of indigenous cotton is picking up with the improvement in supply. Mill consumption in December at 3.52 lakh bales was 35,000 bales more than in November and 59,000 bales more than in October. The December figure brings total consumption in the first 4 months of the season (September to December) to 12.76 lakh bales, which, however, is nearly 3 lakh bales less than in the corresponding period last season. It was after December 1960 that indigenous cotton had to be rationed because of the partial failure of the crop. While the consumption of Indian cotton is gradually picking up, the consumption of foreign cotton is declining. The figure for December is 1.07 lakh bales against 1.18 lakh bales in November and 1.23 lakh bales in October.

The ceiling for the 28,500-bale quota, which had been earmarked under the first-come-first-served category, out of the total quota of 50,000 bales of Bengal Deshi was reached within two days of the quota announcement. The procedure for the allocation of quotas has evoked con-

CURRENT STATISTICS

BANKING RETURNS (Rs Crores)

Reserve Bank	Latest Week‡	Week Ago	Month Ago	Year Ago
1. Note Circulation	1940.66	1948.81	1914.87	1806.55
2. Rupee Coin	121.31	120.94	124.17	126.55
3. Deposits				
(a) Central Govt	72.77	59.86	50.11	50.75
(b) Other Govts	21.30	21.85	31.93	26.47
(c) Banks	71.39	70.44	76.71	75.59
(d) Others	91.88	92.28	93.69	108.52
4. Foreign Securities	128.01	128.01	128.01	163.01
5. Balances abroad	29.55	24.47	19.42	39.84
6. Rupee Securities	1592.28	1592.28	1562.04	1417.29
7. Investments	142.86	130.84	152.45	202.80
8. Loans and advances to Govts	37.71	39.22	40.59	24.63
9. Other Loans and Advances	150.70	157.03	138.46	121.23
Scheduled Banks				
1. Liabilities:				
2. Demand (net)	687.40	692.38	684.19	725.54*
3. Time (net)	1052.45	1049.13	1058.42	1123.73*
4. Total	1739.85	1741.51	1742.61	1849.27
5. Cash in hand	44.83	45.77	43.03	44.34
6. Balances with Reserve Bank	69.77	74.05	77.95	76.48
7. (5) + (6) as % of (4)	6.33	6.61	6.68	6.53
8. Borrowings from Reserve Bank	61.40	58.72	53.06	49.33
of which Usance Bills	24.26	22.35	14.59	4.84
9. Advances	1061.07	1047.78	1027.62	889.21
of which State Bank's	244.66	235.51	230.31	172.25
10. Bills Discounted:				
(a) Inland	133.26	129.99	120.18	113.01
(b) Foreign	47.69	47.96	48.10	46.85
(c) Total	180.95	177.95	168.28	159.86
of which State Bank's	17.58	17.52	17.49	17.14
11. Bank Credit (9+10c)	1241.68	1225.73	1195.90	1049.07
as % of (4)	68.59	67.63	66.01	56.73
12. Invest in Govt Sec.	597.13	605.97	625.01	759.43
of which State Bank's	260.91	269.01	287.00	369.28
as % of (4)	32.98	33.44	34.50	41.07
13. (12) as % of (4)	210.15	240.93	202.70	187.40
Cheque Clearance				

‡For Reserve Bank week ended 17-2-61. For Scheduled Banks and Cheque Clearance week ended 10-2-'61.
* Includes deposits of banks and others.

Bombay Money Rates (% per annum)

(Selected Scheduled Banks other than State Bank)

Call Money	10-2-61	Week Ago	Month Ago	Year Ago
From Banks	5.25	5.25	5.19	3.50
Deposits:				
Seven Days	—	2.00	2.00	3.37
Three Months	3.50	3.50	3.50	3.50
Six Months	3.50	3.50	3.50	3.50

Bombay Bullion (Rs and nP)

	24-2-'61	Week Ago	Month Ago	Year Ago
Gold (per ten grams)				
Spot	121.20	122.10	121.10	112.98
Forward	121.30	122.20	120.95	112.23
Silver (per kilogram)				
Spot	205.90	207.40	207.55	174.90
Forward	205.70	208.35	208.05	186.63

JUTE

Production, Stock and Despatch of Gunnies

(in 000 metric tons)

Production	Dec '60	Nov '60	Oct '60	July 1959–June 1960 (Season)
Hessian	33.8	32.5	33.6	456.5
Sacking	50.0	48.0	45.9	539.3
Others	8.3	6.8	6.4	95.7
Total	92.1	87.3	85.9	1091.5
	(95.1)	(89.4)	(89.3)	(1057.1)
Equivalent Jute consumption in lakh bales	5.34	5.02	5.03	62.91
	(5.51)	(5.27)	(5.12)	(60.23)
Stocks				
Hessian	29.7	30.6	30.9	35.8
Sacking	41.9	43.9	40.1	37.1
Others	10.0	9.0	8.6	10.5
Total	81.6	83.5	79.6	83.4
	(22.4)	(27.0)	(29.5)	(96.9)
Despatches*				
Hessian	35.5	33.0	32.8	445.7
Sacking	51.4	43.7	45.9	563.0
Others	6.5	5.7	6.2	90.5
Total	93.4	87.3	85.9	1099.2
	(100.6)	(96.2)	(96.1)	(1092.1)

I J M A Purchases of Raw Jute

(in 000 bales)

From India	25	4	37	600
	(163)	(58)	(10)	(151)
From Pakistan	478	485	258	5391
	(461)	(688)	(682)	(6456)

Notes: Figures in brackets are those for the corresponding month of the previous year or the total for the previous season.
*Includes despatch for exports and internal consumption.

Source: Monthly Summary of Jute and Gunny Statistics. Indian Jute Mills Association, Calcutta.

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

	Monthly Average Jan 1961	Dec 1960	Nov 1960	Jan 1960
ood Articles	116.4	117.0	120.2	117.5
Cereals	99.0	100.4	103.5	101.7
Pulses	94.9	93.6	94.2	91.9
Fruits & Vegetables	105.9	104.4	111.2	109.6
Milk & Ghee	109.5	111.1	113.0	106.8
Edible oils	159.6	154.0	153.1	131.1
Fish, Eggs & Meat	124.7	125.0	124.3	114.4
Sugar & Gur	122.4	126.6	135.6	144.1
Others	168.1	170.0	175.3	184.2
uor and Tobacco	111.2	112.1	116.8	100.9
Tobacco	109.8	110.8	115.8	99.5
el, Power, Light & Lubricants	120.2	120.3	120.1	116.8
dustrial Raw Materials :	154.6	149.5	148.0	130.9
Fibres	166.0	157.0	159.1	126.5
Oilseeds	158.7	153.5	149.3	136.0
Minerals	95.5	97.7	98.1	95.2
Others	129.1	131.3	127.7	132.2
nufactures	127.6	126.0	125.6	116.0
Intermediate Products	133.9	132.3	131.6	121.6
Finished Products	126.6	125.0	124.7	115.1
Textiles	131.4	129.2	128.8	114.2
Cotton	127.6	129.3	129.1	123.4
Jute	154.9	142.6	141.7	96.4
Woollen	110.1	110.1	110.1	104.2
Silk & Rayon	103.8	101.8	101.8	104.9
Metal Products	146.8	146.8	146.8	145.2
Chemicals	104.2	103.7	104.3	106.8
Oil cakes	150.8	146.8	112.5	146.2
Machinery & Transport Equipment	112.6	112.1	112.1	106.4
Others	116.6	116.4	116.5	112.4
l Commodities	125.6	124.6	126.0	118.8

FOREIGN TRADE

(Merchandise Value, Rs lakhs)

Year/Month	Imports	Exports*	Balance of Trade +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 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	— 21,63
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	73,01	58,62	— 14,39
Nov	77,93	60,48	— 17,45
Dec	69,74	69,57	— 17
1960 Jan	62,68	52,06	— 10,62
Feb	69,12	49,81	— 19,31
Mar	75,61	53,41	— 22,20
April	82,27	48,74	— 33,53
May	82,89	50,64	— 32,25
June	84,53	48,94	— 35,59
July	73,70	48,54	— 25,16
Aug	82,45	57,07	— 25,38
Sept	75,28	52,51	— 22,77
Oct	72,91	55,54	— 17,37
Nov	68,71	62,00	— 6,71
Dec.	75,55	69,96	— 5,59

*Including Re-exports

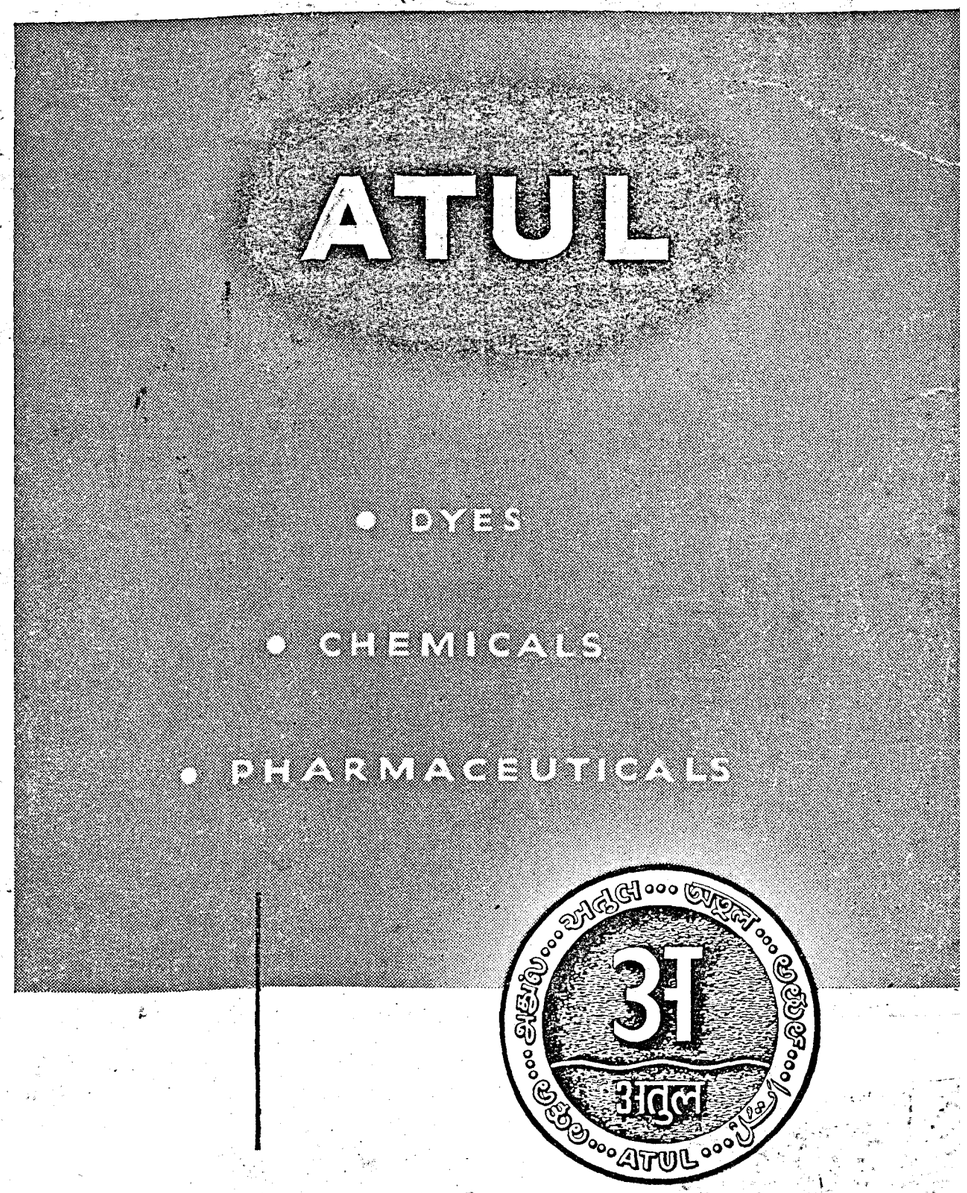
Source : D C I S, Calcutta.

WAGON LOADING (IN TERMS OF 4-WHEELERS)

1960 (000)

Broad Gauge:	November	October	September	August	July	November 1959	Monthly 1959	Average 1958
Revenue Earning Traffic:	463.6	444.6	408.4	406.5	361.4	412.3	418.1	390.8
of which								
Coal & Coke	124.1	123.6	113.2	111.1	88.1	100.4	99.6	90.0
Grain & Pulses	31.6	33.7	35.1	34.7	41.8	36.1	39.0	37.1
Oilseeds	5.7	3.4	3.4	3.5	4.0	5.1	5.2	5.2
Cotton (raw)	2.2	1.4	0.8	1.6	1.9	2.2	2.6	2.8
Cotton (Mfd)	1.1	1.1	1.2	1.1	1.1	1.1	1.3	1.3
Jute (raw)	6.7	7.5	4.8	2.5	0.9	9.6	5.8	6.2
Sugar	4.0	3.8	4.5	5.1	4.1	3.5	4.5	4.5
Cement	19.1	18.7	15.5	16.5	14.7	18.2	17.4	14.7
Iron & Steel	25.8	25.6	24.4	26.0	17.9	23.2	23.0	20.7
Tea	2.0	1.6	1.0	1.8	1.3	1.4	1.2	1.0
Manganese Ore & Iron Ore	44.0	44.2	38.5	39.8	39.3	33.0	34.8	23.9
Non-revenue Traffic:	73.4	74.3	75.6	80.4	82.4	67.0	73.9	70.0
of which								
Coal for Rlys & Mfg Units	58.8	59.7	60.8	62.0	69.6	52.1	56.4	53.0
Metre Gauge:								
Revenue Earning Traffic:	270.0	243.6	226.8	237.2	211.3	253.8	256.0	234.9
of which								
Coal & Coke	22.9	23.0	19.2	21.1	15.6	21.8	19.8	23.3
Grains & Pulses	26.6	30.6	28.2	34.1	39.3	32.9	33.8	33.8
Oilseeds	6.6	3.7	3.9	4.0	5.0	6.4	6.2	6.8
Cotton (raw)	1.4	1.0	0.7	1.2	1.8	1.0	1.9	2.1
Cotton (mfd)	0.3	0.2	0.2	0.2	0.2	0.3	0.4	0.5
Jute (raw)	7.0	7.8	8.0	4.8	1.1	6.6	6.3	6.0
Sugar	5.4	5.0	6.0	6.0	6.0	4.8	5.8	6.2
Cement	15.3	15.4	14.9	16.1	13.3	13.8	14.4	10.8
Iron & Steel	5.1	5.5	5.3	5.4	4.1	4.4	4.4	4.3
Tea	3.4	3.1	2.6	3.0	1.7	3.1	1.9	1.6
Manganese Ore & Iron Ore	10.3	7.2	8.8	7.2	7.2	8.3	7.5	6.1
Non-Revenue Traffic	37.0	32.6	37.1	36.4	36.3	29.4	34.4	30.5
of which								
Coal for Rlys & Mfg Units	25.4	21.4	22.3	23.1	23.5	20.0	22.3	20.5

Source : Ministry of Railways



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Boldness, No Discretion

THE Finance Minister has shown courage and a rare sense of duty in addressing himself to the task of raising resources and made a good beginning for the Third Five-Year Plan. His counterparts in the State Governments who had to undertake the same task have shied from it and behaved so irresponsibly — the Railway Minister at the Centre could easily be bracketed with them, too — that Shri Morarji stands out in contrast and deserves congratulations even from those who might have set their sights much higher than he has done. Every year that passes makes the task more difficult. For a given target can be achieved at a lower rate of tax, the earlier the tax is imposed in the Plan period, and Morarji has silenced his critics by presenting proposals for additional taxation in a pre-election year. True, the Centre is in some ways high above and is not subject to the same extent as are the State Governments to local pressure but, even so, it is to his credit, undoubtedly, that he has made a good beginning.

The Centre has to raise Rs 1,100 crores over the five years of the Third Plan and the tax proposals that the Finance Minister has put forward in the first year are expected to bring in Rs 63 crores.

At this rate, additional taxation by the Central Government may be expected to amount to Rs 315 crores or so over the five years, that is, roughly 30 per cent of the target set for the Plan period. The State Finance Ministers, however have not attempted to provide for even five per cent of what they have undertaken to do in five years.

But while the Finance Minister has, undoubtedly, shown an appreciation of the task he has to undertake, he has not given in the tax proposals any very clear idea of how he is going to perform this task over the next five years. He has not shown how this burden is to be distributed between direct and indirect taxes. And assuming that large part of the resources have to be raised from indirect taxes, he has not indicated either how these are to be distributed between consumers' and producers' goods, and of the consumer goods, again, between essential and non-essential articles of consumption.

Is our present system of direct taxation well-devised to secure the ends of planned development and of the social policy that goes with it? Let us take the personal income-tax. Is it not correct to say that, while the rich who really care to pay, are soaked by our income-tax rates which are among the highest in the world, and the poor have to pay higher and higher taxes on the things they buy, the middle income groups are let off lightly, and so are the earners or recipients of unearned agricultural incomes? The latter may not be within the purview of the Centre directly, but certainly the earners of the middle range of incomes — Rs 7,500 to Rs 20,000 — are and the rates of tax applicable to them are among the lowest in the world.

The gesture of soaking the rich is patently playing to the gallery. The Finance Minister does just this when he proposes that earned income above Rs 1 lakh should pay tax at the marginal rate of 80.5 per cent instead of at the present rate is 77 per cent. This upward revision is proposed on the ground that "the justification for a differential treatment in favour of earned income diminishes as the income and with it the capacity to pay increase".

This is a sufficiently valid and strong reason for charging both earned and unearned income at the same marginal rate beyond a certain level. At least the incentive to evade taxes, if not the incentive to save and invest, remains to be integrated into the system of direct taxation that has been in force. Having finished its little game with Kaldor's proposals, making a token beginning with them and then giving them up, the Government has neither strengthened nor improved its system of direct taxation.

In the sphere of corporate taxation, some adjustments have been made from year to year over the last three years to rationalise its structure. There are some more in the present budget — reduction of tax on bonus shares and of development rebate being the principal ones. A halting start has been made with both, towards withdrawal. The Finance Minister concedes that the tax on bonus shares has no longer any justification. In fact, it ceased to have any justification from the moment that taxation of excess dividends, which it was intended to counter, was abandoned. If that is so, why not abolish it altogether? Why keep it at 12½ per cent? After all, the revenue it yields is insignificant, and the purpose of preventing over-capitalisation of reserves, if the Finance Minister is to be believed, is served efficiently enough by the Controller of Capital Issues, whose business it is to ensure "that bonus issues are not sanctioned except after a careful scrutiny of the proposals".

While several loose ends in the company taxation still remain to be tied up, the Finance Minister has made a cautious beginning with tackling the expense account which often serves the purpose of legal avoidance of taxation. It is doubtful how effectively this loophole can be sealed by changes in tax laws. It is not the entire expense account which is to be brought within the tax net, but only the entertainment expenses. The proposal has been framed in a manner, however, which obviously makes it unworkable. It is proposed that no individual can receive an entertainment allowance free of tax, and that companies will not be allowed to charge more than Rs 1 lakh on this account, the maximum permissible expenditure being calculated as a declining ratio of profits. Though welcome in principle, the proposal in its present form is open to the objection that the new companies not earning profits and old companies making losses would not be allowed any deduction for entertainment expenses which may be necessary for business.

All these, however, are rather trivial, for not more than Rs 3 crores out of the additional taxation of Rs 63 crores that the Finance Minister proposes to raise are derived from direct taxes. It is no doubt true that in raising the resources for the Third Plan, increasingly greater reliance has to be placed on indirect taxes and since imports have to be severely restricted in any case, this will mean more and more of excise duties. But which kind of commodities have to be specially chosen for the purpose, if a greater proportion of the national income has to be brought within the ambit of budgetary resources? This is also the Finance Minister's starting point when he says that during the Third Plan "tax revenue has to be stepped up from 8.5 to 11 per cent of the national income". It does not follow from it, however, that everyone must contribute towards the task of development through this particular form of paying taxes, a principle which the Finance Minister enunciates in defence of the necessity to spread the tax burden over a large list of items. He concedes that the tax burden should not fall too heavily on any one section and that its incidence on lower income groups should be very small. Up to this point, there will be no quarrel. But in relating increases in taxation to the increases in national income, the Finance Minister does not seem to accept the common sense deduction that a correct proportion has to be maintained between the rate of growth of national income and that of the supply of necessities. On the contrary, Shri Morarji still relies on the principles considered appropriate in an earlier and quite different period, viz that tax policies should be instruments in discouraging imports and encouraging exports. The latter have to be taken care of, and are taken care of, largely by other means, such as restrictions on imports.

That is perhaps why when one attempts a breakdown of the commodity taxation from which Rs 60 crores have been sought to be raised, one finds that they are distributed almost 50 : 50 between capital and intermediate goods, on the hand and consumer goods on the other. And among consumer goods, again, the distribution between essential and non-essential goods is roughly in the same proportion. Morarji has been bold enough to tax kerosene, hitherto considered untouchable because of its large rural consumption and this he has done on a phoney theory, quite out of date, that kerosene is mixed with diesel to avoid the tax on the latter. It used to be, perhaps, to a small extent, but that is no longer true. A mixture of light and high-speed diesel has both price advantage and greater efficiency as fuel for diesel-engined vehicles. This is only an example of the very inadequate criteria on which commodities have been chosen for taxation. A programme of development which starts with making machines and all sorts of producer goods more expensive must be shortsighted indeed. And is it really necessary to make imported machinery expensive in order to discourage their use? What does import control do then? The latter leads to profiteering which has been crying to high heavens for some remedial action. Failing a more rational distribution of imported products, higher duties on carefully chosen imports could be a *pis aller*. But that is not how the Finance Minister looks at it.

Surely in the first budget in the Third Plan, one would have expected a clear recognition of the necessity for restraining consumption of non-essentials and effective measures for maintaining the supply of essentials. If the budget is to be an instrument of economic policy and the tax system is to further the economic objectives, boldness is not enough. Discrimination is also necessary. It is not enough for the Finance Minister to be a good soldier of the Congress and to carry out orders. He has also to think out policies.

Notice

Subscribers are requested to inform us regarding non-receipt of their copies within a fortnight from the date of publication. Complaints can be attended to promptly, if subscribers kindly remember to mention the Subscription Number.

"Mob Fury" in Karachi

IT is perfectly natural and understandable that the people of this country should be angered by the violence done in Karachi to the Indian Chancery and many of its members; but more than anger this seems to be a fit occasion for concern. Abuse of India and assaults of Indians have never been uncommon in Pakistan, but the difference between the virulence of the past and the attacks of this week is that on the present occasion evertyhing was stage-managed by the State. Of course, in the past also the ultimate source of instigation could usually be traced back to the Government — which had its own reasons for diverting the country's attention from the failures at home — but no rioting was actually ordered by the Government; and as long as this was not done, there was always a hope, however theoretical, that some day someone might raise the voice of sanity and open the eyes of the people to their folly and to the way they were being duped by the politicians. But under dictatorship that chance vanishes. If there is one lesson which the week's events in Karachi have to teach us, it is surely this: that both the friendship and enmity of dictators are bad. Either can be switched on at will, which means that even when friendship is switched on there can be no wise reason for rejoicing.

For the Pakistan Government to pretend that the mob attack on the Indian Chancery in Karachi was spontaneous and mild is untruthful to the point of cynicism. There is no getting away from the main facts of the incident. The police knew of the coming attack a good few hours before it actually took place; this is clear from the fact that it formally warned the Chancery to expect the attack. What would be the normal reaction of a military dictatorship to information that a public demonstration accompanied by violence was going to take place in defiance of an official ban even on peaceful public meetings? The question is admittedly a hypothetical one; for it is only in the remotest degree likely that such an act of defiance would be contemplated in the first place. Secondly, even if it were, the police, with advance information in its hands, would undoubtedly make short work of the would-be demonstrators.

But the treatment meted out to them in this particular instance was illustrative of a tolerance which would excite comment even in Hyde Park on a Sunday. Knowing that a mob was collecting to attack the Indian Chancery, the police respected its wishes and did no more than take up non-interfering positions round the site. When the mob eventually arrived with truck-loads of stones, the police let them be off-loaded without hinderance. Finally, when it actually started wrecking the Chancery, the police looked on with commendable restraint. When every glass in the building had been smashed and a good deal of other damage caused, and when numerous members of the Chancery had been injured, the benevolent policemen decided that enough was enough. One of them blew a whistle, concluding the game — and the furious, excited, uncontrolled mob instigated beyond restraint by the riots in Jabalpur instantly assumed calm and self-control, and melted away in obedience to the whistle. Such superbly controlled fury on the part of the mob, such magnanimous suspension of authority on the part of the police under a dictatorship are marvels which only the Ayub regime can perform.

The Indian Government has quite properly demanded compensation for all the damage caused to the Chancery and it has also lodged "a strong protest" to the Pakistan Government, which has acknowledged the protest and expressed "regret" at the incident, at the same time indicating its attitude on the compensation demand by declaring that the Indian account of the damage is highly "exaggerated". That is a very practical approach to the whole issue. An expression of regret costs nothing, and refusal to pay is economical. But we should not be content to leave matters at that. We should do the graceful thing by accepting the Pakistani "regrets" as genuine and reminding the Government that this regrettable incident would never have taken place but for the negligence or inefficiency of the police in Karachi. The police in Karachi either did not know that mischief on a grand scale was afoot, or it was unable to control it for a full hour afterwards — even though it was fully armed with deadly whistles. In both cases, it was gravely at fault; and we should advise President Ayub to discipline it severely in the interests of his own regime. A dictatorship cannot afford so unreliable a police force.

Congo's New Phase

IT is a measure of the loss of prestige the United Nations has suffered in the Congo that few people anywhere are certain that the increased powers vested in Mr Hammarskjoeld by the new Security Council resolution will be put to actual use. There are reasons for the doubt. The resolution sanctioning the use of force has come pretty late in the day, when the U N Command's capacity to use force is considerably less than the situation demands. The resolution can be made effective only if and when the contributing countries can be persuaded to send more troops to the Congo. The Security Council has empowered the Secretary-General to disarm the Congolese armed bands at an especially difficult time; the task, which would have been simple in the initial stages of the Congo operation, may now involve a good deal of bitter fighting in several areas.

But when sceptics question the likelihood of the resolution being implemented, they have the intentions of Mr Hammarskjoeld in mind rather than the physical inadequacy of the forces currently at his command. They believe, in fact, that the Secretary-General has never used his powers to the full in the past and is not likely to do so in future. But if this strongly implied acceptance of Mr Hammarskjoeld's mala fides is justified, then an implementation of the new resolution is more rather than less probable; for the faction to benefit most from it would be the one opposed to the late Mr Lumumba. It is not, however, necessary to question the bona fides of the Secretary-General, and the countries who really wish to see the Congo fiasco ended should come forward quickly to strengthen the U N Command sufficiently to enable it to disarm the local "armies" and facilitate the reactivation of parliament.

Weekly Notes

Deficit Financing—New Look

THE deficit financing estimated in the 1960-61 budget was Rs 153 crores. How did it come down to Rs 15 crores? True, in comparing the Revised Estimates with the Budget Estimate, an adjustment has to be made for a new item, viz Rs 240 crores received as investment of P L 480 funds which are now deposited with the Reserve Bank. This includes Rs 108 crores transferred from the State Bank; and the investment of P L 480 funds to that extent merely represents a transfer of ownership of Government bonds from one agency to another. But what of the remaining Rs 132 crores? There is a ticklish point here and in comparing deficit financing in the Revised Estimate with the Budget Estimate, the question arises whether one ought not to add this amount to the figure of Rs 15 crores specified as the 'overall deficit' by the Finance Minister.

The doubt arises because though deficit financing during 1960-61 has nearly vanished, as if by a hat trick, money supply during the calendar year 1960 increased by Rs 217 crores (against Rs 80 crores and Rs 171 crores respectively in the previous years). Deficit financing by Government is not, to be sure, the only factor responsible for an increase in money supply. To Government borrowing from the Reserve Bank has to be added the net creation of credit by the rest of banking system; and from that sum the external deficit has to be deducted. During 1960, Government borrowing from the banking system increased by only Rs 26 crores (Rs 175 crores from the Reserve Bank less Rs 150 crores disinvested by banks) while private borrowing from banks increased by as much as Rs 219 crores, making an aggregate of Rs 245 crores. The external deficit has taken away Rs 27 crores and money supply has thus expanded by Rs 217 crores. It seems, therefore, possible that the prime reason for the increase in money supply was private rather than Governmental 'deficit-financing'. But one cannot be certain of this until the transactions connected with counterpart funds are further analysed.

Inter Corporate Dividends

THE discrimination in taxation in favour of subsidiaries is proposed to be eliminated in the case of companies which are registered on or after April 1, this year. The present system of taxation of inter-corporate dividends is complicated and encourages foreign collaborators to seek majority control, since dividends from subsidiaries are taxed at substantially lower rates than those from other companies. To the extent that subsidiaries enjoyed a tax advantage, the proposed change would be a slight disincentive, particularly to the type of private foreign capital which does not want to share control. But this will be more than offset by the reduction which has also been proposed, from 63 per cent to 50 per cent, in the tax on royalties payable to foreign collaborators in pursuance of agreements entered into on or after April 1.

Under the existing scheme of taxation, dividends from subsidiaries are taxed at a uniform of 30 per cent. Dividends received from other companies registered before April 1, 1959, however are taxed at 45 per cent if the receiving companies are Indian and 63 per cent if they are foreign. In the case of companies registered on or after April 1, 1959, the respective tax rates are 40 and 53 per cent. It is now proposed that inter-corporate dividends paid by companies registered on or after April 1 will be taxed at 40 per cent, regardless of whether the paying company is a subsidiary or not and whether the receiving company is Indian or foreign.

While the new scheme does rationalise company taxation to some extent, it creates another special category of corporate income in that it applies only to investments in new companies. It discriminates against foreign investors who have taken up a minority interest. The scheme also discriminates against the taking up of new shares issued by older companies. The superimposition of the new on the existing scheme may consequently tend to encourage the setting up of new companies which may actually be no more than mere departments of old companies.

Whether the new scheme would help widen public participation in the ownership of joint stock companies, as the Finance Minister hopes, is, therefore, doubtful. As a matter of fact instead of encouraging wider public participation, the new scheme might only stimulate the growth of what are called 'joint subsidiaries', that is, companies which are wholly or almost wholly owned by other companies. Many such 'joint subsidiaries' have been set up recently and not all of them involve foreign collaboration. Quite a few are the result of collaboration between Indian groups as well as companies within the same group. In other cases, ownership may be dispersed a little wider to the extent investment and other financial companies are attracted by the lower rate of tax. But that is not wide participation in the real sense of the term.

If the purpose of the new scheme is to minimise double taxation of corporate income, it should apply to all companies, regardless of the year of their registration or at least to all companies registered since April 1, 1959. That would avoid discrimination against older companies as also against foreign investors who came in earlier.

Development Rebate and Financial Corporations

THE development rebate on new plant and equipment installed after March 31 this year will be reduced from 25 to 20 per cent. The original purpose of this rebate was to give an incentive to new investment and to supplement the resources of companies modernising their equipment at prices much higher than the ortginal prices on the basis of which they had made provision for depreciation. For the latter purpose, an extra depreciation allowance equal to normal depreciation was also allowed till March 31, 1959. Both these purposes have been served, by and large. If some industrial units have still not modernised their equipment, it is not due to lack of tax incentives. Development rebate, along with the tax holiday for new earnings from new units, has been largely responsible for the boom in private industrial investment. The Taxation Enquiry Commission, it may be recalled, had recommended development rebate for selected industries only. As implemented, however, it has been granted to all industries irrespective of the priorities assigned to them in the Plan. True, one can always turn round and say that every industry is part of the Plan but then all components of the Plan do not have equal importance. A selective development rebate or, alternatively, rebates at different rates for various industries, would have been extremely useful for directing the flow of private investment. The tax holiday now extended to new hotels is an illustration of how a policy of discriminatory benefits could be followed. To attempt this on a wider scale would be a formidable but worthwhile task. It has never been attempted and the flat reduction of development rebate proposed now implies that it will not be attempted in the near future either.

As a measure of further assistance to 'approved' financial corporations engaged in providing long term finance for industrial development, upto 10 per cent of their total income will be exempt from tax if it is set aside in a special reserve. The deduction will be allowed so long as the reserves of these corporations are less than their paid up share capital. The Industrial Credit and Investment Corporation, in particular, has been asking for such assistance to enable it to set aside sufficient reserves for meeting contingent losses of capital. Such corporations have to bear considerable risks arising out of underwriting, investment and lending operations but do not enjoy any special tax benefits comparable to those extended to industrial undertakings. Whether the proposed benefit will be available only to officially sponsored corporations, i e, IFC, ICICI, and the Refinance Corporation or the term 'approved' could be interpreted liberally to include a few genuine private investment companies also is not clear.

Where Are the State Taxes?

AFTER alternately cajoling and bullying the Planning Commission with promises of raising additional resources to increase their Plan outlays, the States have promptly shelved all their virtuous intentions. At the time of writing, many State Governments have yet to present their budgets for 1961-62, but the trend is clear. Only three States have proposed fresh taxation and all the States are content to let uncovered deficits be. Even where additional taxation has been proposed, their expected yield—Rs 1.31 crores in Punjab, Rs 1 crore in Maharashtra and Rs 0.8 crore in Gujarat—is hardly an earnest of the States' extravagant promises.

To be sure, with elections around the corner, the political climate is not the best for levying additional taxes, whatever might be the justification for them. But that is only a part of the explanation. Last year, of the 14 States only three imposed additional taxes while three actually announced tax concessions. In the Second Plan period as a whole, according to the Planning Commission, the States were reluctant to raise tax revenues and were generally lagging behind the five-year targets in this rsepect. In the Third Plan the State plans are now put at Rs 3,900 crores, of which the States themselves will have to raise a little over Rs 1,400 crores. Additional taxation is expected to contribute Rs 610 crores. The Planning Commission has not been unaware of the political compulsions arising from the proximity of the elections. The target of additional taxation by the States in 1961-62 had consequently been set at Rs 40 crores. This is to be compared with the target of Rs 115 crores for 1962-63 and Rs 135, Rs 150 and Rs 170 crores for the succeeding years.

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The States' tax effort for the Third Plan should have begun with the very first year of the Plan, unless, of course, the whole process of fixing 'targets', 'allocations' and 'resources' involving the Planning Commission, the States and N D C is a game of blindman's buff. The Planning Commission cannot consider itself absolved of the responsibility for State plans after fixing notional financial and 'physical' targets. As the implementation of the Plan proceeds, the State Governments may be tempted, as in the past, to start projects some of which at least are rated low in the order of Plan priorities. In the adsence of adequate resources, this would involve either the stepping up of Central assistance or diversion of funds from high priority projects. In both cases, the scheme of priorities would be upset. Since the Planning Commission has no power to exercise vigilance over State expenditure, the only way in which it can make the States adhere to the Plan is to make Central assistance conditional upon stricter compliance with Plan targets.

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Nine State Banks

THOUGH the State Bank no longer gets deposits of P L 480 funds and has in fact been gradually losing the past accumulations of such deposits, the magnitude of its operations, together with those of its eight subsidiaries, gives the public sector a commanding share in commercial banking. The nine State Banks together account for about 38 per cent of the total deposits of all scheduled banks. The comparable percentages for cash balances, investments and credit are 35, 53 and 24 respectively. As P L 480 deposits were sequestered and wholly invested in Government securities, their transfer to the Reserve Bank should result in a fall in the proportion of investment in the assets of the State Bank and a corresponding rise in that of credits. The operations of the State Bank following the transfer of P L 480 funds, therefore, merit examination. With P L 480 deposits out of the way, should the State Bank together with its subsidiaries be called upon to finance the public sector directly, by taking up more Government securities than is necessary for strictly banking purposes? Or, should their contribution consist primarily of expanding banking facilities in the country and lending to Government companies only?

There is prima facie no reason why the State Banks should not maintain a higher ratio of investments than other scheduled banks, even if their profits suffer in the process. If they do, this would certainly reduce the supply of bank finance to the private sector. This may be one of the means through which private investment can be restrained within Plan limits. This is, however, a question of fundamental policy which is not for the State Banks to decide primarily, but for the Government and Reserve Bank. When the Imperial Bank was nationalised and the eight State-associated banks were taken over as subsidiaries by the State Bank, the Government had announced that their normal commercial business would remain unaffected. It may be necessary to modify this policy during the Third Plan period.

The branch network of the nine State Banks now includes 1,290 offices of which 383 belong to the subsidiaries. The holding bank has already fulfilled its statutory branch expansion programme and has appointed a committee under the chairmanship of Professor D G Karve to investigate the possibilities of a further expansion programme in all its aspects. This Committee is not likely to recommend another hectic programme of branch expansion. Rather the possibility is that most of the burden of branch expansion will be transferred to subsidiaries which have much lower wage costs and enjoy the further advantage of local contacts and relative freedom from statutory restrictions on their business. At a large number of centres, which have branches of State Banks, the branches naturally compete with one another. Some of this wasteful duplication of banking facilities could be usefully pruned before the network starts on another bout of expansion.

Among the highlights of the holding bank's working in the year was the centralisation of the foreign exchange operations of all subsidiaries in its Foreign Department, sanctioning of advances to industrial cooperatives and doubling of credit limits against warehouse receipts. The number of small-scale units assisted rose to 2,451, of which 1,652 were at 'Intensive Centres'. The credit limits sanctioned to them at the end of the year rose from Rs 462 lakhs to Rs 782 lakhs and actual outstandings from Rs 178 lakhs to Rs 366 lakhs. Applications for guarantee under the Government Guarantee Scheme forwarded to the Reserve Bank numbered 225, covering advances aggregating Rs 88 lakhs, of which 167 applications for Rs 63 lakhs have already been accepted. The Bank's services as agent to five State Financial Corporations were utilised only to a very limited extent during the year. The State Bank utilised for the first time during the year the facilities offered by the Refinance Corporation by passing on to the latter Rs 17 lakhs out of its total medium-term advances amounting to Rs 343 lakhs. Keeping of inter-branch accounts is now being mechanised and steps are also being taken to eliminate duplication and minimise clerical labour.

As each year passes, and the State Bank fulfils more of its diverse functions, its annual report gains in importance. Its presentation, however, has failed to keep pace with the growing importance of the report. The latest report is almost unreadable in parts, with all manner of statistics, significant and insignificant, cluttering up the text.

Rabindranath and Santiniketan

BEFORE visiting the exhibition of Santiniketan photographs so beautifully put up by Indian Tube in the Jehangir Art Gallery, one could hardly have believed that the camera could catch the spirit of a whole period or a movement affecting the lives of so many people. Yes, the camera can sometimes capture a passing mood and become a work of art. But to capture the many facets of the Poet's personality in the round and the unfolding of the Poet's dream which was Santiniketan —the Poet's dream not in words, music and dancing, all three of which were Rabindranath's own medium, but in the life and activity of a whole group of people bound in an unique community — that is a magnificent achievement and it has been achieved in the exhibition put up by Indian Tube, a joint Tata-Stewarts-and Lloyds enterprise.

The presentation itself was an example of perfect planning, not so perhaps the photographs which made up the exhibition. A photographer, then unknown, went round with a camera visiting Santiniketan off and on for a number of years, the closing years of the Poet's life. Just fooling around with a camera, one might say, never even dreaming of achieving what he has achieved. Shri Shambhu Shaha captured the spirit of Santiniketan in the manifold activities which used to go on there under the Poet's inspiration and often under his direct supervision—production of plays, dancing, singing, lectures and the many colourful functions in which the in-mates of the Ashram participated. Shaha captured also the many moods of the Poet, snapping him at different times in very different surroundings. The collection is supplemented by a series of photographs of Santiniketan today, taken by another photographer.

Indian Tube have done a superb public relations job, a job which seems more worthwhile than just exploring the market for tubes or persuading people to buy and use them. For what they have succeeded

in doing is to give people a glimpse of how life should be lived and thereby stirring the imagination to strive for a better life, in the process of which, among other things, they would certainly also buy more tubes.

As the old order changes, corporations and Government departments come to replace, more and more, the Rajas, Maharajas and *Raises*, and the patronage of arts, promotion of research and of the higher cultural pursuits are passing to a new set of people. Successfully straddling the two orders, the Shethjis remain, who do not always employ intelligent and imaginative public relations men. They should; it would be better business for them, too.

This exhibition has been held in Calcutta and Delhi. While in Bombay, the organisers received an invitation to take it to Jaipur. There would be similar requests from other cities and towns and it will be worthwhile to take it around so that people all over India may get an opportunity to see this unique collection.



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A.A. T.

Letter from America

U S Foreign Investment in Petroleum

UNITED States foreign investments in petroleum have more than tripled within the past decade, to exceed ten billion dollars. They accounted for 35 per cent of the total direct foreign investments of the United States in 1959, and have surpassed investments in manufacturing.

U S Business Investments Abroad
(in millions of dollars)

	Total	Petroleum	Manufacturing
1950	11,788	3,390	3,831
1957	25,262	9,055	8,909
1958	27,255	9,817	8,673
1959	29,735	10,423	9,692

(Source: U. S. Department of Commerce. Office of Business Economics. *U. S. Business Investments in Foreign Countries*, 1960, pp. 89-91.)

Petroleum investments increased most between 1950 and 1957, and continue at a high level though the recent flow is considerably less than the peak achieved in 1957. Investments in manufacturing have, on the other hand, recently accelerated.

Production of crude oil by United States companies abroad rose from two million barrels per day in 1950 to 4.8 million barrels per day in 1957, and to over five and a half million barrels per day by the spring of 1960.

Sales of American petroleum enterprises, abroad, excluding sizable intercorporate transactions, amounted in 1957 to over $11 billion, of which $1 1/2 billion were exported to the United States, mainly from Venezuela, and the rest sold in foreign markets.

Net earnings of petroleum companies reached a peak of $1,726 million in 1957, representing nearly half of the total earnings of all United States enterprises abroad. They declined to $1,324 million in 1958 and $1,185 million in 1959, representing about 36 per cent of the total earnings of all enterprises in the latter year. This decline was due to the rise in costs and taxes, slowing of the rate of increase in demand, depressed prices and decline in freight rates which was caused partly by the construction of new tankers after the Suez crisis. It should be noted in this connection that the petroleum companies charge a large part of the costs of exploration and development against earnings, though they are analogous to capital outlays. Such costs charged to income amounted to $386 million in 1957, mainly in Canada, Venezuela, the Middle East and North Africa. Petroleum industry accounted for nearly 50 per cent of the additions to fixed assets of United States investors abroad in 1957, particularly because of extraordinary outlays for leases; the proportion declined to 40 per cent in 1958 and 1959.

Of the 45 largest United States companies, each with foreign holdings of over $100 million in 1957, which together accounted for 57 per cent of the investments, 15 were petroleum companies. Of the 25 largest enterprises abroad which had net earnings of over $25 million in 1957, nine were petroleum companies, averaging an income of nearly $190 million each. Petroleum investments, however, were not a large factor in employment. They employed 370,000 persons in 1957, including a sizable number of United States nationals.

Investment by Major Areas

About one-third of United States petroleum investment abroad is in Latin America, with Venezuela accounting for two-thirds of the area total. Investment in production facilities is mainly in Venezuela; a large part of the investment in the rest of Latin America is in refineries and distribution facilities. Most of the investment in this area occurred after 1950, particularly in 1956 and 1957 when Venezuela opened new areas for development and received over $1 billion from United States companies which anticipated steeply-rising demand because of the situation in the Middle East. The rate of investment slackened after 1957.

Production of crude oil by United States companies in Latin America was 2.1 million barrels per day in 1957, representing about 43 per cent of the total production abroad by United States companies. Output increased to 2.3 million barrels per day in 1959, but was lower as a proportion of the total because of the greater increases in the Middle East where the Suez crisis had depressed the 1957 output. In Venezuela alone, output by United States companies increased from 1,027,000 barrels per day in 1950 to 1,891,000 barrels per day in 1957.

Sales of companies operating in Latin America amounted to over $3 billion in 1957, of which about half was within Latin America and the rest represented exports outside the continent. The capacity of refineries operated by the companies in Latin America was about 1.2 million barrels per day in 1957 and about 1.3 million barrels per day in 1959.

In Canada, unlike in other regions, United States companies are integrated and have developed all phases of the industry. Sales of petroleum were about $2 billion in 1957; in addition, over $100 million were added by exports to the United States. Production by United States companies was at the rate of about 375,000 barrels per day in 1957. Refining capacity of the companies, however, was nearly 600,000 barrels per day in 1957 and about 700,000 barrels per day by the spring of 1960. Consequently, some crude was imported from the United States or other countries, or purchased from non-affiliated companies in Canada.

A major feature of the post-war development of the petroleum industry has been shifted toward the construction of refineries in consuming countries rather than in producing areas. Western Europe received most of this newer type of petroleum investments.

There is little production of crude oil by United States companies in Europe—less than 100,000 barrels per day in 1957—but sales of products in the area amounted to $4.4 billion in that year. They are primarily sales of oil imported from affiliated producing enterprises in the Middle East and Africa. American enterprises have greatly expanded the network of refining and and distributing facilities in Western Europe in recent years. The capacity of refineries operated by them in Europe increased from 660,000 barrels a day in 1957 to over one million barrels a day in 1959, re-

presenting about 25 per cent of the total refining capacity in the area.

Practically all the United States investment in the Middle East is in petroleum production. Output of crude by United States companies (taking into account only the proportionate United States share in partly-owned enterprises) rose from 800,000 barrels per day in 1950 to 2,100,0000 million barrels per day in 1957 when production was adversely affected by the closing of the Suez Canal. It further increased to over two and a half million barrels per day by 1959, but the rate of increase was slowed as production capacity outstripped demand. Refining capacity is only about one-fourth of crude production. Sales in 1957 were $1.8 billion. The companies paid $500 million in direct and indirect taxes and their net earnings amounted to about $600 million in 1957, a little over twice the 1950 amount.

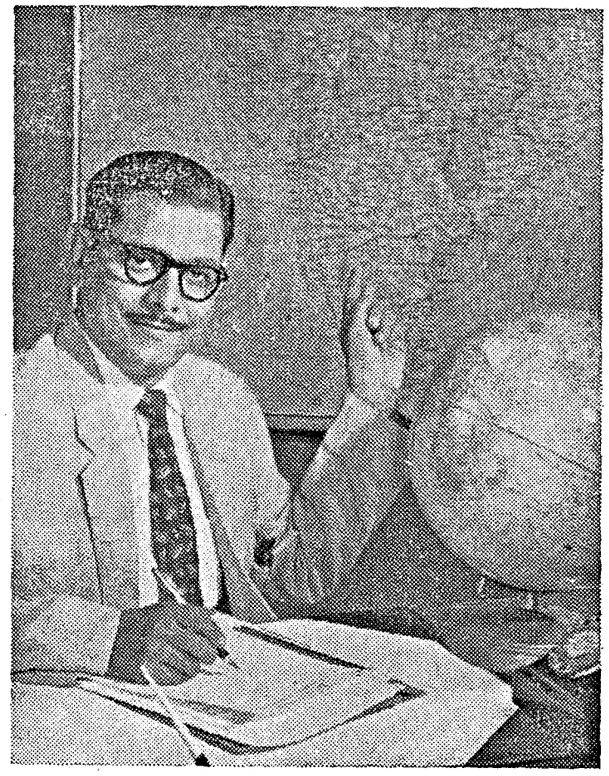
Until about 1955, American petroleum investments in Africa were mainly in distribution and refining, the latter largely in the Union of South Africa. Since 1955, however, United States companies undertook large expenditures to develop reserves in Libya, and for intensive exploratory programmes in other North and West African areas.

United States companies participate in the production of petroleum in Indonesia. They also have sizable investments in refining and distribution of oil from Indonesia and from outside the region.

The tanker enterprises owned by United States petroleum companies, and registered in Panama and Liberia, represent an investment of over two-thirds of a billion dollars.

There is very little equity investment by non-United States nationals in United States petroleum enterprises abroad. More than 40 per cent of the investment, particularly in Latin America and the Middle East, is through branches of American companies rather than in subsidiaries. Even in the latter, United States ownership is almost complete. Of the total investment of $9,055 million in 1957, only $476 million was in enterprises where the United States ownership was less than half.

The large-scale capital outlays of the recent years do not, however, represent net outflows of capital from the United States. In 1957, when expenditures to acquire property, plant and equipment were at a peak of $2.3 billion, the companies' net income was $1.7 billion, and their accumulated depreciation and depletion charges amounted to $0.7 billion. They obtained $0.7 billion from external sources abroad. They paid out a little over $1 billion of the net income to the United States, and received almost an equivalent amount as new investment, with the result that there was hardly any effect on the United States balance of payments.



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8 - MAR 1961 PUBLIC DEPARTMENT

The Long View of Growth

An Exercise in Economic Arithmetic

Vinode Dubey

The long run has been much maligned ever since Keynes said that in the long run we are all dead. But Keynes was speaking in a specific context and against a prevailing attitude.

Long run equilibrium may never come, but the long run certainly does, and with a vengeance.

The distinction between the long run and the short run is not about the working of forces but about the emergence of results.

Long run factors are at work even in the short run: only their results appear in the long period. Any neglect of the long run factors is fraught with peril.

In the long run we are dead only if we neglect long run factors.

THE object of this paper is to emphasise the importance of the long run view in discussions of problems of economic growth. The long run has been much maligned since Keynes's well known statement about it. But Keynes was speaking in a specific context and against a prevailing attitude. Today the tendency is to dismiss the long run with the aphorism that the long run never comes, and with the dictum that if one takes care of the short run the long run will take care of itself. It has been realised, of course, that economic development is a long term process. But economic policy, for political reasons, must often sacrifice the long run for the short. The problems facing under-developed countries are also so pressing that short run measures acquire an added urgency. Consequently in matters relating to economic growth a myopic point of view predominates.

This is a mistake. Long run equilibrium may never come, but the long run certainly does, and with a vengeance. The distinction between the long run and the short run is not about the working of forces, but about the emergence of results. Long run factors are at work even in the short run : only their results appear in the long period. Neglect of the long run factors is fraught with peril. In the long run we are dead — if we neglect long run factors!

Assumptions

The limitations of the analysis may be indicated at the beginning. The analysis is macro-economic in nature. For instance total investment is not disaggregated. In a sense, therefore, this is a first step, and requires to be followed up. The analysis is carried out in real terms throughout. Money is not introduced into the argument. The assumptions on which the economic arithmetic is worked out are very restrictive, partly in the interests of successive approximation, partly to enable simple calculation, and partly to make the problem amenable to simple tools of analysis. The economy is a closed one. Investment once made does not wear out. There are no problems of depreciation, and so net investment is equal to gross investment. Population is constant. The initial level of consumption per capita is such that no significant decline in it can be tolerated, and the objective of economic growth is to raise this minimum level of consumption. The analysis is carried out in terms of time periods. The gestation period of investment is taken to coincide with the time periods, so the output from investment in t_1 becomes available in t_2. This device is reminiscent of the "equilibrium method" of period analysis used by Hicks in *"Value and Capital"*. A "temporary equilibrium" obtains within each period, but the temporary equilibrium of each period is different from that of the preceding and succeeding ones. The transition from one equilibrium to another takes place at the moment of the end of one period and the beginning of the next. Thus lags have no place in the calculation. Social time preference is also ignored, a given volume of output having the same significance irrespective of its location in time. Each time-period may be regarded as being five years. The short run, for the calculation, comprises of one period, the quasi-long-run covers five periods and the long run ten.

The behaviour of output, investment and consumption is studied within this framework under different assumptions about investment policy. If Y_o stands for aggregate output, C_o for consumption and I_o for investment in period t_o, the initial situation is assumed to be as follows:

$Y_o = 100$; $C_o = 95$; $I_o = 5$.

Policies Classified

Policies for economic growth are classified on two bases: the capital output ratio (C/O) and the rate of reinvestment*. The latter is the proportion of the increment in output resulting from investment in one period that is re-invested in the next. The arithmetic** of ten combinations of the C/O ratio and the rate of reinvestment are given in Table 1.

The theoretical and practical weaknesses of the C/O ratio are well known. It is used here despite these limitations. First in long period analysis "it appears to produce meaningful results .... And for rough and ready calculations it has great usefulness."@ Second, because variations in the C/O ratio, as well as the rate of reinvestment have results that become increasingly significant the longer the period under consideration. Third, the C/O ratio and the rate of investment are matters of policy, and are amenable to influence. Macro-economically speaking, in the long run economic planning is nothing but the choice of a suitable C/O

* This is the same as Rostow's "rate of ploughback".

** The arithmetic is obviously contrived with the object of highlighting certain conclusions. General algebraic relationship among the variables can be easily worked out.

@Kindleberger, 'Economic Development', p 46.

ratio and the attainment of a suitable rate of reinvestment with the object of raising the standards of living within the shortest time.

Table 1 indicates the growth of income and consumption in the economy, the initial circumstances of which have been given, under different combinations of the C/O ratio and the rate of reinvestment. Ten such combinations are shown: A_1 to A_4, B_1 to B_3, and C_1 to C_3. The letter A indicates that a C/O ratio of 2 is used, the letter B indicates a C/O ratio of 3 and C indicates a ratio of 4. The numbers with each letter indicate the rate of reinvestment. 1 indicates a reinvestment rate of 100%, 2 a rate of 50%, 3 a rate of 25% and 4 a rate of 10%. Thus the column A_4 shows the growth of investment and consumption if a C/O ratio of 2 and a rate of reinvestment of 10% is assumed.

The table brings out some well-known, but important, relationships between the C/O ratio and the rate of reinvestment on the one hand and the growth of consumption and investment on the other. Given the rate of reinvestment the lower the C/O ratio the faster the growth of *investment and consumption.* Given the C/O ratio a high rate of reinvestment gives not only a much faster growth of investment but in the long run also a bigger increase in consumption. The significant conclusion is that the conflict between more consumption and more investment is only a short run or, at best, only a quasi-long run phenomenon. In the long run the policy that gives the faster growth of investment also gives the higher level of consumption. It is the fundamental importance of this fact that will be stressed throughout this paper.

Varying Rate of Reinvestment

It has been assumed so far that a policy (i e, a combination of the C/O ratio and the rate of reinvestment) once selected is adhered to. In Table 2 the results of a policy with a varying rate of reinvestment are compared with those of a policy with a uniform rate of reinvestment. The policy designated as A_{12} in the table indicates that the rate of reinvestment was 100% from t_0 to t_5 and is then changed to 50%. The growth of investment and consumption with such a policy is compared with that which would obtain if a policy of a uniform rate of reinvestment of 50% was followed.

It is evident that a policy of having the maximum rate of reinvestment in the quasi-long period, and then replacing it with a medium rate of reinvestment gives a far larger growth in both investment and consumption than a policy of adopting medium rates of reinvestment from the start. A high rate of investment in the initial stages pays rich dividends later on. If significant increases in the level of consumption are desired as early as possible it appears advisable to enforce the maximum possible rate of reinvestment in the quasi-long run and replace it with a lower rate from then on. Adoption of a medium rate of reinvestment throughout leads to a very slow growth of investment and consumption, so that in the long run significant improvement in the levels of living are as far away as at the beginning.

The Crucial Long-run Factors

We have seen that (i) the initial rate of investment (ii) the C/O ratio and (iii) the rate of reinvestment adopted are crucial long run factors in economic growth. It is also clear that the higher the initial rate of investment and the rate of reinvestment and the lower the C/O ratio, the larger the increase secured in investment and consumption.

These conclusions rest on the assumption that the two variables being considered, viz, the rate of reinvestment and the C/O ratio, are independent of one another. This assumption is highly unrealistic under democratic planning. The likely relationship between them makes desirability of adopting the lowest C/O ratio to achieve large increase in consumption questionable. First I shall indicate the likely relationship between the C/O ratio and the rate of reinvestment and then consider how it modifies the conclusion reached above.

For simplicity consider two patterns of investment : smallscale industries with a low C/O ratio* and largescale industries with a high C/O ratio. It is assumed that either of these or a combination of both can be adopted. With existing factor endowments it follows from the principles of equilibrium economics that smallscale industry should be developed in the type of country being considered. The argument, however, breaks down if we think in terms of growth aimed at modifying the relative factor endowments.

Smallscale industry has a very high Labour-Output ratio relative to largescale industry. It is generally agreed that the proportionate difference between the C/O ratio in the two types of industry is much less than the gap between them as regards labour productivity. This is plausible because of the technological and pecuniary economies of largescale production. The C/L ratio in smallscale industry is therefore likely to be lower than that in large-

* It is not certain that small scale industry has a lower C/O ratio than large industry. However, for our purposes, it is assumed to be so.

Table 2

Growth of Investment and Consumption with a Varying Rate of Reinvestment

Period	Policy A_{12}		Policy A_4	
	Consumption	Investment	Consumption	Investment
t_0	95	5	95	5
t_5	95	38	105	15
t_{10}	171	114	136	46

Table 1

Growth of Investment and Consumption Under Different Capital-Output Ratios and Different Rates of Reinvestment

Policy	A_1	A_2	A_3	A_4	B_1	B_2	B_3	C_1	C_2	C_3
Growth of I										
t_0	100	100	100	100	100	100	100	100	100	100
t_5	760	300	180	127	421	216	149	300	180	135
Growth of C										
t_0	100	100	100	100	100	100	100	100	100	100
t_{10}	100	143	135	130	100			100	112	

Note: The figures for Investment and Consumption are given as indices with the level in t_0 being the base.

scale industry. This provides the clue to the relationship between the C/O ratio in is twice as large ment. The lower the Capital-Labour ratio of the technique adopted, the greater will be the increase of employment accompanying a given rate of investment, the lower will be the labour productivity per worker, and the more difficult will it be to maintain a high rate of reinvestment. Smallscale industry has a considerably lower Capital-Labour ratio than largescale industry: it, therefore, will be associated with a lower rate of reinvestment*, and the gap between the reinvestment rates possible with each type of investment will be greater than the difference in their C/O ratios**.

The growth of investment and consumption under a policy of developing largescale industry, and one of developing smallscale industry can be compared by studying the results of policies C_1 and A_4 in Table 1. The C/O ratio in C_1 is twice as large and the rate of reinvestment ten times as large as it is in A_4. With largescale industry (i e in C_1), the growth of investment is much faster than it is with smallscale industry (i e in A_4). Small scale industry does, however, lead to a relatively greater increase in consumption, because in C_1, with 100 per cent reinvestment, consumption does not increase at all.

It would be proper, however, to consider largescale industry with 100 per cent rate of reinvestment in the first five periods and a 50 per cent rate of reinvestment in the next five periods. Such a policy may be indicated by C_{12}, for it combines the features of C_1 and C_2. Table 3 compares the growth of reinvestment and consumption under policy C_{12}, with the growth under policy A_4. Largescale industry, in the long period, gives a much greater increase in the level of investment and a somewhat lower level of consumption than smallscale industry. Thus the conclusion that the conflict between more consumption and more investment disappears in the long run is basically unmodified. However, the case for investment with the lowest feasible C/O ratio is very much weakened. For on reasonable assumptions about the interrelationship between the capital coefficient and the rate of reinvestment, the technique with the higher C/O ratio will ultimately yield both more investment and more consumption.

* The reason for this is similar to the explanation for the rise in the savings ratio at higher income levels.

** The gap between the C/L ratios varies widely from industry to industry. I assume that on the average the ratio is ten times higher in largescale industry, and that therefore the rate of reinvestment feasible is also ten times greater. Any more complicated function may be substituted for this linear homogeneous relationship. It may also be assumed that the C/O ratio in largescale industry is twice that can be assumed in favour of smallscale industry while still being realistic.

Population Growth

We now relax the assumption of a stationary population and analyse the consequences of population growth. The impact of a growing population in our model is to reduce the maximum possible rate of reinvestment from 100% to some lower proportion. On our assumption that the initial consumption per capita is the very minimum and cannot be depressed any further, the extent of this decline varies directly with the rate of population growth and with the C/O ratio. Thus if the rate of population growth is large, then, other things being equal, the decline in the maximum possible rate of reinvestment will be large. Similarly the smaller the C/O ratio, given the rate of population growth, the smaller is the reduction in the maximum rate of reinvestment. For, a fixed absolute quantity of the increment of output in each period is absorbed in supporting the new arrivals at the prevailing levels of consumption. A low C/O ratio means that the increment in output resulting from a given investment is relatively greater. Therefore, the proportion of the increment in output consumed by the additional population is smaller. Thus the introduction of a growing population balances the advantage of largescale industry following from the much higher rate of reinvestment associated with it. For, given a sufficiently high rate of population growth, the absolute quantity of output required to support the new arrivals in each period may be so large that the maximum *practicable* rate of reinvestment may be actually lower with largescale industry than with smallscale industry. In such a situation the initial conclusion of a low C/O ratio is revalidated.

An interesting possibility is one in which the rate of population growth is such that the quantity of output required to support the increment in population lowers the maximum possible rate of reinvestment in largescale industry without wiping out the differential that exists compared to the rate in small industry. An example illustrating this possibility is worked out. We assume that the C/O ratio in smallscale industry is 2, and in largescale industry 4, and the maximum rates of reinvestment are 10% and 100% respectively. Initially consumption is 95 units and investment is 5 units. Suppose that population is increasing at such a rate that 1 unit of output is required for the increment of population in every period. In largescale industry with its C/O ratio of 4, and the initial assumed investment of 5 units, 80% of the increment of output in the first period is absorbed by the increase in population, and the maximum possible rate of reinvestment is reduced from 100% to 20%. This is however still a higher rate of reinvestment than in smallscale industry. In Table 4 policy A_4 shows the growth of investment and Consumption if smallscale industry is developed, and policy C_{12} shows the results of developing only largescale industry, given the rate of population growth assumed above.

Table 3 : Comparative Rates of Growth

Period	Policy C_{12}		Policy A_4	
	Consumption	Investment	Consumption	Investment
t_0	95	5	95	5
t_{10}	107.6	27	123.5	7

Table 4

Comparative Rates of Growth Largescale and Smallscale Industry

Period	Policy A_4		Policy C_{12}		Policy $C_{12}A_4$	
	Cons.	Invest.	Cons.	Invest.	Cons.	Invest.
t_0	95	5	95	5	95	5
t_5	106	6.4	100.0	7	99.8	11
t_{10}	123	7	105.0	13	109	18.8

Comparison A_4 and C_{12} shows that the former gives a steady increase in consumption by a very slow growth of the level of investment, while the latter gives a steady increase in investment and *no increase at all* in the *per capita* consumption. With policy C_1 total consumption increases by 10 units in 10 periods, but that is the assumed rate of increase that must take place to support the increasing population. Thus the development of low C/O ratio (smallscale) industry has the disadvantage of yielding negligible growth of investment in the long run, while the development of high C/O ratio (largescale) industry results in no improvement in per capita consumption. The superiority of the one choice over the other is not, therefore, clear.

The situation improves if investment is made in both smallscale industry and largescale industry at the same time i e if a combination of policy A_4 and C_{12} is considered. The principle on which investment should be allocated between the two types of industry is given by concentrating on the point stated earlier about the fundamental importance of the maximum rate of reinvestment from the long period point of view. The fixed quantity of output absorbed in every period by the increase in population is produced by the low C/O ratio technique (smallscale industry), and just sufficient investment is allocated to smallscale industry to produce this quantity of output. The remainder of the initial investment is made in largescale industry and the maximum rate of reinvestment is enforced there. With the demands of the increasing population being met by the technique which economises in capital, the maximum rate of reinvestment in large scale industry is not reduced with population growth. The results of such a policy are shown under C_{12} A_4 in Table 4. Firstly, it appears that investment now grows much faster than it was growing in a situation when only one technique was resorted to. Secondly, there appears a slow improvement in per capita consumption, because consumption increases faster than the requirements for supporting the increasing population, Thus the different advantages of policies C_{12} and A_4 are combined in policy $C_{12}A_4$.

Case for Multi-Techniques

The conclusion is that in an economy with a growing population there may be a case for the adoption of both smallscale and largescale industry, for the maximum growth of investment can be only secured by a judicious combination of techniques. Such a combination of techniques yields not only more investment but also more consumption in the long run. But the allocation of investment between smallscale industry and large scale industry should take place strictly on the basis of the quantity of output required to support the increment in population in each period. The investment in smallscale industry should be just sufficient to yield this output. The rest of the investment should be in largescale industry where policy of maximum reinvestment in the quasi-long period should be adopted. The combination of techniques leads to more consumption and very much more investment in the long run only because it makes possible a high rate of reinvestment. If the development of smallscale industry is not accompanied by a determined attempt to secure the maximum rate of reinvestment in largescale industry, the combination of techniques loses its justification from the viewpoint of long run growth of consumption and investment.*

Conclusions

The conclusions are simple. First, the rate of reinvestment is a variable of fundamental importance in the long run. Significant increase in consumption *and* investment can be secured only by adopting a policy of a high rate of reinvestment in the quasi long run. Secondly, the conflict between more investment and more consumption is important in the short period. In the long period more investment and more consumption go together. Thirdly, if population growth is not taking place, on normal assumptions about the Capital-Output ratio and the Capital-Labour ratio in largescale and smallscale industry, there is a case for the development of only large scale industry in the interests of securing the greatest increase in consumption and investment. Fourthly, if population is growing at a fast enough rate, the argument for largescale industry on the basis of the higher rate of reinvestment feasible with it is modified, and the lower C/O ratio of smallscale industry may make them more attractive in terms of long term growth of investment and consumption. But with such a fast rate of growth of population the increase in consumption and investment achieved would be very small. Finally, it is possible that with a growing population there may exist a situation in which the adoption of both large scale and small scale techniques in the right proportion may yield the greatest growth of investment as well as improvement in consumption. But the sole justification of this combination of techniques is that it enables a higher rate of reinvestment that would be attained if only large scale or small scale industry was developed. Long run factors must be given due recognition even in the short run, even though they reveal their effects only in the long period. The tendency to underestimate their importance will ultimately lead to less consumption and a lower rate of investment and a slower rate of economic growth.

* This aspect of the question, I believe, is not receiving sufficient attention in India.

Bank of Rajasthan

THE Bank of Rajasthan has progressed much better during the year 1960. After providing for taxes the net profit available for distribution is Rs 3,36,202/-, subject to audit, as against Rs 2,60,415/- in the preceding year showing a rise of 29% over the profits of last year. The Directors propose to raise the dividend to 10% subject to tax, against 8% given last year, which will absorb Rs 92,000/-.

A sum of Rs 91,129/- has been transferred to Reserve Fund as against Rs 53,000/- last year showing now a Total Reserve Fund of Rs 8,00,000/-. A sum of Rs 41,000/- has been set aside for Bonus to staff against Rs 37,000/- in the previous year.

Deposit of the Bank has raised to Rs 5.36 crores as against Rs 4.92 crores in the previous year showing a rise of Rs 44 lakhs which shows a rise of 9% over the deposit figure of last year.

Sanskritisation, Westernisation and India's North-West

Dev Raj Chanana

Professor M N Srinivas defines Sanskritisation as follows :

A low caste was able, in a generation or two, to rise to a higher position in the hierarchy by adopting vegetarianism and teetotalism, and by Sanskritising its ritual and pantheon . . .

—("Religion and Society among the Coorgs of South India", *Oxford*, 1952, *p* 30 *and* '*A Note on Sanskritisation and Westernisation*', Far Eastern Quarterly, *Vol xv, No* 4).

The aim of the present note is to examine its implications in terms of its applicability to the Hindu society of the North-West of India.

BY the Hindu society of North-West of India is meant the Hindus of Panjab and what was known as the North Western Frontier Province. The latter as also a large part of the former are now included in West Pakistan. The Majority of the Hindus of these areas are settled in Indian Panjab, Delhi and Western U P. The rest have spread all over the country.

As in other parts of the country, here also we have to take note of the twin processes of Sanskritisation and Westernisation and examine their inter-relationship. The first thing to note is the historic fact of the relative weakness of the Brahmin influence in this region. Ever since the large-scale conversions of the artisans, craftsmen and peasants to Islam, the Hindus living in these areas have been relatively few in number and instead of exercising dominating influence on the Muslims, they have themselves been influenced by the latter. As proof thereof may be noted the relative scarcity of temples in these parts, the non-existence of Brahmins well-versed in the *Shastras* (except in Jammu and other Hindu-ruled Hill States), the total absence of any Sanskrit schools till very recently and the relative laxity in the enforcement of prohibitions regarding eating, etc.

Deep Influence of Islam

The Hindu of the North-West was a Hindu because he did not eat beef (and dared not eat pork), did not practise circumcision, did not have his moustache shaved in the middle, did sometimes manage to keep a *shikha*, did not like to eat with the Muslims (though he did exchange uncooked cereals on festive occasions), did not ask his women to wear the *burqa* (though in overwhelmingly Muslim areas, Hindu women had to cover themselves in public), did try to go to some *tirtha* if he got the chance, had his sons and daughters married before *Agni* with a Brahmin conducting the ceremony and cremated his dead (excepting the children, who were buried). But he ate meat, onions and tomatoes, relished eggs and ate his stuff even in the bazar, generally put on the sacred thread only at the time of marriage, recited no *mantra* (save *Rama-nama*), knew no Sanskrit and sent his children to the local Madrassa run by a Maulvi.

In the sphere of religion, he was deeply influenced by Islam, especially by the teachings of Sufi Saints[1]. Some Sufi Saints have had a tremendous influence on the non-Muslims, and quite a number of conversions to Islam can be traced to them. In so far as his past was concerned, the Hindu knew the stories of Rama and Krishna, and also knew something about the Vedas, Upanishads, etc. This may sound little in terms of intellectual equipment. It may be added here that this is all that he had inherited in terms of Sanskritisation till about a century ago (The British annexed the Punjab in 1852). But another source was at his disposal, namely the teachings of the Sikh Gurus. When we excluded from our survey the Hindus of Sindh, it was because they follow the Sikh tenets, though they do not keep long hair and a beard, and do not abstain from smoking. The Hindus of Sindh cannot, therefore, be considered to be open to the influence of Sanskritisation. The Holy Grantha of the Sikhs is a collection of hymns composed by various saints in the Middle Ages and includes the poetry of Namadeva, Kabir and others on the one hand, and that of the Sufi saints like Farid on the other. Needless to say that the rest is that of the Sikh Gurus themselves. Therefore, the language of the larger part is Panjabi.

1 In the sphere of culture, this region also forms part of an area extending as far as Iran-Azerbaidjan on the one hand and Afghanistan-Tajikistan on the other. The people, therefore, have a great deal in common with what can be called Muslim areas, where Persian, Tunkish and Arabic influences have intermingled in the past. The British cut it off from the rest on political grounds but the similarities in question have proved to be too deeply rooted.

And of Sikhism

In the domain of ritual, the opposition of the Sikh Gurus to Sanskrit ritual was total and they evolved a simplified one of their own in Panjabi. We may, therefore, conclude that among the Hindus of Sindh as also among the Sikhs of Panjab and N W F P, there has been little or no need for Sanskritisation, either in the spiritual domain or in that of ritual.

By way of intellectual equipment, the Holy Granth and related literature offered the best that has been produced by the North-Indian poet-saints during the Middle Ages as also a good deal of what had been handed down by Muslim Sufis, a large part whereof in Panjabi.

Although the Hindus and Sikhs of Panjab, specially in the urban areas, today look like getting away from each other, this should not lead us to view the Panjab Hindus as a separate social group, especially in the rural areas The separation is gaining strength only now, but even today many Hindu families baptize their first son as a Sikh and sometimes a Sikh father may have some children brought up as Sikhs and the rest as Hindus (and *vice versa*). Therefore despite the apparent polarisation of today, a large section of the Panjab Hindus have had the Holy Grantha and allied literature as their sacred texts. Their ritual

needs on occasions such as baptism, marriage, death, etc., have been fulfilled by a simplified system conducted in Panjabi.

Scripture in Mother Tongue

The Brahmins of Panjab, except in certain areas, have also been under this very influence. In some of the Sikh majority areas under Sikh rulers, (Patiala, Nabha, Jind), one comes across Sikh Brahmins, i e, persons wearing long hair and turbans, going to the Gurudwara but who are endogamous. Therefore the very group which could have helped Brahminize, Sanskritise the Hindu masses, was in no position to do so. We may, therefore, observe that even a large section of the Hindus of the Panjab, specially those living in rural areas and small towns have been under the influence of a religion, which had Panjabi and not Sanskrit as its language. This body of religious literature, (the term religion and its derivatives are to be taken in a broad sense and should include both the ritual and the moral aspect), has been at the disposal of the non-Muslim Panjabis for over three centuries.

Therefore whenever any group of people living in this region has felt the need for any amelioration in its social status, it has always sought guidance in the scriptures available to it in its own language[2]. We have also to observe that these non-Muslims did not have a large number of lower castes among them,[3] as the lower castes had been converted earlier to Islam. Therefore, the problem of social uplift for a lower caste was not comparable in its scope and magnitude to that in other parts of India. The Hindus and Sikhs consisted mostly of the commercial classes and in certain areas. e g Pothohar, Sialkot and Gurdaspur, they were peasants also. The pattern of the newly-settled canal-irrigated areas of Lyallpur and Montgomery followed the pattern of the villages in the district of origin in (what is now) Indian Panjab. These commercial men and peasants did not feel the need to follow or imitate the Brahmins. The latter among them also did not have much to show. In the social set-up they were not the leaders and nor was economic power in their hands.[4]

Social uplift

It will not be correct to say, however, that no social group, no community felt the need for social uplift at all. Despite the equality granted by Sikh scriptures to all, irrespective of Trades-castes, certain communities were looked down upon because of the occupation followed by them. For example, the Ahluwalias had a very low social status as they engaged in the distillation and sale of liquor. Their professional name was *Kalal*. There is a popular saying, given me by an Ahluwalia friend, which stresses the need to beware of a crow (*kan*), a Kalal and a dog (*kutta*), even when they are asleep. They got the chance to improve their social status, when one of their castes was able to carve out the state of Kapurthala for himself. The entire community then laid claim to the title of *Kshatriyas* and set up the "All India Ahluwalia Khatri Mahasabha". But as the princely house of Kapurthala was Sikh, the need for discontinuing the former trade and engaging in other professions, was felt as a consequence of the teaching of Sikh scriptures in *Panjabi*. It may be observed, *en passant*, that for purposes of marriage, this community has been endogamous.

Though there were not many low caste people among the non-Muslims in Panjab as a whole, there are certain communities in the Indian Panjab, which are "low-caste". These are principally the landless village-labourers known as "kamin" or work-man. They are untouchables and are so recognised in our Constitution. The majority follow the Sikh faith and they are popularly called the *Majhabis*. In the social sphere, they also seek inspiration from Sikh scriptures.

Sikh and Hindu Ramgarhis

A few words may be said here regarding certain professional castes. We wish to refer here, particularly to the Ramgarhis community. This community furnishes most of the masons, carpenters, die-men, founders, turners, motor-mechanics, etc of the Panjab. Many among them are under the influence of the Sikh religion, notably of one of its reformist sects, the *Namadharis*. The latter are, so to say, the "puritans" of the province. For instance they must wash their long hair every day (in winter it is quite cold in the Panjab), abstain from intoxicating drinks and meat and are promise-bound not to steal, not to tell lies, to protect the cow, etc. They derive their inspiration for these acts of faith, not from Sanskrit scriptures, but from the Holy Grantha in Panjabi. Another community of masons, carpenters etc which has not come under the influence of Sikh religion, now calls itself the descendants of *Vishvakarma*, the divine carpenter and some of them affix the title, "Pandat" before their names. Among such people Sanskritisation can be said to have had effect. This community maintains temples dedicated to Visvakarma.

Of course in so far as the ultimate source of the spiritual values of Sikh religion is concerned, it can be traced to the Upanishads through the Vedanta. To this extent, it may also be included within the term, Sanskritisation. But if the consciousness of the people is the vast majority of the people, however, they are not conscious to this day of this ultimate source.[5]

2 In strict objectivity, we should state that along with this literature of the Sikhs, some Hindu literature has also been available. For example Panjabi translations of the *Gita* and certain other texts used to be the common heritage of both Hindus and Sikhs. This was symbolised by the same building housing both the idols and the Grantha. It was called the *Dharam-sal* (*Dharma-shala*).

3 We have left out not only the Christians, a very small group, but also the Jains, a small but cohesive community, which was to be found in Rawalpindi, Sialkot, Gujiranwala, Lahore and other towns. Though leading an isolated life in respect of marriage, its members did exert some influence on their neighbours and friends in so far as abstention from meat, eggs, onions, tomatoes, etc., :rned.

4 In Panjabi the word *Pandat* (*Pandit*) denotes a Brahmin and may connote some respect for the latter. But the word *Bahman* (Brahmin) almost always carries a little contempt.

5 At an earlier date, upto the time of Guru Gobindsingh and later, the attitude towards Sanskrit had been different. This Guru had sent some of his disciples to Kashi to learn Sanskrit. A new feature of the present times is the growing awareness of the scholars of Panjabi, mostly Sikhs of the need to learn Sanskrit to further research in Panjabi language and literature.

Agrawal Community

As our subject is Sanskritisation, et us discuss the case of the Agra-wal community of the Panjab. This :ommunity, spread all over the re-gion, can be divided into two sec-ions, the Hindi-speaking and the Panjabi-speaking. The former hail nostly from the area of Hissar-Hansi-Bhiwani-Riwari of Indian Panjab, bordering on the Rajasthan Desert. Inspite of having lived con-inuously in the Panjabi-speaking rea for several generations, they ave always kept themselves in ouch with the parent-area. They narried only among the Hindi-peaking Agrawals and were quite :onservative even as regards inter-lining. In consequence of having ome from a Hidu-majority area, his section of the community was argely under the influence of San-kritic *Shastras* and have been quite ctive in the movement of the Sana-n Dharma Sabha, referred to be-ow. But in this case, Sanskrit in-uence was imported along with the ommunity itself.

The Panjabi-speaking part of this ommunity is also engaged in trade nd commerce and has the same *otras*. But probably they migrat-d earlier and had been cut off from eir parent-area. In consequence ey are completely Panjabi-speak-ng; marriages are arranged only ith the Panjabi-speaking Agra-als. In inter-dining, however, they re much less strict than the other grawals. They are also attached Sanskrit ritual, though to a les-r extent. Many among them ok to liberal professions and be-me leaders of the Arya Samaj. ut those who remained in trade nd commerce, by and large, lent pport to the Sanatan Dharma abha and thus helped spread the fluence of Sanskritisation. Though anjabi-speaking, they never came nder Panjabi-influence in matters religion.[6]

Arya Samaj and Sanatan Dharma

With the advent of the British le in the Panjab started a new a, which brought in the Western ode of education to the Panjab on a large scale. Here along with English, other languages including Sanskrit, Arabic and Persian also began to be taught in schools and colleges. In course of time, facilities for prosecuting studies in these subjects upto the M.A. and beyond were provided. These steps were well received by the urban Hindu and Muslim, who were becoming conscious of the need of defending their past before the onslaught of the Western way of life. In the social sphere, the Arya Samaj and certain Muslim organisations propagated the need for a revival of ancient learning, and the study of classical languages, Sanskrit, Arabic and Persian, received a great impetus from such movements.

Now if the Arya Samaj was largely a movement of reaction against Islam and Christianity, a new movement arose in these parts as a direct reaction to unceasing and intemperate attacks of the Arya Samaj on the Sanatana, the ancient values of the Hindu religion. Its organisation was called the Sanatan Dharma Sabha.

While defending the values of both the *Sruti* and *Smriti* against the unique *Sruti* values of the Arya Samaj, the Sanatan Dharmis also had to find an answer to the challenge posed by Western civilisation. And like the Arya Samajis, they also sought it in a revival of Sanskrit learning. Thus it is that we find a chain of D A V (Dayanand *Anglo*-Vedic) schools and colleges and S D (Sanatan Dharma) schools and colleges established in this area, wherein the study of Sanskrit was sought to be encouraged.

Some of the leaders of Arya Samaj, however, found this type of college-education inadequate, and pleaded, following the teachings of their Guru, for the establishment of *Gurukuls*, where the method of ancient teachings was to be followed. The *Rishikuls* established by the Sanatan Dharmis were a countermove and some of them still exist. The basic difference is the exclusive emphasis on Vedic literature in the former, and on both the *Sruti* and *Smriti* literature in the latter. Along with these steps, the *Dharma-prachara* of both the organisations led to an increasing awareness of ancient values among the Hindus of this areas. In so far as the Arya Samajis laid exclusive stress on the vedic values (in both ritual and morality), it may not be quite rele vant to include their work withi the present note.

Movement of Sanskritisation

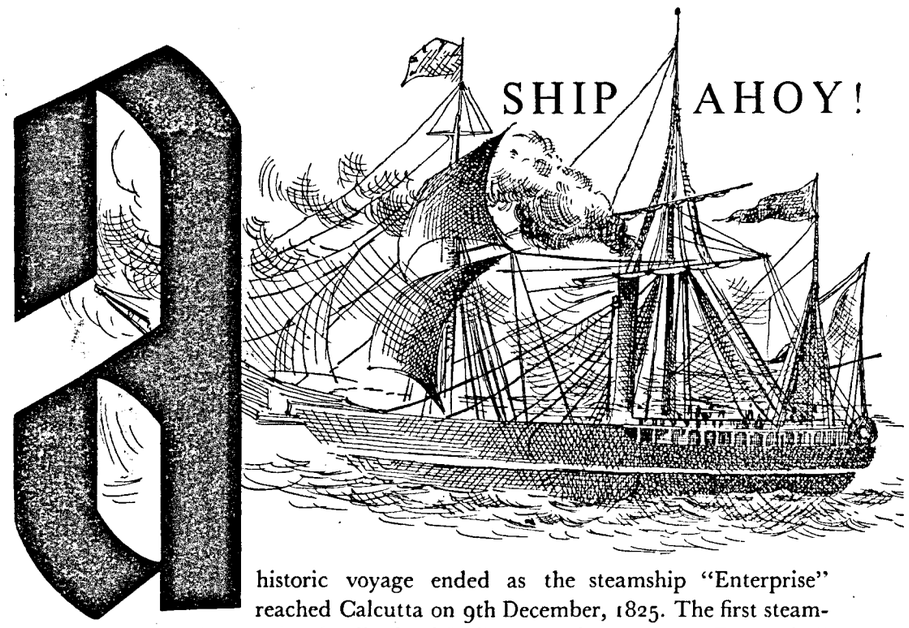
However, the increasing aware ness of ancient Sanskritic value did lead to a broad movement o "Sanskritisation" among the mid dle class Hindus.

The influence of movements lik the Brahmo Samaja as also th part played by Brahmin scholar coming from other areas of Indi to help the two movements, is no being discussed here. If the Cen sus Reports from the end of th nineteenth century onwards ar analysed, it will be seen that th number of Guptas, Varmas an Sharmas has increased with th passage of time. This is, most pro bably, due to a revival of interes in *Smriti* literature, in which th members of the first three *varna* have Sharma; Varma and Gupta res pectively at the end of these names This is but one example. These reports as also the voters' lists wil also show an increasing tendency towards the sanskritisation of name among the Hindus (and of Persia nisation and Arabisation among the Muslims), leading to the replace ment of Panjabi names like Guran ditta and Ramrakkha by name like Rakesh, Manmohan and others in the space of two to three gene rations.

In so far as ritual is concerned, it led to the establishment and the enlargement of temples, in urban areas. Large temples to various gods were built and the need for priests was in part filled by recruiting Brahmins from U P, Garhwal and elsewhere. Again, ceremonies like the celebration of *Shraddhas* began in a number of families with Sanskrit-knowing Brahmins performing the rites. It will, therefore, be clear that whatever Sanskritisation came to the Panjab in this manner, it was not due to the leadership of the Brahmins. It is curious that out of the ten to twelve Sanskrit scholars produced by Panjab over the last fifty years, none has been a Brahmin.

We have already referred to the impact of the West on the revival of Sanskrit learning in the Panjab. We may now consider the influence of more advanced provinces like Bengal and Maharashtra in this respect. The latter had come into contact with the West earlier, had seen

6 As regards the desire of the various social groups to claim a higher status for themselves, it may be noted that if the *Mahajans* and *Soods* call themselves *Guptas* (the Agrawals deny this claim)', the Agrawals claim to be *Kshatriyas*, descended from Ugrasena, father of Kamsa of Mathura.



historic voyage ended as the steamship "Enterprise" reached Calcutta on 9th December, 1825. The first steam-powered vessel to make the England-India run, the 500-ton "Enterprise" won a cash prize of Rs. 100,000 offered by Calcutta's trading community for this truly pioneering achievement. Her captain on the hazardous voyage round 'the Cape' was James Henry Johnson, Commander, Royal Navy, and a hero of Trafalgar.

Though the "Enterprise" was the first ocean-going, partly steam-propelled ship to arrive at any Indian port, small steam-powered craft were being built in Calcutta as early as 1823.

Among the oldest and best known marine and general engineering firms in the country, a privately-owned concern known as Reid & Company's Hooghly Dock (founded 1819), the forerunner of The Hooghly Docking & Engineering Company Limited, was already flourishing before the introduction of steam to India.



The 'Hooghly Docks' are a part of the vast industrial and engineering organisation of Martin Burn Ltd., an organisation which is playing an important role in India's industrial progress.

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a revival of Sanskrit learning earlier, and were, towards the beginning of the twentieth century, taking a leading part in the national movement, which could not help being a movement for cultural revival as well. The ideas that took shape in the sphere of culture in such places were those found in Sanskrit literature. Being conceived and given shape by people very much aware of Western values, these ideas also slowly made their way into the Panjab and led to a revival of interest in ancient Indian culture. The Upanishads in translation and similar other texts now came into vogue. One feature of this trend lay in its being accepted by the educated Hindu in general.

To sum up: Sanskritisation in the area under discussion can be said to have come into being under the impact of alien rule, in part indirectly. It was not due to a desire of any social group to imitate the Brahmins who, by and large, held no leading position. Since the low castes, mostly untouchables, were already beyond the pale of Hindu religion, there was no general desire on their part to imitate the Brahmins in matters of ritual. As regards the Agrawals practising Sanskrit values, their attachment came with them from their place of origin.

This becomes understandable if we remember that culturally Sanskrit influence has been but one of the trends and at times it could not have become the main trend. For a few centuries till the third quarter of the nineteenth century Persian influence had been the dominating one in this area. (However, *Jyotisha* and *Ayurveda* seem to have been fairly prevalent during all these centuries.)

Western Influences

Western influences had started coming into the Panjab even before the British conquest in 1852. Maharaja Ranjit Singh had a number of European soldiers and physicians. The missionaries had started coming earlier and a school run by them was established in Lahore early in the nineteenth century. (It later developed into the Forman Christian College). The influence of these visitors has proved to be long-lasting.

However, the process started in right earnest in the last quarter of the nineteenth century and has continued since then, experiencing certain ups and downs. Since the press, the cinema and the radio have played their part in this process, they should be kept in mind along with the increased and increasing communication between the various parts of the country by rail and road. We should note that this area received relatively greater attention in this respect because of its strategic importance to the alien rulers of India. Another point to note here is the relatively large number of persons belonging to the middle class in this region. This was not due to larger public service or more industry, but to the presence of a sturdy peasant community owning their land and making a good living out of it as also to that of a prosperous mercantile community. The decision of the British to bring perennial irrigation by means of a vast network of canals, gave further impetus to this community and to trade, commerce and industry associated therewith.

The first channel of Western influenue, it will not be incorrect to say, was the legal profession. Moreover, as the best way of getting to the top of society was by mixing with the British officials, the Western mode of life came into vogue. The colleges started earlier (the Panjab University was founded about 1885), imparted education along western lines and thus turned out young men (and women) who had read Shelley and Shakespeare, Dickens and Thackeray. The Law College and the Medical College were soon added, and to surmount the difficulty of long distances (Peshawar was within the jurisdiction of the University at Lahore), post-graduate classes were started at Peshawar and at Rawalpindi. The various communities feeling the need for their own colleges, spread a net-work of denominational institutions like the D A V, the S D, the Khalsa and the Islamia colleges. The only non-denominational college, Dyal Singh College was started, thanks to the munificience of S Dyal Singh Majithia, an aristocrat, who had become a Brahmo. (The Panjab owes to this great and generous man its only English daily newspaper, a public library and a few other institutions). In this way the province acquired a number of institutions along with a number started by the Government.

This trend towards Westernisation, at least in externals, was quite strong before the National movement had become really powerful. It was common to see young men in colleges, sporting trousers, coats and ties, though not sola topees. This tendency towards the adoption of Western dress was being kept in check mainly because of the strong hold of tradition and active propaganda by revivalist organisations of the various communities. But the first real check came in when Gandhiji came on the scene and electrified the country by his appeal to Swadeshi. Westernisation even in externals received a strong set-back. Gandhiji called for a bonfire of all foreign cloth and apparel. Several families discarded western dress for good, and the neck-tie became a symbol of servitude. The increasing tempo of the Freedom movement kept this tendency in check right upto 1947.

Impact of the National Movement

The Western system of education, however, had come to stay, and though externals like the neck-tie were no longer popular, its impact began to be felt in another direction. If the influence of the magnetic personality of Jawaharlal Nehru and Subhash Chandra Bose was moving millions of youths, it has to be remembered that they were the products of England and modern European culture.

In the political sphere the advocacy of Socialism by these younger leaders, their identification of India's cause with the struggles of other oppressed peoples (as those of Abyssinia, Spain), made people aware of the futility of many prohibitions ordained in the name of the *Shastras*. Thus in 1932, Gandhiji went to London for the Round Table Conference and was accompanied, among others, by Pandit Madan Mohan Malviya, who for the sake of purity, took pots of Ganges water with him. But Hindu opinion was no longer in a mood to consider Gandhiji a lesser Hindu on that account. As far as I remember, the last person to perform a *prayaschitta* for going to England was a Rai Bahadur.

Such an attitude towards ritual may have been helped by the fact that Sanskritisation had not, by that time, struck deep roots. Besides the orthodoxy due to this process was probably too tender to with-

stand the "sweet reasonableness" of Gandhiji's arguments and the head-on attack of moderns like Nehru and Bose. It need hardly be pointed out that even Gandhiji had come under the influence of the West, although his genius had enabled him to find an 'Indian' answer to the challenge posed by the West.

Weaned Away from Traditional Values

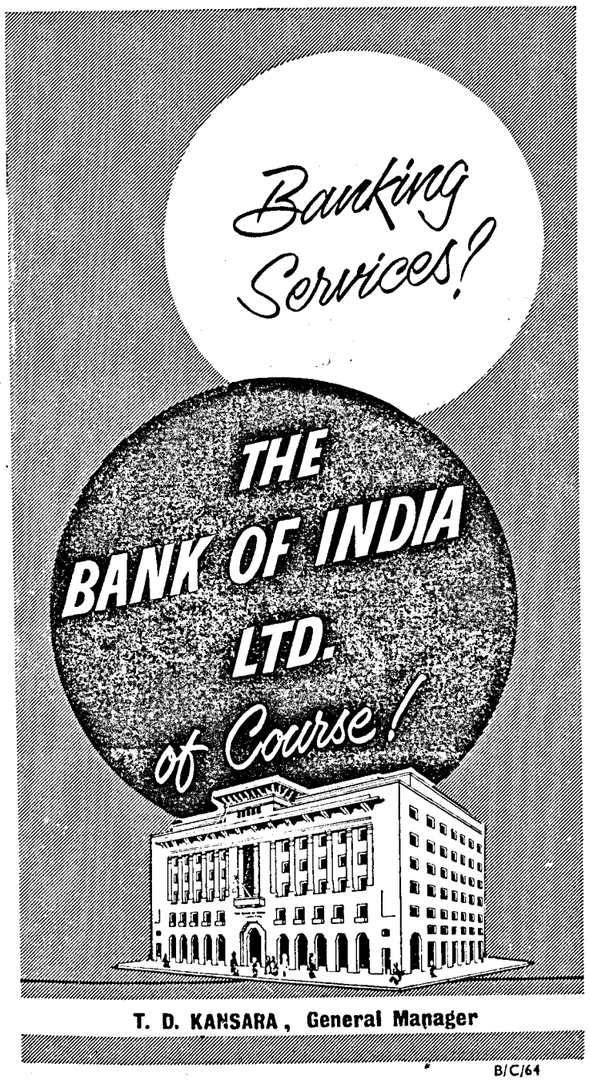
First in the thirties and then, on an increasing scale, in the forties, the attraction of Socialism and Communism weaned many bright minds away from traditional values. That in their enthusiasm they overstepped the limit, only underlines the extent to which they discarded orthodoxy. One strange result of the increasing appeal of leaders like Nehru and Bose, and of the young and growing left-wing movements, was the increasing vogue for Western style dress, minus the neck-tie, and this time, even the 1942 movement could not check it.

An event of note was the last World War II, which took thousands of young men and hundreds of young women of middle-class families all the way to Africa, Europe and East Asia. The standard in the alien-run army was set by the British officers, and the Indian counterparts became thoroughly anglicised in everything except where national pride came in. That Westernisation was the need of the day was, a little later, admitted by our leaders also when Netaji Bose raised an army on exactly similar lines. Westernisation had come to stay.

Post-War Growth

The post-war years have seen an uninhibited growth of westernisation among these people, because the fight with Britain being over, no stigma attaches any more to being westernised. But while in externals we have accepted a great deal of what is there to be had, the degree of change in matters spiritual under this influence is a moot point. The educated class of this area seems to be abreast of all developments and it reacts quickly to every change. If it can be said that India is trying to find its feet in a new world, it may be assumed that the reaction among Panjab Hindus will not be dissimilar to that elsewhere in the country. If in India of today, the stress is more on matters of spirit (teachings of Upanishads, etc.), and less and less on ritual, the same can be discerned here also.

It can now be seen that Westernisation among Panjabi Hindus and Sikhs is not due to the lead of the Brahmins or of any one social group as such. It is the rich and the middle-class people of this area who have given the lead for this way of life. As the roots of Sanskritisation, of respect for ritual values of Hindu religion, were not very strong, nor deep, such values have had a very short life. As regards Brahmanisation and Sanskritisation, reformist sects apart, the Hindu of the Panjab prefers to have a *Brahmin* priest, even though he be incapable of co ducting the rites in *Sanskrit*. In fa Sanskritisation itself owes its prop gation to westernisation. Therefo it may not be possible to postula a gradation of Sanskritisation-Wes ernisation here. As regards the pr sent, it will be better to say th Indianisation is at work; by it v mean Westernisation to a large e tent in externals and the re-asserti of largely Indian values, mingl with the humanitarian values of t West in matters of spirit.



The Keynes-Triffin Plan on International Liquidity

Kersi Doodha

The orthodox habit of maintaining international reserves in gold alone has been gradually given up in favour of holding certain national currencies.

The stability of the exchange rate now mainly depends on the dollar and the sterling, the two key currencies used for accumulating international reserves. A weakness in either, arising from domestic or international pressures, may consequently destroy the delicate fabric of convertibility.

This happened in the 1930's and may happen again.

A radical solution is to create a new international organisation, an international central bank, to which would be handed over the foreign exchange reserves of all countries.

This is the Keynes-Triffin Plan on International Liquidity. The major obstacle to its implementation would be the reluctance of countries to give up their sovereignty over reserves. But it can be considered as a proposal to set the ball rolling for future negotiations.

CURRENTLY the dollar is under severe international economic pressure. Countries holding a large stock of dollars as currency reserves are gradually converting them into gold. Consequently, the United States balance of payments reflects a steady flow of gold out of the country. The gold stock has declined to very near the "safe limit" of $17,000 billions. Even in the London Gold Market which supplies practically 80 per cent of the world's total requirements, the price of gold has for some time now, shown a consistent premium over the officially fixed dollar/gold parity of $35.00 per ounce of fine gold.

This development has brought into sharp focus the problems of international monetary policy. Before considering the problems one has to lay down the goals that are sought to be realized. They may be considered to be three in number :

(a) the maintenance of world prosperity at higher rates of growth;

(b) the return to the classical concept of free world trade and

(c) maintenance of discipline in the foreign exchange markets which includes the objective of full convertibility.

Exchange Reserves

These objectives are in a sense pure abstractions and their attainment, by that token of measurement can be considered to be problematic. In spite of this, economists strive for their realization in the closest possible degree, if not absolutely. Professor Robert Triffin of Yale is one such individual. This article reviews his current work "Gold and the Dollar Crisis" in this connection.

He feels that the above objectives cannot be realised under the existing international monetary arrangement. He feels that world prosperity cannot grow continuously because it suffers from a shortage of international liquidity. Just like an individual, the nation also requires cash for conducting international transactions. This usually takes the form of exchange reserves. It can be postulated, that when economic prosperity increases, the demand for exchange reserves would also go up. If this higher demand is not satisfied, the world would be exposed to the dangers of a slump.

Empirical evidence can be mustered in support of this hypothesis. The failure of convertibility in the 1920's and the consequent currency disparities led to a contraction in world liquidity. This resulted in a crisis of general confidence in the gold standard mechanism and the Great Depression was the consequence. The second near-disaster was averted in 1958. The "German miracle" and the rapid recovery of the OEEC countries brought about an imbalance between the demand for international liquidity and its supply. Fortunately, by fortuitous circumstances, a crisis was averted by a sizeable disequilibrium in the balance of payments of the United States, to the extent of $4.5 billion in that year alone. A further deficit of $3.5 billion in 1959 and an expected deficit of another $3 billion in 1960 have for the time being removed the threat of a depression.

This development has, however, raised two new problems. For some time past (the orthodox habit of considering gold alone as a precondition of holding international reserves, has been gradually given up in favour of holding national currencies as international reserves). This serves to supplement gold as a form of international reserves holding. Primarily, only two key currencies are being used for this purpose, namely the dollar and the sterling. Even in their case, this is done very haphazardly, so that it poses a perpetual threat to the economic well-being of that country whose currency is held for this purpose. The danger is increased further since the currency acting as an international reserve loses its independence in terms of domestic monetary policy. The action of monetary authorities is now subject to the dual loyalty of domestic and international considerations which, in a majority of cases, is likely to be conflicting rather than complementary.

The Dangers

Apart from the impingement on the sovereignty of national economic policies, the use of key currencies as reserves affects the system of convertibility which is the second modern problem. Exchange rate stability and discipline in the exhange markets has been assiduously realized to a fairly large degree under the auspices of the International Monetary Fund. However, the stability of exchange rates depends mainly upon the dollar and the sterling, the two key currencies used for accumulating international reserves. A weakness induced in either, by domestic or international pressures, may destroy the delicate fabric of convertibility. This is what actually happened in the 1930's and may happen again in future. A loss of con-

fidence in the exchange markets would lead the world back to trade restrictions, multiple currency practices bilateral trade arrangements and economic autarky. Adequate international liquidity is, thus, vital to the realisation of three objectives of world prosperity, free trade and convertibility. Professor Triffin feels that there is a dearth of liquidity in the world.

The key concepts employed by Professor Triffin for this purpose are two. In the first instance, the rate of growth of industry and trade for the world as a whole is derived from time series data beginning 1876 (Tab. 1). It shows that on an average, the annual rate of growth of world industry and trade on a compound basis has been of the order of 3 per cent. What has been the corresponding demand for international reserves? This introduces the second concept of the ratio of gross reserves to imports. Table 2 gives the ratio for certain selected years over the period 1928-57. The average ratio for the world excluding the US during the period comes to 34 per cent.

Demand for Reserves

Assuming that the long term rate growth of trade and manufactures l the need for reserves remain ghly the same as hitherto, we can dict the future demand for reves. If as in the Fund Study, we e the years 1956-66, then the ss reserves required are of the ler of $19 billion. If, however, we ume that countries with very ge reserves (for example, U S A, st Germany, Venezuela and Switland) will not most probably add their liquid reserves, then the net nand will be $8 billion. To prene a single unique rate of growth good for the long term, but fairly ngerous in the short period. ring the latter phase, we have to ovide ourselves with a spectrum possibilities. It is more realistic assume if recent experience is any ide that the growth rate of world ade and manufactures will be over per cent. For example, during the riod 1950-57, the average rate of owth has been 6.3 per cent per num. If, therefore, we assume a 5 or 6 per cent rate of growth, en the required reserves (in terms our above qualification) rise to 0.4, $13.7 and $24.1 billion, rescctively.

Who is going to supply this liquity? Normally, gross reserves are a sum total of gold and foreign currencies and foreign assets. If the increment in the stock of world gold is assumed to be of the order of 1.5 per cent per annum, then gold alone for the decade ending 1966 will be supplied to the tune of $7 billions, or just enough to guarantee a 3 per cent rate of growth on our assumptions. Any higher rate of growth will experience a gap in international liquidity which will be met by an increase in the percentage of foreign exchange held as international reserves. For example, the percentage of foreign exchange to total reserves would rise sharply from 45 per cent, to 57, 65 and 71 per cent, if rates of growth in world trade are assumed to be of the order of 3, 4, 5 and 6 per cent, respectively.

This trend is extremely disquieting for the realisation of the objectives of international monetary policy. Says Professor Triffin, "It seems extremely unlikely that the growth of dollar or sterling balances can provide a lasting solution to the inadequacy of gold production to satisfy prospective requirements for international liquidity in an expanding world economy" (p 57). For the time being, the issue has been avoided, but time is "running short", and "the danger is increasing daily". Any "further inaction and complacency may lead to a repetition in a different form of the 1931 collapse of the gold exchange standard" (p 58).

Keynes-Triffin Plan

In view of this grave threat, the solution offered by Professor Triffin is equally radical. He proposes the "internationalization of the foreign exchange component of world monetary reserves" (p 10). This is to be accomplished by creating a central

Table 2 Gross Official Reserves (Gold and Foreign Exchange) as per cent of Imports

Year	World	World excluding U S
1928	41	27
1937	109	49
1948	86	36
1950	86	46
1951	64	32
1952	65	31
1953	65	34
1954	68	35
1955	61	32
1956	57	30
1957	54	27
Average over the period	69	34

Source: Based on data in IMF Ibid Appendix Table 2 p 100-101.

Table 1 Average Annual Rates of Growth of World Trade and Manufactures

(per cent compound basis)

	Period	Trade		
		Primary products	Manufactured products	Manufacturing activity
From	1876-80 to			
	1901-05	3.3	2.8	4.1
	1913	3.4	3.3	4.1
	1926-29	2.6	2.4	3.5
	1930	2.6	2.2	3.3
	1936-38	2.3	1.8	3.5
From	1901-05 to			
	1913	3.5	4.7	4.2
	1926-29	2.0	2.1	3.1
	1930	2.0	1.7	2.7
	1936-38	1.5	1.1	3.1
From	1921-25 to			
	1926-29	6.3	7.1	6.8
	1936-38	2.2	1.3	4.4
From	1938-48 to	0.0		3.7
	1948-56	7.5		6.1
	1950-56	6.5		5.7
	1950-57	6.3		5.1
	1951-57	5.4		5.0

Source: I M F: "International Reserves and Liquidity" (p 70) Washington 1958.

8 - MAR 1961 PUBLIC DEPARTMENT

nk for central banks, a new orisation to be brought into being modifying the International onetary Fund. Since the proposal s evolved out of the Keynesian commendations for a Clearing nion, it has come to be popularly lled the Keynes-Triffin Plan (K Plan).

The articles of the K T Plan would ovide inter alia, for an unrestrict- opportunity for the full clearing each country's bilateral credit and bit balances. It would also involve nding over of all international serves as Fund deposits to the odified Fund. The present quota stem would thereby be abolished. s the success of this measure will pend upon the cooperation of the rticipating countries, Professor riffin feels that full compliance of e above provision may not invoke favourable response. He, therere, proposes that initially members ay be asked to deposit with the und only a certain portion (say 20 er cent) of their gross monetary serves.

On the basis of a 20 per cent itial deposit, Professor Triffin asmes the Fund resources would be ound $11 billion with a possiility of annual increase by a cons- nt coefficient of 0.20 caused by ture rise in members' reserves. owever, only half of the above mount could be lent out, since a untry cannot be a debtor and a editor at the same time. This, erefore, restricts its lending capaty. A possible way out suggested y Professor Triffin is to raise the itial percentage of deposits or issue edium-term gold certificates payable ther in gold or in excess und deposits. Alternatively, he ggests an imposition of higher eposit requirement upon that porion of each member's reserves hich exceeds the average ratio of orld monetary gold to world imorts.

Full Convertibility

The accumulation of credit balanes in the form of deposits with the und carries with it a right to full nd absolute convertibility into any urrency or gold on demand by reditors. This will enable partici- ating countries to insure themelves against risks of exchange luctuations, inconvertibility, blockng, or even default. It will also enble them to count the Fund depoits as a normal and variable component of their monetary reserves required for gold cover wherever legal requirements still persist.

The grant of credit facility to member countries is not to follow the automatic principle. This is to safeguard the possible inflationary bias in the new scheme. This objective can be achieved in two complementary 'safe' ways. The first is to impose a unanimity clause on all important lending decisions, or a qualified vote of, say, two-thirds, three-fourths, or four-fifths majority. The second may be to limit the lending capacity of the Fund. This can be achieved on the basis of an

Martin Burn Limited

Notice

THE Annual General Meeting (*being the Fifteenth Ordinary General Meeting*) of the Shareholders of Martin Burn Limited will be held on Monday, 27th March, 1961, 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, 1960, and the Directors' and Auditors' Reports thereon.
2. To declare a Dividend.
3. To appoint Directors.
4. To appoint Auditors and to fix their remuneration.

AS SPECIAL BUSINESS.

(A) To consider the re-appointment of Mr. Saradindu Gupta as a Managing Director of the Company for a further period of four years with effect from the 1st May, 1961 and in this connection to consider and if thought fit to pass with or without modification the following resolution which will be proposed as an ordinary resolution:—

"That subject to the approval of the Central Government pursuant to Section 269 of the Companies Act, 1956, this meeting approves the re-appointment of Mr. Saradindu Gupta as a Managing Director of the Company with effect from the 1st May, 1961, on the terms and conditions contained in an Agreement dated the 29th December, 1960 and made between the company of the one part and Mr. Saradindu Gupta of the other part a copy of which was laid on the table and signed by the Chairman for the purpose of identification or on such other terms and conditions as may be agreed upon with the Central Government and accepted by Mr. Gupta."

(B) To consider the appointment of Sir Narayan Raghavan Pillai as a Managing Director of the company for a period of four years with effect from the 1st March, 1961 and in this connection to consider and if thought fit to pass with or without modification the following resolution which will be proposed as an ordinary resolution:

"That subject to the approval of the Central Government pursuant to Section 269 of the Companies Act, 1956, this meeting approves the appointment of Sir Narayan Raghavan Pillai as a Managing Director of the Company with effect from the 1st March, 1961 on the terms and conditions contained in an Agreement dated the 17th day of February, 1961 and made between the company of the one part and Sir Narayan Raghavan Pillai of the other part a copy of which was laid on the table and signed by the Chairman for the purpose of identification or on such other terms and conditions as may be agreed upon with the Central Government and accepted by Sir Narayan Raghavan Pillai."

The Ordinary Share Register and Transfer Books of the Company will be closed from 13th to 27th March, 1961, both day 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,
27th February, 1961.

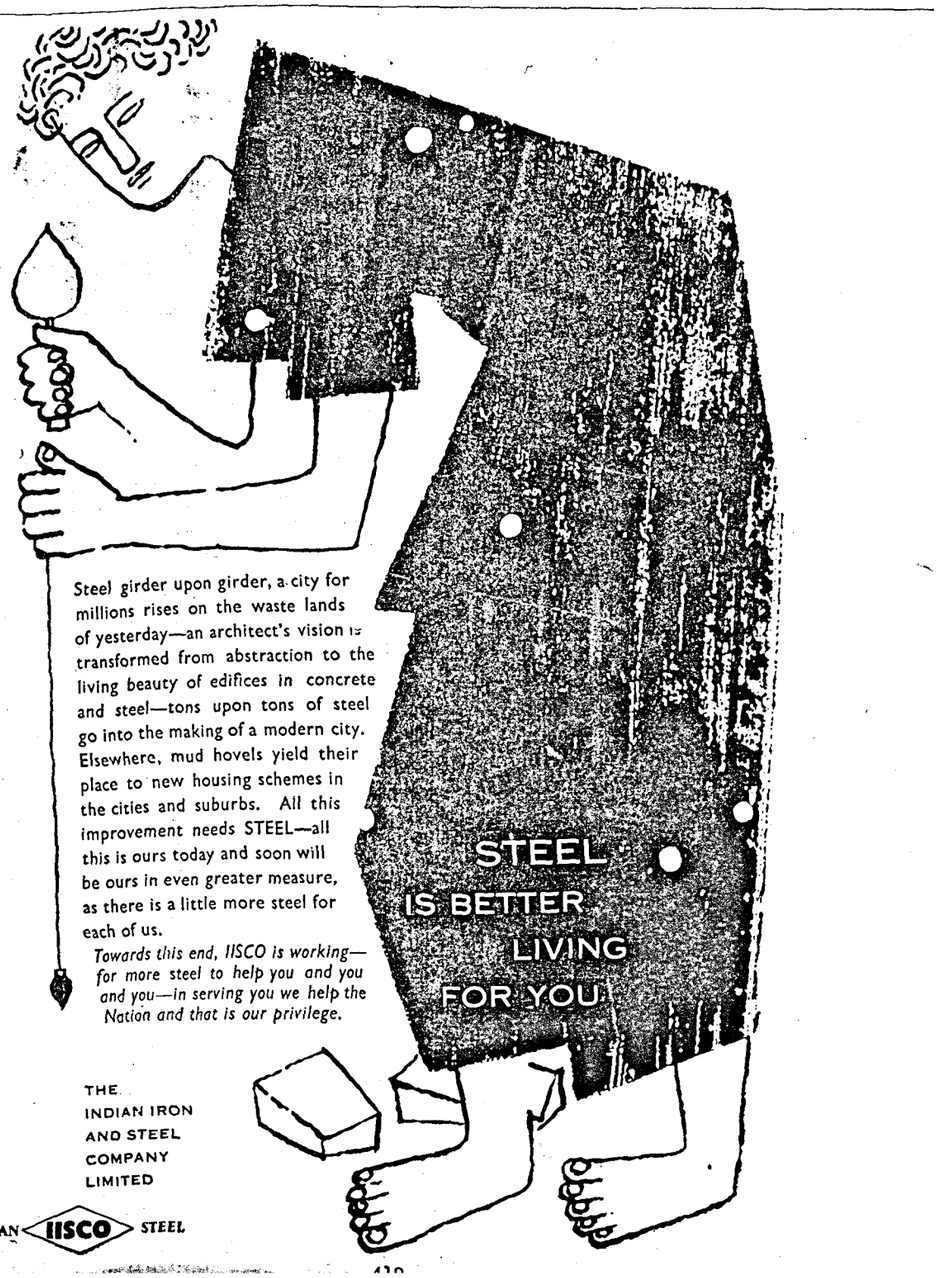
NOTE—The Dividend, if sanctioned, will be paid on or after 17th April, 1961, to those shareholders so entitled whose names appear in the Company's Register of Members for Ordinary Shares on the 27th March, 1961, or to their mandatees. No application for dividend warrants will be necessary.

AN EXPLANATORY STATEMENT as required under the Companies Act, 1956, has been forwarded to the members of the Company.

equilibrium theorem, creation of credit "sufficient to preserve an adequate level of international liquidity".

The assets acquired by the modified Fund will generally consist of three elements : gold, net creditor claims already accumulated with the Fund, and liquid or semi-liquid foreign exchange holdings. The first type of asset, gold, creates no problem. But in so far as liquid assets are concerned, Professor Triffin suggests that the Fund should be empowered to sell this paper in an orderly manner. This can be done by liquidating them at an annual rate of, say, 5 per cent. Likewise, the sale of currency reserves can also be conducted on the assumption of a stable foreign exchange market.

Given the above modifications, the problem of liquidity is likely to be successfully solved. The major obstacle to the scheme, perhaps, stems from the conservative and cautious attitude of world central bankers. They would be chary to give up a part of their sovereignty over reserves. The K T Plan can, nevertheless be considered as a proposal to start the ball rolling for future negotiations. The world no doubt needs a central bank if blind economic forces are not to dominate the international monetary mechanism.



Steel girder upon girder, a city for millions rises on the waste lands of yesterday—an architect's vision is transformed from abstraction to the living beauty of edifices in concrete and steel—tons upon tons of steel go into the making of a modern city. Elsewhere, mud hovels yield their place to new housing schemes in the cities and suburbs. All this improvement needs STEEL—all this is ours today and soon will be ours in even greater measure, as there is a little more steel for each of us.

Towards this end, IISCO is working—for more steel to help you and you and you—in serving you we help the Nation and that is our privilege.

THE INDIAN IRON AND STEEL COMPANY LIMITED

INDIAN IISCO STEEL

Around Bombay Markets

Dalal Street Hails Budget Despite Heavy Taxes

Thursday, Morning

DALAL Street had a very exciting time last week. Equities which had been rising since about the beginning of the year without any noticeable reaction recorded further spectacular gains during the week. Not only had the customary pre-Budget caution been completely absent this time, the market displayed such buoyancy as had not been witnessed for years. This was attributed to the general belief that notwithstanding the pressing need for mobilising resources for the Third Plan, Shri Morarji Desai would not impose heavy taxation in a pre-election year. The increase in taxation of about Rs 63 crores, therefore, should have come as a shock. The stock market, however, continued to hold remarkably firm. In hectic dealings, equities soared during the special Budget-session on Tuesday evening, with a few counters approaching the 1960 highest levels. The market's reaction to the Budget proposals could not be dismissed as impulsive. The strength was well sustained until about the close of Wednesday's session when a reaction set in under the lead of Cotton Mill shares.

Indeed, Shri Desai needs to be complimented for the political courage he has shown in imposing additional taxation of the order of Rs 63 crores. And he has done the job well. Of the Rs 63 crores of additional taxation, hardly Rs 3 crores is expected to come in as a result of adjustments in the income and corporate tax rates. The rest is all indirect taxation—customs duties and excise levies. The net has been cast very wide and the selection of commodities seems judicious. That the stock market should have continued to display marked strength despite the heavy dose of taxation is an indication of the market's confidence in Morarji's stewardship of the country's finances. The market's reaction might have been different if the same proposals had been presented by some other Finance Minister. The reduction in the development rebate, increase in the import duty on machinery and components, excise levies on rayon and staple fibre yarns, cotton yarns, grey cloth and processed cloth and chemicals—all these could have easily sent a tremor through the market. Some of the proposed levies are likely to push up industrial costs and they might even affect industry's profit margin unless the manufacturers can pass the burden to the consumers.

Bull Points

In view of the sellers' market in most of the comodities, additional excise levies are unlikely to affect corporate earnings. The implications of increase in the import duty on machinery and components can be exaggerated. The enhanced levy should further assist the manufacture of machinery which has been developing pretty fast. In any case, the increase is not expected to make much difference to the cost of production. The market is pleased with the decision to reduce the income-tax on royalty from 63 per cent to 50 per cent as it is likely to provide greater inducement to foreign collaboration. No less welcome is the cut in the tax on bonus issues from 30 per cent to 12-1/2 per cent though its value seems mainly psychological since it is doubtful whether, by itself, this reduction will induce managements to issue bonus shares. The tax concession, though small, in respect of appropriations to reserves by approved financial corporation is well-conceived.

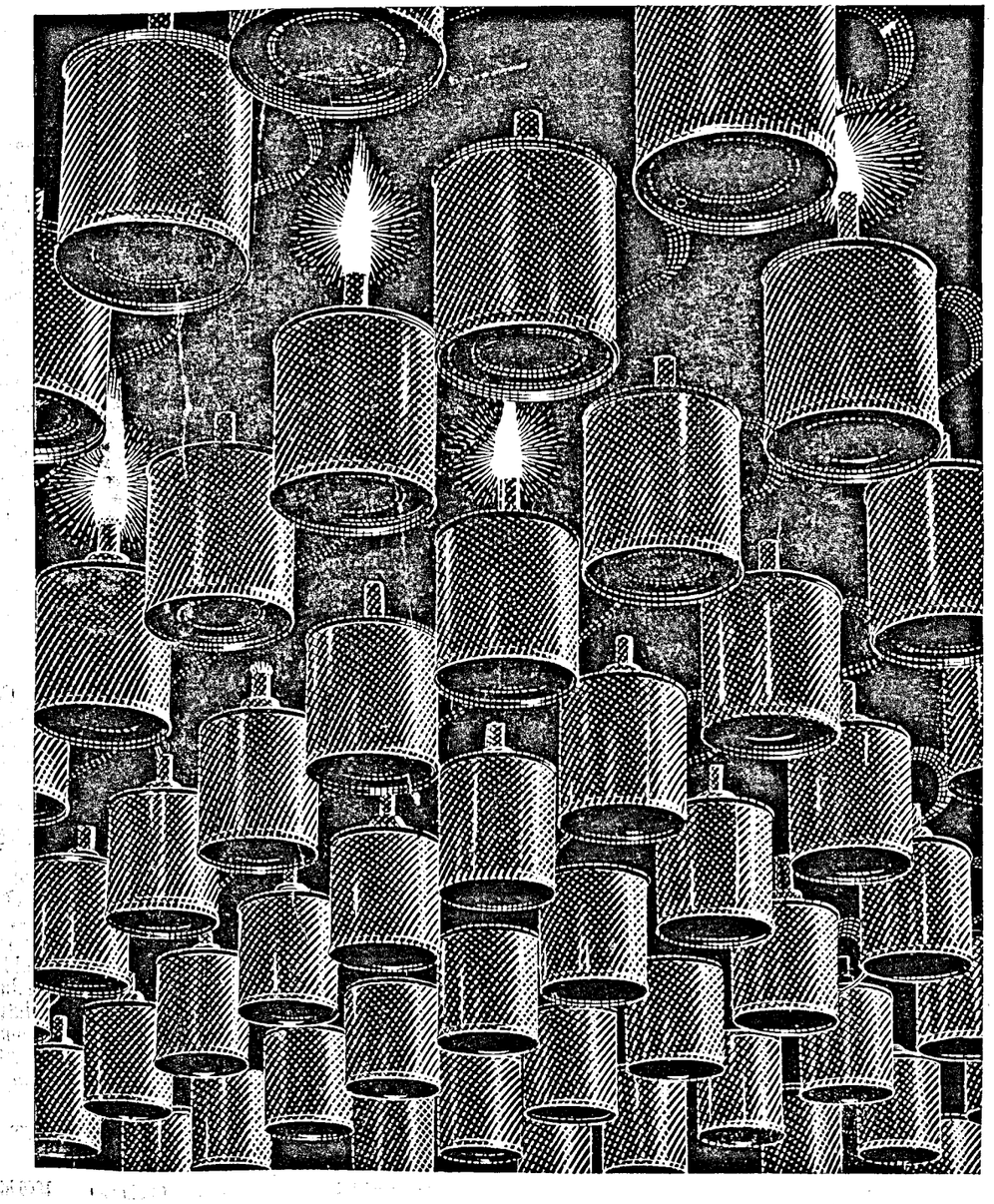
The stock market has reason to feel satisfied with the tax proposals which will yield substantial revenue without discouraging fresh investment. The market is also impressed by the Finance Minister's analysis of the economic situation which suggests that a new dynamism has been created in the Indian economy. The expansionary impulse in the economy, as also the continued inflationary pressures should help sustain an upward trend in equity prices. With the market as a whole moving beyond the November high point, technical analysts have little doubt about the resumption of the primary upward trend which had been halted in July last year. But since the rise in equity prices since the turn of the year has been rather steep, technical considerations warrant a correction.

Reaction Is Due

The easier tendency in Cotton Mill shares in Wednesday's kerb dealings during which Century declined from Rs 535 to 511 suggests that the market has perhaps already paused for a technical correction. While technical considerations alone can produce a sizable setback, Wednesday's weakness in Cotton Mill shares was attributed to fears that the additional excise on grey and processed cloth and the new excise duties on cotton yarns would adversely affect the textile industry. The proposal to raise the duty on grey medium (A) fabrics from 7.2 nP to 9 nP is intended to reduce gap between fine and medium (A)

The table below shows the important price movements in some of the leading scrips since the turn of the year.

Shares	January 1961 Low	High after Budget	Closing on 1-3-1961	1960 high
Century	446.00	545.00	522.50	544.00
Kohinoor	261.50	305.00	285.50	372.00
Swadeshi	218.50	262.00	248.50	286.00
Standard	957.00	1400.00	1298.00	2100.00
Indian Iron	23.00	26.00	25.90	26.55
Tata Steel	138.00	155.00	152.75	164.50
Hindustan Motors	18.76	22.32	22.20	23.64
Bombay Burmah	539.50	615	609.50	658.00
Larsen Toubro	33.50	42.00	41.50	56.50 (C.R.)
National Rayon	463.00	460.00	437.00	617.00
Tata Engineering	278.00	342.00	331.00	349.00
Tata Chemicals	16.56	18.80	18.44	22.04



The comforts of life are spreading

Rising standards of living are finding their way into the remotest village and are coming within the reach of people with quite modest means. Consider Kerosine, for instance, which by bringing illumination to the humblest home is playing a part in this welcome development. By the end of the Third Plan, Burmah-Shell estimates that demand for Kerosine will be around 2.9 million tons, or well over 800 million gallons a year. There can be no question that the first priority should be the exploration and production of indigenous crude oil; the second priority must be to expand refining capacity in India. Oil is essential to economic growth and Burmah-Shell believes that

for tomorrow's needs we must act today

with a view to stop the decline in the production of fine fabrics. But the proposal to step up the levy on processed fabrics by two-thirds of the existing rates is a revenue measure. These proposals are expected to yield Rs 4.72 crores. The new excise duty on cotton twist, yarn and thread which is estimated to yield Rs 5.20 crores has been strongly resented by the industry. Mills have to pay the duty on yarn, even if they consume it themselves. The Indian Cotton Mills Federation is likely to take up this matter soon with the Finance Minister.

Cotton

Futures Rally and React

COTTON futures which had rallied from Rs 554 to Rs 566.50 in the preceding week rose further to Rs 579.25 on 27th February but declined sharply in the next two days with the quotation down to Rs 567 in kerb dealings on 1st March. While the recent rally had been essentially technical, it is difficult to say whether the week-end decline which indicates a possible end of the rally will take prices into new low ground, i e, below Rs 554.

Technical considerations apart, short covering, which enabled the rally to make further progress earlier in the week, was induced in no small measure by encouraging reports of cloth off-take and the Indian Cotton Mills Federation's move to purchase and stock cotton with a view to delivering it to the mills as and when they need it. The Federation is expected to take a final decision on the scheme at its meeting on 9th March. The proposed scheme will help stabilise prices. Growers will not have to unload their cotton on an unwilling market and the industry too will be assured of supplies at reasonable prices, particularly near the end of the season. It will be interesting to watch how the scheme is actually worked out.

Spot Active, Steady

As already pointed out in these columns, anxiety over the decline in cotton prices since about the end of December is altogether unwarranted. Even at its lowest level of Rs 554 for 3 quintals, the futures contract stood only half way between the floor and ceiling. And spot cottons did not fall by more than Rs 50 to Rs 60 below the ceiling rates. If the industry were to succeed in stepping up cloth production appreciably, even a crop of 53/54 lakh bales is unlikely to result in any marked increase in the carryover of indigenous cotton which had fallen to a record low of 9.80 lakh bales at the end of the last season (1959-60).

The spot market was quite active and firm throughout last week. The trade reported all-round good spinner inquiry, particularly in CO 2, L 147, Vijay and Digvijay varieties. Prices have risen by about Rs 15 to Rs 40 per 3 quintals over the past weeks. The easier tendency in futures might induce some caution in ready but prospects of any important decline in spot prices are generally discounted. The easier sentiment on Wednesday was attributed generally to anxiety over the increase in excise duties on grey and processed cloth and the imposition of new excise levies on cotton yarns.

With the April contract approaching its maturity period, trading in August position was allowed from 27th February. Starting at Rs 588.50 the August contract touched a high of Rs 591 the same day but declined to Rs 582.25 within 3 days. The bearish structure of the contract will discourage bulls from supporting the maturing contract. But with spot cottons quoted substantially higher bears too might not like to risk big fortunes.

Oilseeds

Mixed Showing

THE oilseeds market made a mixed showing last week. Groundnut continued to hold remarkably firm while castor and linseed developed a sagging tendency during the latter part of the week. Groundnut and groundnut oil ready rose to new high levels on keen buying by vanaspati manufacturers. Arrivals were reported to be fairly good but they were readily absorbed at rising prices. Crushers and vanaspati manufacturers took all that was offered them without much consideration, for the price. Export houses reported very little fresh business in groundnut H P S or extractions. The U K and the Continent took 200 to 300 tons of H P S and paid £98 per ton for Bold and £100 for Java. Despite the marked strength in groundnut, extractions were subdued due to improved supply and poor overseas demand. The U K quotation for tractions were subdued due to improved supply and poor overseas extractions, 50 per cent, March-April shipment, was mentioned at around £27 per ton.

After holding firm at between Rs 172.50 and Rs 173.50 early in the week castor futures eased to Rs 169.75 but steadied later to Rs 171.25 at the week-end. Higher levels could not be sustained in the absence of fresh export business in castor-oil. But with the pressure of arrivals by no means large there is little inclination to 'bear' castor, particularly when they are quoted very much lower than groundnut. Linseed futures receded from Rs 35.81 (per 50 kilos) to Rs 35 on scattered bull liquidation and some bear pressure induced by the satisfactory flow of new crop arrivals from the Hyderabad region. Exporters had no encouraging news to give. Linseed oil continues to be out of world parity and linseed cake too is not known well. Locally, linseed cake prices declined by about Rs 15 per ton because of improved offerings and lack of fresh export business. Cottonseed were quietly steady with the May contract moving irregularly between Rs 93.75 and Rs 92.50.

Tata Iron and Steel

MESSRS Tata Industries Private Limited, Managing Agents for the Tata Iron and Steel Company Limited, report that the total approximate production of iron and steel at the Steel Works at Jamshedpur during the month of January 1961 was :—

		In Metric Tons
Pig Iron	.....	144,200
Steel Ingots	.....	149,300
Saleable steel :		
Semi-finished	36,900	—
Finished	80,700	117,600

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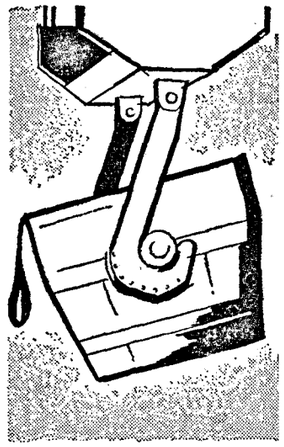
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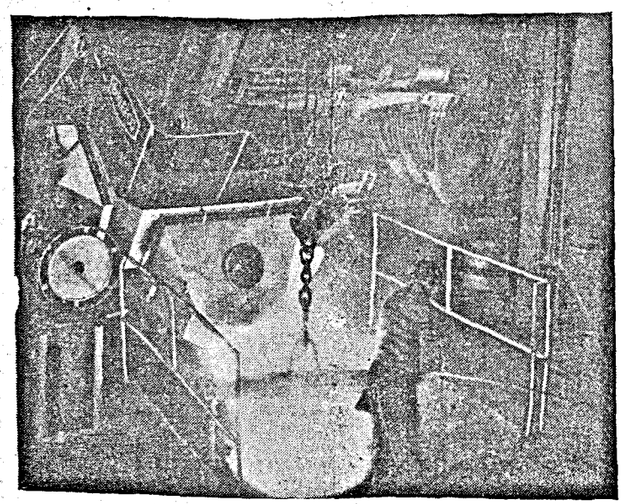
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A Crisis of Conscience

THE Commonwealth Prime Ministers' Conference faces at its current session a crisis of conscience; and it is a crisis which, if it decides to face squarely rather than dodge, may become almost a battle for survival. The crisis is basic : should the Commonwealth — indeed, can the Commonwealth — drift along as at present, shapeless and rudderless, or should it purge itself of its impurities, give itself a recognisable shape and emerge as a small but select international group of a definite political colour? The question is not an easy one to answer, chiefly because there is no guarantee that the Commonwealth can survive any kind of change at all without completely losing its essential character as we *know it today and being re-born* as something entirely new, bearing no kind of relationship whatever to the present 'club'.

Let us see what kind of objections are at present most frequently raised about the 'club'. We all know that it has no constitution, that its meetings are governed by no agenda and that it has almost no membership rules. This is often presented as its 'strength', rather than its weakness; and it is indeed not impossible to concede that a loose organisation of this nature, held together by nothing compulsive except a strong desire to be together, should be free from the stresses and strains of formal rules. But if this absence of formality gives the Commonwealth some strength, it is also undeniable that it gives it many weaknesses as well. Chief of these weaknesses is, of course, *that all manner of opposing ideologies and conflicting systems* of government have found their way into the 'club'. Thus the Commonwealth has come to harbour a constitutional monarchy (Britain), a democratic Republic which acknowledges no monarch (India), a racial autocracy (South Africa), a military dictatorship (Pakistan) and a country (Australia) which, without subscribing to the theory of apartheid, does nevertheless practise the frankest racial discrimination in its immigration policy. A more diverse collection of nations, it would seem impossible to imagine; and yet there they are, all members of a single Commonwealth of Nations, feeling somehow akin inspite of their obvious differences.

The reason for this 'unity in diversity' is not, of course, far to seek. The Commonwealth *overcomes its internal differences* merely by refusing to discuss them. Only such points are debated as already command a certain unanimity of view; and where conflict of opinion is feared, discussion is automatically ruled out. It is not a bad rule, in some ways; but there occasionally comes a moment when a difference has become so bitter that it can no longer be ignored. The question of Republican South Africa's membership, which dominates the present conference, is a case in point. The British Prime Minister is trying desperately to ensure that the old rule is applied on this occasion too, but there are other Prime Ministers who have publicly pledged themselves to opposing South Africa's membership, and it is hard to see how a debate on an issue of such intense controversy can be avoided this time.

The extremist view is that the rule should be brushed aside and that the Commonwealth should rid itself of the unclean presence of a country which swears by racial discrimination; and it may well be that on this occasion the extreme view is the correct one. It often is.

But, argues the other side, if you must expel South Africa, why not Pakistan, whose military dictatorship is no less a negation of democracy? Or, indeed, why not Australia, which discriminates openly among the Commonwealth's own members in the matter of immigration? The objections seem to us to be irrelevant for the moment. There wealth may conceivably survive the expulsion of South Africa — in fact, some contend that this is the only condition on which its survival is possible. But if the issue is enlarged and the whole character of the Commonwealth is brought into question, its survival is impossible.

What the current conference of the Commonwealth Prime Ministers has to do, therefore, is to find answers to two questions : (a) w the 'club' break up if South Afri is turned out, or if it is not? a (b) will the break-up in either ca be a tragedy? On these answe must depend their course of actio If the Commonwealth feels that would rather perish than expel t advocate of apartheid from ranks then may be it is time perished.

Time for Change

IN the form of presentation, the Central Budget for 1961-1962 differs little from that of five or even ten years ago. In consequence, reconciliation of the budget figures with those given in the Plan documents remains as complicated an operation as it was in the initial years of the First Plan. This is in many ways a pity since it renders the budget a clumsy instrument for evaluating 'performance'. The principal object of the budget being traditionally to summarise the 'ways and means' position of Government, it treats Government as distinct from agencies or institutions which form part of the public sector in the planning sense. A good many of the entries in the budget do not, therefore, involve transaction with any agency outside the public sector, and this is apt to obscure the true magnitude of some elements in the budget. Straightforward inter-budgetary comparisons do not, therefore, clarify relative changes in Government's role as a saver or an investor or even as a purchaser of goods and services over the years. Nonetheless, they may bring out the dimensional changes in terms of certain broad categories which, though not strictly economic, are yet distinct enough to be significant at a rudimentary level.

Allowing for accounting distortions, the fact remains that the story told by the past five budgets of the Central Government is an impressive one. As may be seen from the table on page 457, the Central Government's 'ways and means' position in 1960-1961 was far more comfortable than in any of the earlier years —and this, in spite of the fact that the magnitude of all types of expenditure has steadily increased over the years. In his budget speech last week, the Finance Minister derived considerable satisfaction from this trend. He took care to point out that in the five-year period 1956-1961, over Rs 130 crores of capital expenditure had been financed from the excess of revenue receipts over revenue expenditure. He also emphasised that the budget deficit for the five-year period was well under the limit of Rs 1,200 crores specified in the Second Five-Year Plan.

These claims of the Finance Minister are supported clearly enough by the budget figures. But in respect of the extent to which the targets of developmental expenditure, and, more importantly, the investment targets, have been fulfilled, and on the accord between Plan anticipation and actualities under the different types of resources, the Finance Minister's assessments are not easily verified. It is, of course, arguable that these are matters about which only the specialist need worry. If the Plan targets on the expenditure side have not been reached, it is because of the pruning of the Second Plan, consequent upon the foreign exchange crisis in 1957-1958. It is also arguable that it is immaterial whether, on the resources side, the actual distribution amongst various categories conforms to the anticipated distribution or not so long as the overall deficit is under control. Such arguments might be valid if one viewed the budgets as no more than accounting statements. But, in actual fact, the manner in which Government has raised or spent its resources is often more important than how much it has received or spent in the aggregate. It is on such details that the budget in the form in which it is presented gives only partial information.

But, even this partial information is sometimes revealing. For instance, it will be seen from the table referred to earlier that, between 1956-1957 and 1960-1961, the relative importance of the broad group of non-tax sources of revenue has i creased steadily. Whether this related to the trend in Governmen expenditure and, if so, in wl manner, are perhaps matters some import. Similarly, from comparison between the amount loans and advances to State Gove ments and the size of the over deficit in the five-year period, o might draw the conclusion that the deficit-financing in the count has been undertaken for enabli State Governments to meet th needs of Plan expenditure. This not a vital matter in the aggreg sense; but it does raise questions possible adjustments in inter-G ernmental policies or transactions.

More important than either of t above are the trends in what m be described as the sinews of t budget, namely tax revenue, ci expenditure on revenue accou longterm loans and developmen outlay on capital account. Over t five-year period, tax revenue l gone up by nearly 50 per cent. A this is exclusive of tax receij transferred to State Governments their share of income-tax, exc duty etc. Impressive as this increa is, it has been less than the rise civil expenditure which has m than doubled. It is difficult to s directly from the budget how mu of this increase in revenue expen ture is strictly developmental. Amo others, it includes a variety grants to States, payable for con stitutional or other reasons and ent ing to a greater or less extent i the planning budgets. But in so as both developmental and n developmental items of expendit are certain to increase in the com years, the crucial question is one the adequacy of tax revenue meeting both of them together. E ving a little deeper into the figures, it may be observed that per cent of the increase in tax ceipts is accounted for by indirect taxes, mainly excise duties. Direct taxes on income and expenditure add up to only about 15 per cent of the increase. Even allowing for the share of the States, the relative smallness of the contribution from direct taxes to additional revenue in the past five years is striking. As has been commented in these columns, the proposals regarding direct taxation in Shri Morarji Desai's latest budget are totally unimportant from the yield point of view. There is, therefore, no immediate prospect of any increase in the relative share of direct taxes despite Government's concern over intensification of inequality in the distribution of personal income. It is a matter for serious thought whether we are doing right in reducing progressively the importance of direct taxes as a means of financing Governmental expenditure. Common sense suggests that, as a country develops, the yield from direct taxes should increase rapidly as more and more personal incomes rise to the level at which these taxes become payable. Why should it be otherwise with us especially when the re-distributive impact of our taxes is not noticeable?

In the Central budget's capital account, the position in respect of both long-term borrowing and small savings seems to improve continuously. As is well known, the loan figures have to be further processed to get a clearer idea of the volume of genuine private savings transferred annually to Government through the purchase of securities. And as has been observed on an earlier occasion, the new item appearing this year—investment of U S Government counterpart funds —further complicates the picture. That apart, from the strict 'ways and means' point of view, it is obvious that debt operations are today vastly more important than they were at the beginning of the Second Plan. And this makes public debt policy one of far-reaching consequence.

By and large, therefore, it seems that imperfect as it is, the Budget does raise questions which lie uppermost in the field of development financing. Even so, public appreciation of these questions would be greatly enhanced if the form of the budget were adapted in such a way as to mirror clearly emerging changes in the economic functions of the State. But this depends on our revolutionising the accounting procedures in Government. There is perhaps no vested interest in the country stronger than that of accountants and auditors; and the longer we delay the reformation of the budget, the more difficult will intelligent planning become.

Pandit Pant

PRIME MINISTER NEHRU, once describing his most steadfast colleague, Pandit Govind Ballabh Pant, said, "Born in the Himalayas, he is as great as a mountain." Truly, there was something lofty, almost Himalayan, about the presence, sweep of mind, largeness of heart, calm heroism of action, range of achievement and matchless patience and sagacity of the late Shri G B Pant. Schooled in a hard environment, assailed by poverty and forced to teach fellow students to pay for his own education, Shri Pant rose to be a national leader next only to Pandit Nehru in significance and in the esteem and love of the people. Wedded to the Congress in ideology and work, dedicated to Government in administration, devoted to Pandit Nehru in personal loyalty and love and ever mindful of the interests of his own State, Uttar Pradesh, Shri Pant had yet that in him which made him tower over the national scene, a huge brooding figure of wisdom, thoughtfulness and patriarchal concern, held alike in awe and affection by every party, group and individual. Indeed, there was no exaggeration when Pandit Nehru hearing of his colleague's death, said, "There is no doubt that he was the biggest man of his generation in India."

As the undisputed leader of Uttar Pradesh and Chief Minister for over a decade, he gave the State the best years of his life, laying the foundation of its strength and prosperity. The tenancy reforms he introduced there made him a pioneer in this field, and never may that sprawling State know the stability and solidarity that it enjoyed under his firm, but understanding rule. A formidable debater in Opposition in the old Central Assembly, demolishing with unanswerable logic and disarming humour the arguments of the alien administrators of those days, a constructive, persuasive and unifying force in the Constituent Assembly and then at last the second in command in the Government of free India, deputising unobtrusively, almost imperceptibly for Pandit Nehru in almost every sphere of activity and helping him shape major policies and actions, Shri Pant was a parliamentarian without a peer and an administrator who put one in mind of classic examples of the Indian genius for governance, steady, astute and invincible. But what he did for Government or the Congress on the public stage was only a part of the herculean labours he engaged himself in, working behind the scenes most of the time, untying knots, resolving tangles and smoothing differences, bringing hostile groups and individuals together and keeping a ceaseless watch over the flux of affairs, whether within the administrative field, the organisational side of the Congress or in the country at large.

A valiant fighter for freedom, whether in utterance or in the field of action, and the very soul of devotion and chivalry, he disabled himself for life by trying to protect his friend, Pandit Nehru, in a lathicharge that marked the Congress boycott of the Simon Commission and offering in the process his expansive frame as a ready target for the blows that fell indiscriminately. This left a permanent injury on him, making both speech and movement a trial to him, painful to observe; and yet if he took on crushing responsibilities and turned out massive work for decades thereafter, working like a giant on a truly gigantic scale, it was because of that spirit of silent, undemonstrative heroism which moved him throughout. If his predecessor in the Home Ministry, Sardar Vallabhai Patel, welded willing and unwilling States together to go down in history as the architect of India's unity, Shri Pant carried out the equally urgent and equally important task of sorting out and reorganising the hastily-gathered jumble of States and giving Indian unity a new meaning and greater assurance of harmony, peace and permanence.

Weekly Notes

A Dearer Mark

THE five-per-cent revaluation of the West German mark may not be large enough to remove entirely the pressure on the dollar, but it constitutes nonetheless an important move. Its importance lies in the acceptance by West Germany at long last of the unreality of the old dollar-mark rate of exchange. For over two years, the Bundesbank had resolutely scouted revaluation as a possible aid to staunching the outflow of dollars just as it had resisted lowering of the discount rate. However reluctantly, both these steps have now been taken and the ball is again on the American side of the net. What measures the United States will take to make the most of this situation remain to be seen.

In actual fact, a great deal depends on the change in the exchange-rate not being offset by an increase in American export prices, or a reduction in German prices. The slight cheapening of credit in West Germany might boost domestic spending sufficiently to prevent the latter in view particularly of the quantitative and tariff impediments to German imports from outside the Common Market area. But the structural adjustment on the American side still remains to be made. Back of all this lies the possibility that speculative activity might build up on the expectation of a further revaluation of the mark. The brunt of this may have to be borne to a very considerable extent by the pound sterling; more so, because, like the Dutch guilder, other European currencies might follow Germany's lead and further reduce the exchange value of sterling. From the point of view of U K's trade, this may be beneficial; but their effects on short-term sterling balances might be quite embarassing to the London market.

From India's standpoint, the revaluation of the mark comes at a time when large imports from West Germany are anticipated, imparting a measure of urgency to enlarging exports to that country. While negotiations for the removal of quantitative restrictions or discriminatory tariffs are carried on, it is also important to explore possible openings in the German market for processed or semi-processed industrial goods of quality. This applies, indeed, to all international markets; but the particular emphasis on the German market derives from our heavy dependence on that country for imports of capital equipment. In this context, it is all the more necessary that significant portions of West German aid to India should be in the form of 'untied' credits. It would then be possible for India to mitigate the adverse change in her terms of trade with Germany by a larger use of marks for offshare purchases. In the process, other countries suffering from a shortage of marks would also derive some benefit.

Rural Debt and Investment

THE Reserve Bank has decided to conduct a second All-India Rural Survey. The first Survey conducted in 1951 was, according to its own admission, mainly oriented towards policy-making. It was on the recommendation of its Committee of Direction that the Imperial Bank was nationalised and constituted into the State Bank which recently acquired eight State-associated banks as subsidiaries, and the co-operative movement was reorganised at all levels to form the spearhead of rural development despite its unsuccessful record in the past. Whether an elaborate and costly survey was necessary for this purpose has been a matter of debate in this journal. Little purpose would now be served by emphasising the technical shortcomings of the first Survey which had little to draw upon by way of precedent. Full particulars of the scope and methods of the second Survey are not yet available, but indications are that the Reserve Bank proposes to go about its task in a much more thorough and scientific manner. In other words, the second Survey would be technically oriented. It would be concerned primarly with estimates, on a national as also State basis, of rural debt and capital formation, and with study of the rural demand for finance.

The second Survey data would not obviously be comparable to those of the first Survey owing to differences in the method of selecting sample villages as well as i principal objectives. It would no therefore, be possible to find ot with any degree of reliability th changes in the amount and patter of rural finance as a result of the pol cies adopted after the first Surve The data on rural capital formatio provided by the second Survey wi help to fill one of the most seriou gaps in the statistical informatio necessary for planned developmer and its evaluation. A large part c such capital formation, which take the form of investment of labou and materials, tends in practice be excluded from national estimat of capital formation. One of th reasons for this exclusion is the b lief that in *net* terms, i e, after ma ing allowance for repairs and depr ciation, such capital formation wou not amount to much. This was th position taken in the first Surve report. One hopes that the ne Survey will throw enough light c this question so as to facilitate i formed judgment of its relative in portance.

Self-Denying Ordinance ?

VARIOUS conflicting interpret tions have been put on Pres dent Ayub Khan's recent Ordinan limiting the powers of the Pres dency in certain vital matter Under the new order, the Preside has no authority to dismiss an Minister, and the size of the Cabin is subject to a maximum of members. What is more, 'as soon the Constitution Commission, a pointed on February 17, 1960, h submitted its report, the Preside tial Cabinet acting collectively aforesaid and deliberating with convenient speed, shall consider th report and advise the President to the Constitution and the Pre dent shall make the Constituti accordingly as soon as may be an promulgate it'. Are these limitatio meant to apply to himself or on to a possible successor should a fairs take an unexpected turn Pakistan? What is the inn meaning of these restriction What has made him issue th ordinance so unexpectedly and inexplicably? To answer the questions at this stage witho

close to the source of power would be to venture into the field of mind-reading without the presumptuous assurance of a professional mind-reader. And if to divine the thoughts of any man is difficult enough, it is far more so in the case of a self-appointed ruler who in the ultimate analysis is accountable only to himself and may be, by courtesy, to a few close associates.

Nevertheless, some clue to the factors contributing to this sudden development in Pakistan may be found in President Ayub Khan's anxiety, particularly in recent months, to give a democratic complexion to his administration, which is supposed to have already become democratic at the root, thanks to the much-vaunted experiment with basic democracies. If in the early days the frankly authoritarian regime of Ayub Khan, with all the drama of sweeping changes and threats and even some acts of stern punitive action against erring politicians, might have been welcomed for its own sake by the people as a refreshing contrast to a succession of inept and intrigue-ridden regimes, the original glamour has surely worn off since. For, after all, whether it is the rule of politicians or of army men, the human material needed for administration has to come from the same source in the country; and for all the discipline of army life, the way of army rule cannot but follow the way of all flesh particularly under the overwhelming temptations of unaccustomed power. Be that as it may, the simmering discontent which, though firmly held down in the past, has started erupting boldly into the open, cannot but have sharpened Ayub Khan's anxiety to make his regime appear as democratic as possible or at least to bequite or bewilder opinion by ambiguous gestures of democratic intention.

Sluggish Bank Deposits

FOR the first time since 1957, banks find themselves in a considerable jam; their deposits are not increasing as rapidly as the demand for credit. In fact, in the second half of 1960, scheduled bank deposits remained almost stagnant, as compared with an increase of about Rs 300 crores, exclusive of P L 480 deposits, between the beginning of 1958 and July 1960. How far this

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is due to the scare caused by the crash of the Palai Central Bank and the policy of credit restriction adopted by the Reserve Bank, it is difficult to say. But it would seem that the large decline in the quantum of deficit financing in the past two years is a major factor influencing the resource position of banks. Since deficit financing under the Third Plan is expected to be only half of what it was under the Second Plan, how are banks going to meet the enhanced demand for credit from Government and the private sector in the near future? They could, of course, make greater use of their credit limits at the Reserve Bank and the Refinance Corporation; but that is not a complete alternative to strengthening the deposit position of the banks.

The remedy suggested by Shri P C Bhattacharyya, Chairman of the State Bank, is that "the possibilities of securing more deposits from rural and semi-urban areas should now be explored with vigour". For this purpose, an increase in the rates of interest on deposits has been considered necessary, and the tacit agreement among Indian banks to hold the deposit rates down seems scarcely likely to continue. The State Bank has already moved in this direction by opening a large number of branches in semi-urban areas and by raising interest rates on savings bank accounts and savings bank deposit accounts to $2\frac{1}{2}$ per cent and $2\frac{3}{4}$ per cent respectively.

To what extent each of these measures will benefit the State Bank's deposits is a matter for speculation. Shri Bhattacharyya hopes that the higher rates of interest will have the 'desired effect' of attracting more deposits. There is little doubt that the old rates could not have been maintained against the background of a general rise in the interest-rate structure in the country. But this is different from saying that the new deposit rates will constitute a positive incentive to larger holdings of savings deposits in the aggregate. Other banks, which cannot open new branches with the same ease as the State Bank can, will presumably seek to offer better terms than the State Bank. Even so, they may find it hard to offer a differential benefit large enough to counterbalance the feeling of security

Bank. For that reason, the interest elasticity of the State Bank's savings deposits should constitue a major index of the possibility of enlarging the resources of banks by adjustments in the rates offered to depositors. But nobody has as yet any clear idea of what makes people save more or why they prefer to hold their savings in one form rather than another. All that one can claim for higher deposit rates in this context is that they might leave the banks no worse off than before.

Foreign Exchange for Rayon

THE demand for rayon yarn which is even now far in excess of indigenous production is expected to increase further in the Third Plan period, and the Planning Commission has therefore fixed the target of installed capacity and actual production for filament viscose rayon yarn at 63,000 tons per annum in 1965-66 against 23,000 tons at present. Since this industry is highly capital-intensive and since it also requires large amounts of foreign exchange, both for capital equipment and raw materials, Government has decided that any fresh applications for new schemes or for expansion of existing units would not be encouraged. It is, perhaps, in anticipation of this change that all those applicants who had secured licenses for expansion of existing units or for setting up of new units have hastened to utilise their licenses fully in the shortest possible time. The original scheme of Indian Rayon, for example, envisaged the establishment of a plant of 10-ton per day capacity in two successive stages. Now it proposes to set up a 10-ton plant straightaway. For this purpose, the company has secured additional licenses of the value of Rs 284 lakhs for the further import of machinery required for the expanded scheme. These licenses have been granted on condition that the foreign exchange component would be procured by the company through foreign investments or loans. This is only one of many such cases.

One cannot help wondering in this context at the logic, or rather the lack of it, in the Government's textile policy which imposes a variety of ceilings on the output of cotton mills but plans for a net

The rayon industry as compared with cotton mills requires not merely larger quantities of foreign exchange as well as domestic capital but also provides much less employment. Rather late in the day, Government has decided to compel the viscose rayon indusry to manufacture its principal raw material, namely pulp, for which more capital equipment will have to be imparted. The foreign exchange for these imports has to be arranged by the licensees, but this makes no difference to the country's external debt. All of this might be worthwhile if the additional output of the rayon industry is diverted for export, but with so large a domestic market for rayon fabrics, this will be possible only if Government takes special steps to control domestic consumption. There are, unfortunately no indications that this will in fact be the policy of Government.

Central Warehouses

THE percentage of cultivators among depositors at Central Warehouses rose to 21 per cent in January, 1961 from 10 per cent in December, 1960. A study of the custom handled during the month shows that the percentage of producers at Davangere (Mysore) Central Warehouse was as high as 85 per cent. At other Central Warehouses such as Amravati, Sangli and Akola (Maharashtra) Warangal and Guntur (Andhra Pradesh) Gadag (Mysore) and Theob (Himachal Pradesh) percentage of producers among depositors exceeded 60.

The Central Warehousing Corporation last month opened warehouses at Trichur (Kerala) and Nadiad (Gujarat). Steps are being taken to open warehouses at Hyderabad and at Sheoraphulli and sainthia in West Bengal. After these werehouses are opened, the Central Corporation would have a total of 38 warehouses. At the end of January last, Central warehouses had a total storage capacity of about 15,92,000 mds. Stocks stored in these warehouses totalled about 10,60,000 mds.

A feature of the activities of the Central Warehousing Corporation is the steady rise in the custom handled during the last few months. The average occupancy which was 57% in November rose to 63% in

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Our Delhi Letter

Regulation of Foreign Collaboration

THE question of regulating the terms of private foreign collaboration in industrial projects has been engaging the attention of the Government for some time now. The need to regulate foreign collaboration has been increasingly felt following the increase in the extent of such collaboration in recent years. Last year, the Union Ministry of Commerce and Industry approved 381 agreements between Indian entrepreneurs and foreign collaborators, compared to 154 in 1959 and 64 in 1958.

It is suggested that a policy-declaration on foreign collaboration on the lines of the Industrial Policy Resolution should be made. Shri Lal Bahadur Shastri did indicate in a public statement that the formulation of Government policy in this connection was receiving attention. A public declaration of policy, it is felt, will help to guide the various official agencies which process applications for collaboration besides helping Indian entrepreneurs and their foreign collaborators to know their position vis-a-vis Government policy.

An influential section of official opinion, in the Union Finance Ministry particularly, is however opposed to a definite announcement of Government's policy on foreign collaboration since this may discourage foreign private investment. Further, a definite declaration of policy will restrict the Government's bargaining power, it is felt. A flexible policy, on the other hand, will help the Government to secure the best possible terms.

Those who are for a public declaration of policy, however, discount the suggestion that it would scare away foreign collaborators. The Industrial Policy Resolution, they point out, far from scuttling the private sector, has helped to regulate industrial development. Meanwhile, the different Central Ministries have been asked to study the subject further and submit their opinion, on the basis of which the Cabinet will decide whether there is need for a clear-cut policy-declaration on foreign collaboration.

Applications for foreign collaboration are even now closely scrutinised by the Government. The Commerce and Industry Ministry first examines a proposal from the viewpoint of its significance for the industrial programme and its technical soundness. Then the proposal is forwarded to a high-level committee dealing with foreign collaboration which examines it exhaustively, with particular reference to the percentage of foreign equity shares, royalty, rate of interest and dividends etc. The Government now insists on foreign parties training Indian personnel to man the plants. On the financial side, the Government ensures that only the minimum foreign exchange commitments are entered into.

The Government does not normally permit majority participation by foreigners except when the project concerned is of a vital nature and foreign assistance is not forthcoming on other terms. Whenever, existing agreements permitting majority foreign participation come up for fresh capital issues, the Government insists that the ratio of Indian participation is raised. Thus, the foreign share in the new issue of British Paints was reduced to 60 per cent from 100 per cent. Similarly, foreign equity participation in Indian Oxygen was reduced from 75 per cent to 60 per cent.

It is also the Government's practice not to permit more than one participation arrangement in any industry with the same country. In the aluminium industry, for instance, Americans are associated with one project, Canadians with another, and Italians with the third. This diversification of foreign collaboration is meant to prevent any single country from acquiring a monopoly in a particular industry and to help the Government to extract better terms from individual collaborators.

The implications of an unlimited inflow of foreign private capital certainly deserve attention. But if rapid industrialisation is desired and the private sector is assigned an important role, foreign investors will have to be attracted. Concessions will have to be made to foreign capital taking care, of course, that our national interests are not affected. An alarmist view of the concessions to foreign investors granted in this year's budget is, therefore, uncalled for.

Life Business Expands Further

THE new business of the Life Insurance Corporation completed in 1960 amounted to Rs 496 crores against Rs 429 crores in 1959. This amount is about twice the new business completed in 1955, the last year before life insurance was nationalised. The total business in force of Rs 2,400 crores is also about double that in 1955. The Corporation has thus already gone half-way towards its target of Rs 1,000 crores of new business set for the end of 1963.

The bonus on 'with profit' policies for 1958 and 1959 will be announced in about two months. In view of the consistent decline in expense and lapse ratios, it would not be surprising if the second bonus is higher than the first one declared for 1956 and 1957. The Corporation has undertaken a study of mortality experience, which will be the second one of its kind in India. Though mortality experience has improved in recent years, a further reduction of premium rates by the Corporation is extremely doubtful since it would adversely affect the existing policy-holders.

The scheme announced last year for granting housing loans to policy holders is practically ready. Fresh loans against mortgage of properties were resumed in 1960 but the amount sanctioned was Rs 57 lakhs only, which is extremely small as compared with the need for such loans. The expense ratio on Janata Life Policies has been brought down to some extent and this has made it worthwhile for the Corporation to continue such policies. Joint Life Policies, however, were withdrawn during the year and certain restrictions on acceptance of female life insurance were reimposed, since the experience of the Corporation in respect of this kind of policies did not prove to be favourable. New business under these policies had spurted earlier from Rs 16 crores in 1957 to Rs 48 crores in 1959, which justified the suspicion that the purpose of these policies was largely speculative.

er to the Editor

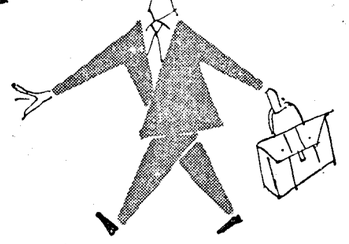
Fads and Finance

ESE words are being written by a non-expert in economics, igh finance, in taxation and in ning. But I think even the expert should be heard in matt affecting large sections of the ulation. As Macaulay would put it, every school-boy knows (a) an underdeveloped coun wanting to raise itself by the t-straps as it were must adopt possible measures to raise the essary capital and heavy taxa is inevitable; (b) in a country re the number of well-off peo is small and the yield from taxes the rich and on luxuries is not ly to produce adequate resour the poor man has to be taxed; this can be done best by impos excise and other types of duties taxes on even the necessities of so that even if each individual s relatively little, the total re sents a respectable sum. This is explanation of duties and taxes such necessities of the poor man kerosene, match boxes, tea etc. there is a conspicuous gap in list of these necessities and that SALT. It is obvious that the even of a moderate duty on will raise quite a tidy sum — without anybody really feeling burden. Thus if we assume for purpose of a rough calculation t a duty of Rs 5 per 100 kilo ms is charged and that each of roughly 8 crores of families sumes 5 kilograms per year, 2 res of rupees can be raised, each nily paying 25 nP over the rse of the year. Why is this not ne, when for practically every ng you buy you have to pay all ds of taxes and duties — excise, es and what not? The reason is t it is one of the legacies of hatma Gandhi, which we are per tently refusing to give up. Some them, fortunately, do not any ger hold sway, e g self-control as only means of population con l. But the sacrosanct feeling ached to salt appears to be very istant and is depriving the coun of a source of revenue, which uld be used without it becoming much of a burden to anybody.

It would stand to reason that a or country trying its level best to ovide just the minimum necessi s of life — food, clothing and elter — to all citizens, should not spend large sums of money or forego expected revenue merely for the sake of a moral fad. But that is exactly what is happening with regard to prohibition in several States. Even more prosperous countries will find it difficult to indulge their fads in this way but we, the aspirants for the spiritual leadership of the world can apparently do so. Fads affect many other sectors of our economic life —homes for old cows, *ahimsa*, immunity granted to monkeys in spite of the devastation they bring about, etc, etc, but of that anon.

Poona,
March 4. D D KARVE

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Book Review

Imbalance in Petroleum Industry

Surindar Suri

Petroleum Industry and the Third Plan by P N Dhar. Occasional Paper, Number 1, of the Institute of Economic Growth, Delhi. Asia Publishing House, Bombay, 1960, pp i+46. Price Rs. 2.50

DR V K R V Rao, Director of the Institute of Economic Growth, Delhi University, points out in his foreword to this brief but important study that there is "an important problem of growing imbalances in this (petroleum) industry." But this holds true not only of one industry but is typical of many other areas of economic growth in our country.

Petroleum is not one commodity but many, even though these are derived from the same source, namely, crude oil, which yields gasoline (or petrol), kerosene, high speed and light diesel oil, heavy products such as furnace oil and bitumen and, lastly, coke. The proportion of the derivatives obtained from a given quantity of crude oil varies only narrowly according to the techniques employed. Crude oil and the refining capacity will be used economically if the pattern of demand for the derivatives is the same as the yield. This congruence obtains in the advanced industrial countries, but not in India. If an additional refining capacity of four million tons is installed in India, the pattern of supply compared to demand will be as in the table.

Shri Dhar has calculated that "in order to produce 1.5 to 1.8 million tons of middle distillates, the price that has to be paid is equal to the foreign exchange costs of 1.5 million tons of gasoline which will run to waste...because it is difficult to export it in large enough quantities...." As should be clear from the figures cited, the structural problem of the petroleum industry in India is the disproportionately high demand for kerosene and diesel oils. The demand for gasoline and for the heavy ends is low. If the middle distillates are provided inadequate quantities to meet the demand, motor spirit and the heavy ends will be wasted in large quantities.

Product	*Demand*	*Supply under variant* (b)	*Supply under variant* (c)	*Surplus/ Deficit under variant* (b)	*Surplus/ Deficit under variant* (c)
Motor spirit	1,000	2,605	2,365	1,065	1,365
Kerosene	3,000	1,615	1,615	-1,385	-1,385
High speed diesel	3,730	3,048	2,808	-682	-922
Furnace oil					
Bitumen	2,630	3,581	3,981	951	1,351

There is no prospect that the consumption of kerosene oil will decrease significantly with the development of rural electrification, which would cover only 3 per cent of the villages in India if the Second Plan targets are reached. Nor does urbanisation promise any relief since urban areas consume more kerosen per head of population than the rural areas. The estimated per capita consumption of kerosene in Bombay in 1956 was 5.3 imperial gallons compared to the national average of 1.1 and Bombay region's average of 1.7 imperial gallons. It is expected that the urban consumption of kerosene will continue to go up steadily because of its increasing use as cooking fuel.

Equalisation of Tax

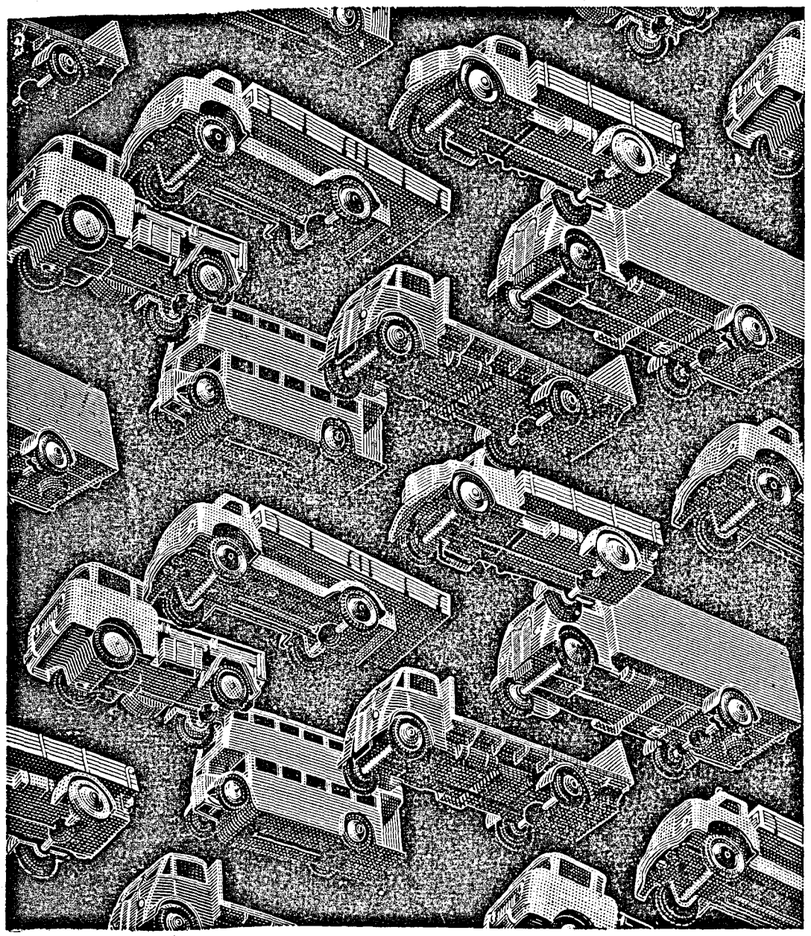
But the most spectacular increase in the use of petroleum products in recent years has been in the demand for high speed diesel oil, of which 65% is used by motor vehicles, 15% by agriculture and the same quantity in industry, and 2% by diesel railway engines. Diesel oil is increasingly popular in road transport, particularly heavy trucks, railways, stationary engines and centrifugal pumps. As Shri Dhar points out, diesel oil possesses a higher thermal efficiency (30 per cent) than the petrol engine (22 per cent) which means substantial fuel economy, especially for the heavier vehicles.

Although a heavy diesel truck costs considerably more — about Rs 9,000 more than a petrol-using vehicle, the cost differential is made up during the first 50,000 miles because of the saving per mile of about 20 nP. Most of the passenger cars in India are of course petrol using but, even though they are more numerous than goods trucks, the fuel consumption of the former is only a third of the latter. An increase in the number of passenger cars to absorb the excess output of petrol during the coming years is out of question. Even the conversion of air force jet aircraft to J P 4 fuel, consisting of 70% gasoline and 30% kerosene, and the export of power alcohol instead of mixing it with motor spirit, will leave the excess of gasoline supply substantially unchanged.

A tax on diesel oil to cancell the favourable price differential over gasoline may produce some harmful side effects, eg, a shift to kerosene as motor fuel. Kerosene is equally scarce but, as an essential consumer product, cannot be taxed heavily. Even as it is, the demand for kerosene is expected to increase by 100% during the Third Plan period. Despite the political hazards in taking such a step, Shri Dhar advocates the equalisation of tax on motor spirit, diesel oil and kerosene. The imbalance of supply and demand will be reduced but not eliminated since "motor spirit will be in surplus only to the extent of 7 to 9 lakh tons of which 2 to 3 lakh tons may be exportabe, but the domestic supply of middle distillates will continue to fall short by a million and a half tons."

The distorted pattern of demand which prevents the economic use of petroleum refining capacity are part and parcel of the technological backwardness of the country. Demand for kerosene for lighting and heating is excessive; the use of fuel oils and electricity is limited in comparison with the advanced industrial countries. A shift to coal as domestic fuel will be difficult; it might even be dangerous as one may see from the smoke that envelops many parts of Delhi on any evening when thousands of coal *angithis* are lit.

The inability to remove the imbalance in the petroleum industry is the result of the system of partial planning that guides the economic growth of the country. Often such planning succeeds only in aggravating the distortions. We except that the Institute of Economic Growth will pay attention to these deeper problems.



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Centrally Planned Rural Development in India

Some Problems

John T Hitchcock

How should rural development programmes be implemented?

To Albert Mayer who initiated the Etawah Pilot Project, the prototype on which the Planning Commission modelled its Community Development projects and National Extension Service, the entire village is a unit in neediness. The existence of a social structure involving deep economic and social disparities notwithstanding, Mayer is impressed not so much by the greater need of one section in comparison with another as the general neediness of all. The community Development programme, therefore, appears to him the primum mobile *of rural development. His faith in the success of community development programme rests on the confidence that structural obstacles to village development are either non-existent or unimportant.*

To Daniel Thorner, on the other hand, the project approach to rural development would appear unrealistic. Disparities of status and power hamstring community activities in more ways than one and rural development would be difficult without thorough-going structural changes.

Which of these points of view is placing the emphasis more correctly?

ONE of the crucial aspects of India's planned modernization is her attempt to raise agicultural production and to improve the level of living of her vast rural population. The community development programme is a major part of this undertaking. Beginning with an emphasis on agricultural improvement, the programme spreads to cover all types of rural development and is predicated on the philosophy that what has been accomplished elsewhere by fiat and force, will be accomplished in India by democratic legislation and persuasion. A basic aim, indeed, is the creation or revitalization of democratic institutions in each village. It is hoped that a mounting enthusiasm for advantageous change will be directed by these institutions. It is also hoped that each village in India will learn gradually to generate its own projects of improvement, planning them democratically and carrying them out with the needs of all segments of the community in mind. It is an ambitious programme and, in one or another form, in the next few years it will have reached the lives of some 300 million villagers.

Difficulties are inevitable in any attempt to do so much for such large numbers, and when one reads the extensive literature evaluating Indian rural development, one finds that there is agreement among most observers that response from the villages has not come up to expectations.[1] Agricultural efficiency on the whole has not improved as much as was hoped, nor have village values yet changed to the point where there is widespread readiness to generate local, democratically controlled development schemes.

A Unit in Neediness

But while there is much agreement among recent observers of the Indian rural scene both about high-level *ends* about the failure to move as rapidly as was hoped toward their achievement, there is disagreement among many of them about other matters related to the problem of village improvement. Often the disagreement concerns *means* for achieving the desired ends. This difference of opinion, in turn, leads to emphasis upon different aspects of the situation when reasons for failure to attain desired goals are discussed. Something can be learned from such divergence; and I have found two of these points of view, and the oppositions they express, enlightening. I should like to present them and to inquire wherein and why they differ. I will then suggest how, on the basis of information from an Indian village I am acquainted with, both viewpoints contribute to our understanding of rural development problems. Finally — goaded a little perhaps by the knowledge that such a noncommittal outcome is to be expected by those in my profession — I will indicate why I tend to weigh one more heavily than the other.

The first of the two observers is Albert Mayer, a man perhaps much more aptly described as a *participant* observer than as a mere observer. Mayer is a prominent New York architect who became interested in India's rural problems while serving in India as a soldier during the war. His concern led him to plan the Etawah Pilot Project, the prototype on which the Indian Planning Commission modeled its Community Development Projects and the less intensive National Extension Blocks. Previous attempts at rural reform had been made in India. Mayer had studied these and had learned from them. But his Project was so much broader in scope and in many respects so differently conceived that without too much exaggeration he can be called the father, or at least the primary guiding spirit, of the whole subsequent community development programme.

When Mayer is thinking about what should be done in the villages —when, that is, he is thinking about means—he tends to regard the village as a whole in a very special sense. It is a whole or unit in *neediness*. What impresses him is not so much the greater need of one community in comparion with another as the general neediness of all. Landless labourers may require better wells, and poor artisans may require better equipment; but, Mayer would say, the relatively wealthy farmers, to name only one of their needs, also require better implements and methods of planting. In addition to

1. See, for example :
   Report of the Team for the study of Community Projects and National Extension Service. I, II. Committee on Plan Projects. New Delhi. 1957.
   (Contributed) "Agricultural Development: No Integral Approach." *The Economic Weekly Annual*. January, 1959. 229-230.
   A C Guha. 'Foreign Experts' Evaluation." *Kurukshetra*. January 26, 1960. 17-18.

such sectional needs as these, he notices that there are many requirements shared by everyone in the community. A road which seasonally becomes impassable is an example. Beginning with the village as a place in which deprivation is both striking and general, Mayer moves to the Community Development Projects or National Extension Blocks, and he sees them as the primary means for doing something about the problem. He is not unaware of the importance of other kinds of means (Mayer: 1958:14); they merely do not occupy the forefront of his attention.

Structural Obstacles Insignificant

When Mayer thinks about the Community Development Projects, he places heavy emphasis upon a spirit of equalitarianism. This spirit should permeate the internal organization of the projects and the methods used by its village representatives. Officials at the village level must be skilled in finding out what the villagers really want. It then becomes a matter of teaching the villagers that many of these aims can be achieved through democratic, cooperative effort, with the government lending assistance only when needed. As a group, the villagers for instance should prepare the road for surfacing. Only when they have done as much by their own efforts should the government step in and provide the necessary surfacing equipment. In teaching the virtues of democratic cooperation at the village level, the project organization itself must provide an example. Although it is a government bureaucracy and is composed of people who have varying status and varying income, in its every-day operation it nevertheless should be able to show that regardless of these differences, important as they are to the Indian mind, there can be democratic give and take.

As Mayer conceives of it, community development of this kind when successful brings about a change in what he calls "the texture of existence" (Mayer; 1958:16). The level of living of each community is raised. The lessons learned in democratic cooperation mitigate the dominance of the weak by powerful sectional interests. People are alerted to change and their initiative and their level of expectations both rise together. Village improvement to a high degree becomes self-propelled. And all this can happen despite the existence in the villages of a social structure which involves deep economic disparities which are buttressed by the social usages and ideology of caste. "Fundamentally," Mayer (1959:477) has written, "the project method rests on a degree of confidence that structural obstacles to village progress are either nonexistent or insignificant."

Now, with Mayer's point of view in mind — standing beside him as it were—we will look at a Community Development Project and some of the ways it affected a village in which I did field work. The village, called Khalapur, is situated in northwest India, not far from the Punjab and about 90 miles north of Delhi. It is a large village with a population of about 5000. The landowners, who are Rajputs with a heritage of militancy and secular power, account for 42% of the population and own over 90% of the land. Most other segments of the population, about a quarter of which is composed of Untouchable groups, are landless. Some Rajputs are poor but as a group they stand above other in the village, both in wealth, social status and political power. Though it is larger than many villages, in its general social outlines Khalapur does not differ from other villages in north India.

Since space is limited and I cannot view all of the Project administration nor all of the project officials who spent time in Khalapur, I will direct most of my attention to a single type of project official — an official termed the Village Level Worker, or just VLW. The VLW is a new type of government officer, and his role is of pivotal importance in development work because it represents the point at which the community projects come into closest daily contact with the villagers. It is impossible for him to be a specialist because in addition to agricultural improvement, he also devotes his energies to social education and an array of other forms of village development. He is a multi-purpose worker, like our own country agents (in the USA), and a special effort has been made to train VLWs in the persuasive rather than the authoritarian approach. In some areas of India, in fact, he has been given the title of "village friend."

The first VLW to work in Khalapur was a man in his forties. He had become a VLW against his wishes. Formerly a petty official in the Agriculture Department, he had been removed from his former post, given a six month period of training, and then sent to the Community Development Project which was serving Khalapur. The VLW was bitter because he now had to work longer hours for the same pay. More hard to bear was what he construed as a loss in status. In his other job, he said, when he had to give demonstrations of new agricultural methods and implements, he had a clerk to carry his equipment. Now he had to carry it himself. He did not understand or approve of the new role of "village friend". He encouraged the villagers to address him as "Inspector sahib," his former title; and many villagers thought he was merely a somewhat different kind of official from the Agriculture Department.

What Is, What Might Be

There were other ways in which his behaviour reflected the old rather than the hoped for new pattern. The Project administration was given some cement, a product which was in short supply in the region. Farmers who would agree to use it for Project-approved purposes were allowed to purchase some at a reduced price. There was competition among Khalapur farmers to obtain this permission and the VLW turned these pressures to his own advantage. Behaviour of this kind led to the formation of cliques. Land which belonged to members of the VLWs clique generally was selected for demonstration purposes, and members of this group received other advantages, such as trips to visit model government farms.

Such a man, who is obviously an obstacle to the kind of development programme envisaged by Mayer, represents the kind of difficulty which derives from the speed with which it has been felt necessary to expand the community development programme. Faced by the call for expansion from the Central Government and without adequate or proper personnel, the various State planning departments have had to work with those persons who were or could be made quickly available. It is a difficulty which Mayer foresaw and has long been aware of. "The inadequacy of personnel in numbers, character, and training", he wrote to a highly placed Indian official in 1955, "is

visible and inevitable at every level from the Village Level Worker in the field, right up to the high level personnel" (Mayer : 1958 : 316).

After about a year in Khalapur the first VLW left and, one is happy to say, returned to the Agriculture Department. He was replaced by a VLW who much more closely fitted the ideal pattern, a man the villagers praised as a "sincere worker." I knew this second VLW less well than the first. By the time he arrived my work had begun to take me into other aspects of village life. In what follows I will draw on information secured by my colleague, Professor Dube (1958). In the book Dube wrote about community development in the village I am discussing, there is a vivid day-to-day diary record of ten days in the life of this new VLW (192-221). One is tempted to linger over some of the accomplishments it records. Our present task, however, directs our attention to other aspects of the account.

One notes, for example, the description of his relations with one of his immediate superiors, the Assistant Project Officer for Agriculture (194-195). In training school the VLW had been taught that when possible he should cooperate with officials from other government departments. He also had been taught to expect a non-authoritarian spirit among members of his own Project staff. One afternoon (as he records it in his diary) he walked four miles to another village in an attempt to help the Agriculture Department's Cotton Supervisor in obtaining an improved variety of seed. When his immediate superior, the Assistant Project officer for Agriculture, learned of this trip he regarded it as a form of malingering and wrote the VLW a very stiff letter. Throughout the letter he addressed the VLW by his last name without preceding it by the courteous *Shri*. He also addressed him by a form for "you" (*tum*) which in Hindi carries an implication of inferiority and discourtesy. Later, when he came to the village, he complained about the VLW before some of the village farmers.

"What am I to do?" asks the VLW in his diary. "If I had not cooperated with the Cotton Supervisor there would have been the complaint that the VLW was not functioning as a multi-purpose man and was not cooperating with other development officials; and when I did cooperate, here I am being warned that I will be sacked."

From the diary (217-219) and from other portions of Dube's book (162, 167-168, 176) we learn that Project staff meetings were not functioning as it was hoped they would. Ideally VLWs were to come to staff meetings to discuss field problems and to make suggestions, some of which conceivably could result in an alteration of over-all Project plans. In the meetings as actually conducted, the higher project officials did most of the talking, while the VLWs listened. Generally VLWs who did put forward their own views were regarded as bothersome and disrespectful.

Targets Achieved by Wishful Reporting

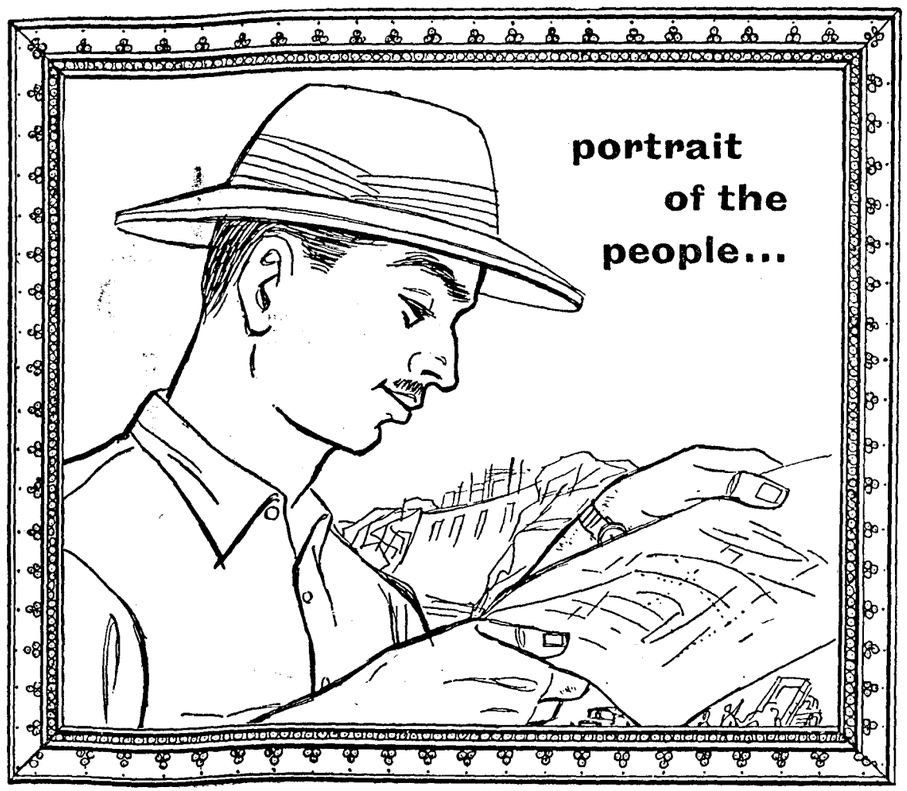
It must not be thought that the responsibility for this type of staff meeting is to be laid entirely at the feet of the higher Project officers. They were under pressures which encouraged such behaviour. The State provided each Project with a model budget. In theory it was expected that these budgets would be modified according to the unique needs of each Project. In practice they were regarded as quite inflexible, with the various suggested aims being treated as targets which the Project director and his immediate staff had to achieve if they were to remain in good with their superiors. This was a situation which not only discouraged give and take in staff meetings; it also led to the achievement of targets by wishful reporting.

A final point to be made about the VLW from our present vantage point concerns his work load. Let us look at one of his not untypical days (Dube : 1958 : 196-198). On November 2, 1954, a farmer came to the VLW's house at four in the morning. The VLW walked a mile to the farmer's fields and there worked for three hours laying out three demonstration plots. At 8 A.M. he bicycled to a village some three miles distant. The helpers needed for laying out a demonstration there were not present and he had to walk into the village to round them up. In the early afternoon he returned to Khalapur and had lunch. He then vaccinated 20 primary school students. Borrowing a bullock cart he next drove four miles to another village to pick up one of the Project's mechanical seeders. At this point he discovered that bureaucracy is not necessarily limited to government: the farmer who had the drill balked at turning it over and agreed to release it only after lengthy discussion and after receiving a written receipt. By 7-30 P M the V L W was back in Khalapur and went immediately to a community hymn-singing — a programme which had been stimulated by the Project as a form of social education. Following this he had a conference with the Principal of the local secondary school, then went to talk with the school agricultural teacher who was to help him demonstrate the use of the drill. He got back to his quarters at 9 P M ; but before he could go to bed he still had to write up his diary and record the names of the 20 students he had vaccinated. With such a work load (which included trips by foot, bicycle or bullock cart of some 16 miles) it is not surprising that the VLW found it impossible to respond adequately to all the many demands placed upon him. And it may be noted parenthetically that when he went out to the fields at 5 A M the next morning, accompanied by an important village leader and his two sons, he found that the drill he and the agricultural teacher were to demonstrate was out of order.

Structural Obstacles Most Important

When looking at rural development with Mayer as a guide, we find it is the community development programme which looms largest. Among the problems which this programme faces, some of those which emerge most clearly are the unsatisfactory character and preparation of personnel who come into contact with villagers; the lack of equalitarianism and flexibility in Project administrative structure; and the extremely heavy work load carried by the VLW. And remembering the broken seed drill, we may list in addition the problem, especially acute under Indian conditions, of securing and maintaining the necessary equipment and supplies.

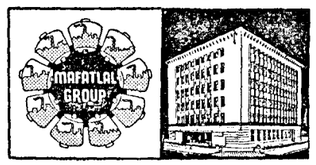
The second person through whose eyes we will look at rural development and its problems is an economic historian. A former teacher at the University of Pennsylvania, Daniel Thorner for the past decade



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Alyars

or so has been devoting himself, in India, to a study of Indian history and contemporary affairs. He is especially interested in the agrarian problem.

When Thorner thinks of the means necessary for rural development, we find the situation looks quite different to him than it does to Mayer. To Thorner, Mayer's statement that the project method rests on a degree of confidence, that structural obstacles to village progress are either non-existent or insignificant, qualified though it is, would seem to involve a highly unrealistic assumption. Thorner would argue that without thoroughgoing structural change rural development in general, and the community development programme in particular, will be greatly handicapped. He points to the great gap which exists in a high proportion of India's villages between the wealthy, landed, and politically powerful and the poor, landless, and politically weak. In view of this fact, he claims, talk of truly democratic co-operation for the good of all sectors of the community — particularly when these differences are supported and enhanced by the ritual structure of caste — is wishful thinking (Thorner : 1953 : 215).

Village economic and political inequities are based largely upon the distribution of land. Those villagers who own land are best off economically; they also by and large are "the ones who ... enjoy the most esteemed and privileged position socially, and are the ones who have the controlling voice in the political life of the village" (Thorner : 1953 : 210). The existence of this group, Thorner believes (Thorner : 1956 : 12, 78), has an important bearing on India's failure to achieve hoped-for agricultural output. The more wealthy village landowners cultivate many of their plots by the use of tenants and hired labour. The existence of a gap between proprietary right-holding and actual field labour often means, in turn, that the land either is being cultivated by those who cannot afford to make improvements, or by those who have so little stake in their work that they do not take the pains necessary to obtain the most from it. Thorner further believes that the continuance of a system in which many landowners abstain from manual labour is a detriment to the creation of the democratic spirit which is desired in the villages, for such abstention is one of the potent symbols of casteism (Thorner : 1956 : 11).

Pressing Need for Economic Security

But what of the reforms that abolished landlordism? one asks. Hasn't that distributed land more equitably and evened out much of the economic and political inequality.[2] Thorner (1956 : 14-50) argues that in most regions of India a landlord class very similar to the old one maintains a dominant position in village life. I am not in a position to evaluate his contention about all India, but what he says about Uttar Pradesh, the state in which Khalapur is located, I believe is essentially correct.[3] With still more confidence I can report that what he says is true of Khalapur and the surrounding region. Here the law did reduce some of the largest estates, but the holdings which it permitted the wealthier families to retain still were so large that their position of economic and political ascendancy was little changed. Even in situations where these large landholders legally were required to give up land to tenants, their local power was such that they could frustrate the law. A frequently used device was to persuade the village accountant to change entries in the land record. A few of these wealthy families today do most of their cultivating with hired labour and crop sharers; many of them do at least a portion of it in this way.

Now let us follow the same procedure that we did with Mayer and look at Khalapur's rural development programme through Thorner's eyes. If we turn again to the diary of the VLW certain things emerge which did not emerge as clearly when looking at it through Mayer's eyes. One notices, for example, that when the VLW visits various landless, low caste groups, he generally opens the conversation by telling them what the Project is prepared to do for them (201-203, 207, 209). These statements then usually are followed by discussion about how one or another of the things he has suggested might be carried out — how money, say, for improved handlooms, might be obtained. But gradually as the talk proceeds and the initial reticence wears off, the things that the group really are concerned about begin to emerge. Among other things these villagers express awareness of the fact that the community development programmes are really of greatest benefit to the wealthier segment of the community, or they make evident their pressing need for greater economic security.

"The government comes to us only when it wants us to do some work for them," said one Untouchable, "otherwise never. We do not have enough to eat and they ask us to build new houses. Why cannot they give us land?" .....

"What about forming a (cooperative) Society?" asked the VLW.

"We do not have even parched gram (a kind of pulse)," was the reply, "and you want us to wear gold ornaments." (203)

Even allowing for the often-exaggerated poverty which almost all Indian villagers claim, these replies reveal the undoubted truth that for many segments of the population community development programmes often fade in relevance before what are felt to be difficulties much more basic than these programmes

2. According to Thorner (1956 : 14) India since 1947 probably has passed the largest body of agrarian legislation in recorded history.

3. "In sum, the Uttar Pradesh Zamindari Abolition Act has provided for a new hierarchy of tenure-holders in place of the old one; but the two are recognizably similar. At the top are the *bhumidars*, below them the *sirdars*, and still further down the *asamis*. At the bottom of the heap remain the mass of crop sharers and landless labourers. The Zamindars have disappeared but these same persons have been confirmed as landholders, often of very substantial tracts of the best quality of land. Intermediaries as such are not allowed and the leasing out of land is prohibited, but it is possible to retain the status of a "cultivator" while tilling solely with the labour of hired workers, or by giving out one's fields to crop sharers" (Thorner : 1956 : 25). See also : Frank J Moore and Constance A. Freydig, Land Legislation in Uttar Pradesh. Modern India Project, Monograph No 1. South Asia Studies. Institute of East Asiatic Studies. University of California. Berkeley, 1955.

can touch. One notices this also when the VLW is asked to help assert what is felt to be a legitimate claim under the present government against one or another of the wealthy landowners. The VLW meets an Untouchable, a leather-worker, and "this man (the VLW later notes in his diary) told me that his brother had been manhandled and beaten by Malkhan Singh (a Rajput Zamindar). I consoled him and asked him to suggest politely to Malkhan Singh not to repeat this thing in the future" (204-205).

In my own notes I find the following example which will serve to suggest some of the obstacles to community-wide and democratically-based planning which are posed by the existence of the village power and status gulf. Following Independence an elective village council was created by the government in Khalapur and by law a number of Untouchables were given seats on it. At the first meeting, in the first blush of enthusiasm following Independence, all members of the council, including landowners, sat on the ground. At a subsequent meeting cots were introduced. The landowners present sat on them and the Untouchables and other low caste men sat on a strip of cloth. Later the cloth was removed and all the lower caste men sat on the ground. By the end of the first year none of the lower caste men were even informed when meetings of the council were to be held. Clearly such a council cannot stimulate or guide a drive toward improvements relevant to the various needs of the total community.

Disparities of status and power also serve to hamstring community activity in other respects. There was the occasion, for instance, when the VLW asked some Untouchables to attend the community hymn-singing. They inquired whether the landowners would permit it and were told that the landowners had said they would. At this, one of the Untouchables replied :

> "There is a saying. An elephant has two sets of teeth—one that he shows, another that he uses. They may say whatever they like, but they will never let us sit with them" (Dube : 1958 : 212.)

There are incidents in the VLW's diary which also support Thorner's contention that hired labour is not efficient enough to meet present needs. A farmer was asked if he would try the Project's dibbling method of providing for his seed grain needs next year. He replied:

> "Yes, if the government asks us again. We cannot give all our time to these things, and the labour we hire has no patience for these methods. We cannot keep an eye on them all the time, and when left alone they will perhaps do it the way they have done so far" (196).

Suspicion of Development Programmes

When we look at Khalapur through Thorner's eyes we see that far-reaching social and economic inequalities, and the agrarian structure on which they mainly are based, continue to exist. We also see how these factors, along with the agricultural — and hence landowner — stress in the community development programmes, lead to dissatisfaction with the government and suspicions of its development programmes among the poor. We can see too how the same factors are in part responsible for failures in democratic community cooperation and, somewhat paradoxically, for inefficiencies in agriculture.

Neither of the two viewpoints is a matter of black and white. Mayer is aware of what Thorner sees, but his way of conceiving of the village and his faith in the project method cause these features to fade into the background. Thorner, on the other hand, would concede that community development, as Mayer thinks of it, should play a role in rural development. But his way of thinking of the village, with its deep-seated socio-economic and political cleavage and his belief in the primary importance of its removal, causes him to relegate community development programmes to a definite second place. They appear to him now as a kind of temporizing.

Which of these points of view, would I say, is placing the emphasis more correctly? On the basis of my experience and knowledge, admittedly limited, I find Thorner's side of the continuum the more congenial. I already have suggested how events in Khalapur support his contentions, and I wish now to add one more item. It bears on the question of morale. The initiative, and even enthusiasm, which the villagers must find if India is to achieve its aims — aims which are of such vital importance not only to India herself but to us in the West — must be of a much higher order than they are at present. When I was in India five years ago I was impressed by the lack of just these qualities in rural areas, and from all I can learn, to date there has not been a marked change. These qualities do not exist among the village poor and Thorner's analysis has helped us to understand why. They don't exist among the landed either, and I would suggest that this is because they, like the poorer segments of the community, realize that issues much more basic than those touched upon by the community development programmes are still in abeyance. The landed see the community development programmes as part of what they call "the new order," and this order has meant to them more than just new agricultural methods and hymn-singing: it has meant the attempted abolition of landlordism, together with the spread of an anti-caste and anti-privilege ideology which threatens further inroads on their dominant position. As a result of these factors there is satisfaction on neither side of the village economic cleavage.

It also seems to me, ironically enough, that with each improvement in the community development programme — with each fuller realization of the aim to increase expectations and to improve the texture of village life — the frustrations created by structural obstacles are further exacerbated. For despite shortcomings of the kind we have seen, the development programmes do improve. The arrival of the second VLW is a case in point. The heightened awareness of a discrepancy between what is and what might be which comes with this improvement is community-wide. But it is likely to reach its greatest intensity among those who are the most seriously disadvantaged. Their growing frustration can be dangerous, for it can seriously threaten the hope of Indian leaders that they will be able to make haste, but slowly enough so that it can be done democratically.

This line of thought brings one to an unpleasant impasse. Though I agree with Thorner about the importance of structural obstacles, I am not at all certain that his plan to make further redistribution of the land, so that all of it is held by the actual tillers (Thorner: 1958: 83), is the answer. This might mitigate somewhat the socio-economic and political disparities in the village and it might improve incentive to greater agricultural efficiency. But wouldn't the latter gain be more than offset by the decline in efficiency due to increased fragmentation? There are many in the Congress Party, including Nehru, who wish to see village lands farmed cooperatively, with hoped for gains in output and a larger share for the landless. As yet little has been done in this direction, and it may be that little more will be done.

What Price Gradualism?

Assuming that the present programme will be continued without much change, the observations of an anthropologist who recently visited a north Indian village which he and others have been observing over the past decade are of interest (Cohn : 1959:963-966). On the basis of trends which now are preceptible, and without any basic unsettling of the existing village social structure, he sees many of the landowners' sons, together with many of the landless, moving out of the village and into the city, the former as part of the "white collar" class, the latter as part of the emerging working class. As a result of this very gradual change he believes that "in a generation's time ... the village will be in the hands of small peasant proprietors, with a floating group of landless workers, counterbalanced by a modern industrial urban culture .... Paradoxically enough (he concludes) India will develop a peasantry in the middle of the twentieth century such as we are familiar with in European history of the eighteenth and nineteenth centuries" (966).

Such gradualism is devoutly to be wished. But if our analysis has any utility at all it will, I think, create certain misgivings about this kind of solution. I will conclude with some of the questions which come to mind. One wonders, for instance, whether the massive industrialization needed to draw off the excess landed as well as the excess landless can be supported by forms of agrarian management which essentially are the same as they are today. Will such management be efficient enough? Furthermore, it is possible, in the face of increasing expectations — especially when we know that the call of a competing ideology is likely to become more and not less insistent — to proceed without disruption at such a leisurely pace? Will it be possible politically in a country of some half million villages to arrive during the span of a generation at a point where the social structure and economic relations of those who remain in these villages are still spelled out essentially in terms of landed proprietors and landless labourers?

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At 31st December 1959 Rs.	nP.	Rs.	nP.	CAPITAL AND LIABILITIES	As at 31st December 1960 Rs.	nP.	Rs.	nP.
		20,00,00,000	00	**1. Capital :** Authorised Capital—20,00,000 shares of Rs. 100 each	20,00,00,000	00		
				Issued, Subscribed and Paid-up Capital—(pursuant to Section 5(1) of the State Bank of India Act, 1955)—5,62,500 shares of Rs. 100 each			5,62,50,000	00
2,50,000	00			**2. Reserve Fund and Other Reserves**			7,45,00,000	00
0,00,000	00			**2A. ‡Integration and Development Fund** (maintained under Section 36 of the State Bank of India Act, 1955)			1,97,79,687	00
8,86,841	00			**3. Deposits and Other Accounts :**				
		343,23,53,629	33	Fixed Deposits	312,81,16,767	56		
		36,47,68,527	22	Savings Bank Deposits	41,84,40,699	64		
16,94,099	75	201,45,71,943	20	†Current Accounts, Contingency Accounts, etc.	221,66,74,334	90	576,32,31,802	00
				4. Borrowings from Other Banking Companies, Agents, etc. :				
		10,00,00,000	00	§(i) In India	8,17,00,000	00		
95,50,000	00	1,95,50,000	00	(ii) Outside India	1,79,50,000	00	9,96,50,000	00
				§Includes an amount of Rs 17,00,000 borrowed from the Refinance Corporation for Industry (Private) Ltd. as per contra				
				Particulars :				
				(i) Secured by Government Securities, Bills Discounted and other securities assigned for refinance per contra	9,96,50,000	00		
		11,95,50,000	00	(ii) Unsecured	....			
					9,96,50,000	00		
		11,95,50,000	00					
				5. Bills Payable			8,22,64,096	00
52,13,974	01			**6. Bills for Collection being Bills Receivable** as per contra				
		3,07,36,405	25	(i) Payable in India	1,66,33,235	63		
33,24,501	55	25,88,096	30	(ii) Payable outside India	28,01,139	50	1,94,34,375	13
				7. Other Liabilities :				
		56,25,000	00	*Final Dividend for the year	71,71,875	00		
		29,319	87	Unclaimed Dividends	29,870	74		
				Inter-Office Adjustments (including Rs. 3,70,240.52 due to Imperial Bank of India)	6,18,31,562	35	6,90,33,308	00
06,91,003	71	2,50,36,683	84					
				8. Acceptances, Endorsements and Other Obligations per contra			1,55,77,893	37
46,42,202	08							
		55,73,153	56	**9. Profit and Loss :**				
		1,87,10,445	23	Balance brought forward from last year	55,87,498	79		
				Profit for the year	2,17,59,053	29		
		2,42,83,598	79		2,73,46,552	08		
				Amount set aside for payment of Dividend (made up of Interim Dividend Rs. 56,25,000 and Final Dividend Rs. 71,71,875)	1,27,96,875	00		
		1,12,50,000	00	Amount transferred to Reserve Fund	25,00,000	00		
		20,00,000	00	Amount transferred to Pension Funds	7,29,000	00		
		6,96,100	00	Bonus to Staff	42,00,000	00		
		40,00,000	00	Amount transferred to Staff Welfare Fund	5,00,000	00		
		2,50,000	00	Amount transferred to Staff Co-operative Housing Fund.	10,00,000	00	56,20,677	00
55,87,498	79	5,00,000	00					
				10. Contingent Liabilities :				
		Rs. 3,45,142.25		Claims against the Bank not acknowledged as debts .... Rs. 3,31,924.52				
		Rs.		Bills of Exchange rediscounted .... Rs.				
		Rs. 22,70,59,142.18		Outstanding Forward Exchange contracts .... Rs. 20,68,45,230.79				
		Rs. 2,54,00,000.00		On partly paid-up shares .... Rs. 2,54,00,000.00				
				Guarantees given on behalf of Directors, Local Board Members or Officers of the Bank .... Rs. 98,650.00				
		Rs. 44,00,150.00		Guarantees given on behalf of others .... Rs. 131,66,88,318.83				
		Rs. 122,37,74,757.92						
58,40,120	89	**Total**			**Total**		620,53,41,839	00

‡In addition to the credit of Rs. 30,93,750 pertaining to the final dividend for 1959, a sum of Rs. 30,93,750 was credited to this Fund on account of the interim dividend declared in July 1960. A sum of Rs. 32,94,654 was appropriated from this Fund during the year, under the authority of the Reserve Bank of India, in respect of the losses for the year 1959 of the new branches established under Section 16(5) of the State Bank of India Act, 1955, *vide* item 7 of the Profit and Loss Account.

†Includes Staff Welfare Fund and Staff Co-operative Housing Fund, ownership whereof vests in the Bank.

As at 31st December 1959 Rs.	nP.	Rs.	nP.	PROPERTY AND ASSETS	As at 31st December 1960 Rs.	nP.	Rs.	nP.
				1. Cash : In hand and with Reserve Bank (including foreign currency notes)			65,19,88,908	59
0,31,65,943	66			**2. Balances with Other Banks :**				
				On current account On deposit				
				(i) In India Rs. ..... Rs.	....			
4,52,19,135	53	4,52,19,135	53	†(ii) Outside India Rs. 2,72,71,799.03 Rs.....	2,72,71,799	03	2,72,71,799	03
				†Including Rs. 32,36,828.64 held abroad under special arrangement				
2,46,66,666	66			**3. Money at Call and Short Notice**			1,73,33,333	33
				4. ‡Investments (Securities valued in accordance with Regulation 73; shares, debentures or bonds at or below cost) :				
		362,84,41,192	92	(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments	285,05,72,241	50		
				(ii) Shares authorised under the State Bank of India Act, 1955				
				Fully paid-up .... Rs. 79,24,368.43				
		1,50,24,368	43	Partly paid-up .... Rs. 76,00,000.00	1,55,24,368	43		
		2,80,64,225	50	(iii) Debentures or Bonds	3,35,69,911	50		
				(iv) Other Investments—Pakistan and other Government Securities, etc.	9,74,08,654	56	299,70,75,175	99
77,12,69,923	67	9,97,37,136	82					
				‡Of which investments of the face value of India Rs. 9,00,00,000 and Pakistan Rs. 2,99,69,400 are pledged against borrowings from other Banks, Agents, etc., per contra				
				5. Advances :				
				§(I) Loans, Cash Credits, Overdrafts, etc.—				
				(i) In India .... Rs. 213,10,98,337.20				
		152,25,18,737	20	(ii) Outside India .... Rs. 343,22,572.29	216,54,20,909	49		
				§Include term advances amounting to Rs. 3,42,93,786.67, of which refinance has been obtained from the Refinance Corporation for Industry (Private) Ltd. to the extent of Rs. 17,00,000 as per contra				
				¶(II) Bills Discounted and Purchased—				
				(i) Payable in India .... Rs. 11,18,31,687.37				
166,88,05,709	46	14,62,86,972	26	(ii) Payable outside India .... Rs. 4,51,84,337.24	15,70,16,024	61	232,24,36,934	10
				¶Of which bills of the value of 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				
		3,07,36,405	25	(i) Payable in India	1,66,33,235	63		
3,33,24,501	55	25,88,096	30	(ii) Payable outside India	28,01,139	50	1,94,34,375	13
				7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per contra			1,55,77,893	37
1,46,42,202	08			**8. *Premises less Depreciation :**				
		1,32,62,953	72	Total Cost up to the 31st December 1959	1,35,32,359	88		
		2,69,406	16	Additions (Rs. 56,74,663.06) less Deductions (Rs. 291.00) during the year	56,74,372	06		
		1,35,32,359	88		1,92,06,731	94		
				Depreciation written off up to the 31st December 1960 less depreciation previously provided on property which has passed out of the Bank's possession	16,35,397	00	1,75,71,334	94
1,21,98,491	88	13,33,868	00					
		1,22,41,085	73		1,50,81,285	00		
		28,40,199	27	**9. *Furniture and Fixtures less Depreciation :** Total Cost up to the 31st December 1959				
		1,50,81,285	00	Additions (Rs. 31.54,035.44) less Deductions (Rs. 30,987.68) during the year	31,23,047	76		
					1,82,04,332	76		
				Depreciation written off up to the 31st December 1960 less depreciation previously provided on property which has passed out of the Bank's possession	52,22,718	78	1,29,81,613	98
1,12,08,809	22	38,72,475	78					
		....		**10. Other Assets, including Gold and Silver :**	....			
		2,85,09,359	96	Bullion	3,10,92,142	37		
		2,48,27,377	22	Adjusting Account of interest, commission, etc.	2,20,10,327	86		
6,13,38,737	18	80,02,000	00	Stationery, Stamps, Suspense, Tax Recoverable, etc.	7,05,68,000	80	12,36,70,471	01
				Shares in Subsidiaries				
....				**11. Non-banking Assets Acquired in Satisfaction of Claims**			....	
....				**12. Profit and Loss**			....	
624,58,40,120	89	**Total**			**Total**		620,53,41,839	40

*NOTE—Includes Rs. 1,30,705.53 (against which a sum of Rs. 46,231.00 is still to be received) being written down value of certain Pakistan assets sold, pending completion of formalities.

UNDER SECRETARY TO
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PUBLIC DEPAR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1960

Year ended 31-12-1959 Rs. nP.	EXPENDITURE	Year ended 31-12-1960 Rs. nP.	Year ended 31-12-1959 Rs. nP.	INCOME (less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Year en 31-12-1 Rs.
7,87,89,963 94	1. Interest paid on Deposits, Borrowings, etc.	8,05,03,580 04	*14,52,93,668 06	1. Interest and Discount	14,86,91,17
	2. Salaries and Allowances and Provident Fund (including Salaries and Allowances of Chairman Rs. 44,405.76 and Managing Directors Rs. 78,162.00 for the year)		3,60,58,940 07	2. Commission, Exchange and Brokerage	4,28,68,49
			3,78,024 20	3. Rents	4,80,32
6,99,66,433 92		7,31,68,616 32	....	4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets	...
1,02,690 00	3. Directors' and Local Board Members' Fees and Allowances	97,320 00		5. Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets	...
37,47,364 34	4. Rent, Taxes, Insurance, Lighting, etc.	42,98,224 16	....	6. Income from Non-banking Assets, and Profit from Sale of or Dealing with such Assets	...
1,72,455 82	5. Law Charges	1,91,995 53			
28,85,396 66	6. Postage, Telegrams and Stamps	31,77,878 49	....	7. Other Receipts — Recoveries from the Integration and Development Fund for the year 1959	...
75,000 00	7. Auditors' Fees	75,000 00			
20,47,474 31	8. Depreciation on and Repairs to the Bank's Property	22,02,596 70	35,31,909 00	8. Loss	32,94,65
36,62,953 08	9. Stationery, Printing, Advertisement, etc.	39,62,739 07	....		....
....	10. Loss from Sale of or Dealing with Non-banking Assets	....			
51,02,364 03	11. Other Expenditure	58,97,643 48			
1,87,10,445 23	12. Balance of Profit	2,17,59,053 29			
18,52,62,541 33	.... **Total**	19,53,34,647 08	18,52,62,541 33	.... **Total**	19,53,34,64

PARTICULARS OF ADVANCES

As at 31st Dec. 1959 Rs. nP.			As at 31st Dec. 1960 Rs.
150,59,99,960 34	(i)	Debts considered good in respect of which the Bank is fully secured	204,74,39,71
2,31,96,147 45	(ii)	Debts considered good for which the Bank holds no other security than the debtors' personal security	2,69,27,33
13,96,09,601 67	(iii)	Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	24,80,69,886
....	(iv)	Debts considered doubtful or bad, not provided for	....
166,88,05,709 46			232,24,36,93
9,28,755 88	(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	11,65,95
43,78,72,500 68	(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	63,16,82,27
11,91,419 55	(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	13,15,20
60,47,64,641 27	(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	63,61,88,70
8,07,53,498 20	(ix)	Due from banking companies	9,08,99,35

*Consequent upon the new procedure of deduction of tax at source introduced by the Finance Act, 1959, credit had been taken in the accounts for the year 1959 for anticipated 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(1) of the State Bank of India Act, 1955, do hereby report to the Central Government upon the Balance Sheet and Accounts of the Bank as at the 31st December, 1960.

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.

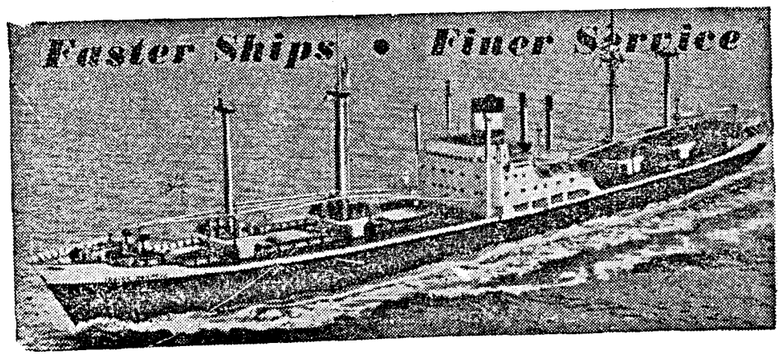
The Audit of the Books and Accounts of the Central Office has been carried out jointly by Messrs. S. B. Billimoria & Co. and Messrs. Ray & Ray. The audit of the Books and Accounts of the Local Head Offices has been carried out at Bombay by Messrs. S. B. Billimoria & Co. and at Calcutta by Messrs. Ray & Ray.

9th February, 1961

S. B. BILLIMORIA & CO.
RAY & RAY
} *Auditors*

P. C. BHATTACHARYYA, *Chairman* D. G. KARVE, *Vice-Chairman* S. P. PURI, *Managing Director*

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M. H. HASHAM PREMJI
RAMNATH A. PODAR
B. VENKATAPPIAH
SACHINDRA CHAUDHURI
TRIGUNA SEN
K. RAMUNNI MENON
BHARAT RAM
K. P. MATHRANI
} *Directors*

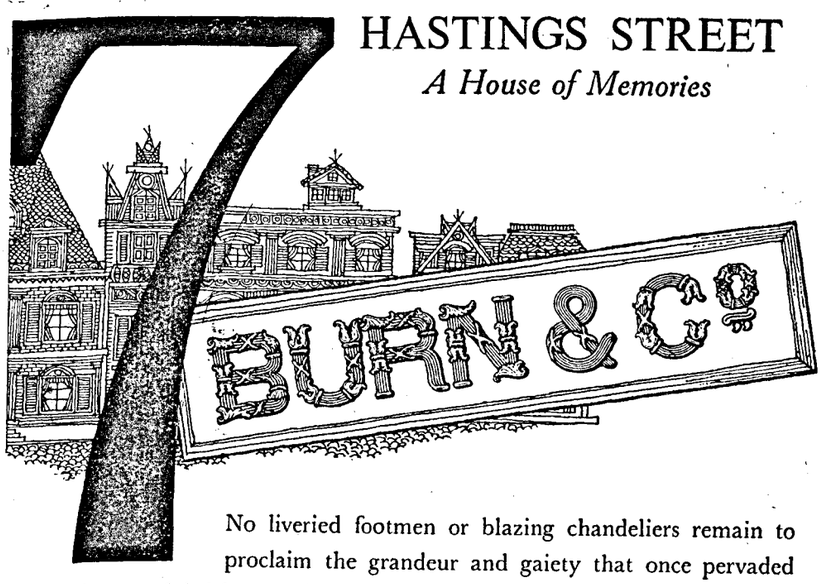


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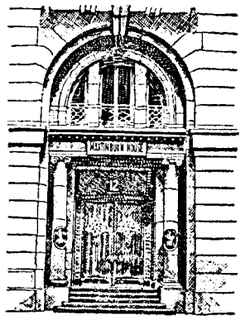
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Estimation of Net National Product from Consumer Expenditure Data

Sreelekha Basu

An attempt is made in this article to estimate net national output at factor cost from the Reports of he National Sample Survey on consumer expenditure.

N S S data on average per capita expenditure are used to derive total household expenditure, to hich is added the estimate of household savings, to arrive at personal income after tax.

After making adjustments for taxation and external transactions and adding income accruing to overnment net national product at factor cost is obtained.

HE N S S Reports on Consumer Expenditure, so far available, pply expenditure pattern by ex-nditure groups for rural and ur-n India for a number of rounds ughly covering 1952-53 to 1957-. The N S S data on per capita penditure distributions for urban d rural areas for the various unds are combined together into ancial years in the following anner*.

The N S S reports supply the verage per capita expenditure for e various expenditure groups, parately for urban and rural reas, together with the correspond-ng percentages of total urban and ural population in the respective roups. The urban-rural break-down f population in India for the years nder study has been estimated as ollows :

ear	*Urban*	*Rural*	*Total*
		(in millions)	
952-53	66	304	370
954-54	68	308	376
954-55	71	312	383
955-56	74	316	390
956-57	76	321	397
957-58	79	326	405

Growth of Population

Estimates of population for 1951 onwards have been released by the Statistics and Surveys Division of the Planning Commission. According to these estimates, population in India is assumed to have increased from 361.8 millions on the first of March 1951, to 391.4 millions on the first of March 1956, and is expected to rise to 430.8 millions on the first of March 1961. No urban-rural break-down has however been worked out. Thus population increased by some 8.2 per cent during 1951-56 and in the subsequent quinquennium is expected to rise by some 10.1 per cent. On the basis of these over-all quinquennial growth rates, the estimates of total population for the years under study have been worked out, after making necessary adjustments for obtaining financial year values. Though no official estimate of urban-rural break-down of the population after 1951 has been made available, a number of studies have been made to establish this relationship for inter-census years, on various assumptions.

Various estimates have placed the annual rate of growth of population in urban India between 3 and 5 per cent during 1951-61. The National Council of Applied Economic Research has assumed a percentage increase of some 46 during 1951-61. The Labour Bureau placed the percentage increase in urban population at 36.2 per decade during 1951-56 and at 38.2 per decade during 1956-61. There are various other estimates of urbanisation during 1951-61 prepared by various research workers. The rate of increase in the urban population during 1941-51 was 41.9 per cent as against 30.2 per cent during 1931-41. As this was partly due to partition over and above the ordinary factors of increase in urbanisation, viz (1) natural increase, (2) migration from rural areas, and (3) conversion of villages into towns, the rate of urbanisation in the subsequent decade may be taken to be of the same order i e some 40 to 42 per cent increase during 1951-61. This may be split up and the quinquennial rates of increase placed at 19 per cent during 1951-56 and 22 per cent during 1956-61. The urban population, for the years 1952-53 to 1957-58, has been estimated on the above assumptions, with necessary adjustments for arriving at financial year estimates.

Decline in Consumer Expenditure

The estimates of the rural population for these years, have been obtained by deducting the estimates of urban population from the corresponding estimates of the total population. The N S S data on per capita average expenditure for the various groups are then utilised to arrive at the total expenditure of rural and urban India, separately. Wherever necessary these are pooled together over rounds, separately for urban and rural population, e g 4th and 5th round figures for 1952-53, 6th and 7th round figures for 1953-54, and 9th and 10th round figures for 1955-56. As sample design remains the same and as these rounds are roughly of same duration, a straight average is assumed to give reliable results. These urban and rural estimates for the respective years are then pooled together to arrive at the all-India estimates of household (personal) expenditure (at current market prices) as in table 1.

We find from table 1 that there has been an appreciable decline in consumer expenditure in both ur-

*Rounds	*Period of survey*	*Year represented*
4th	April—September '52	1952-53
5th	December '52—March '53	
6th	May—September '53	1953-54
7th	October '53—March '54	
8th	July '54—March '55	1954-55
9th	May—September '55	1955-56
10th	December '55—May '56	
11th	August '56—January '57	1956-57
12th	September '57—May '58	1957-58

The views expressed are those of the author in her personal capacity.

Table 1 : Personal Expenditure at Current Prices

	Rural	*Urban*	*Total*
		(*Rs abja*)	
1952-53	76.3	22.3	98.6
1953-54	71.3	22.1	93.4
1954-55	56.0	21.0	77.0
1955-56	62.2	21.4	83.6
1956-57	65.2	22.7	87.9
1957-58	72.7	24.3	97.0

ban and rural areas, total household expenditure recording a most irregular trend during the years under study. The household expenditures in rural, urban and all-India touched the lowest during 1954-55, slowly recovered over the next three years, but could not reach the level achieved during 1952-53. This, however, may be partly due to the price changes over the period, as prices recorded a fall during 1954 and 1955. But for later years, the index number of wholesale prices with 1952-53 as base were higher than the base year figure.

One reason of this sharp fall in our estimated household consumption, may be that the rates used for imputating the value of consumption of home-grown produce were different from round to round. The consumer expenditure data as shown in the N S S reports included imputed value of consumption of home-grown produce and also consumption of commodities acquired through barter exchanges. From information available it seems that the rates used for imputation of home-grown products, were retail prices for 4th to 7th rounds, and the ex-farm rates for later rounds. The ex-farm rates did not include transport and other distributive services charges which a retailer normally includes in his selling prices. Commodities acquired through barter exchanges were evaluated at retail prices in some rounds and at ex-farm price in others. Hence a round-to-round comparison of the total consumer expenditure is not strictly possible. And consequently our estimates for the various years do not present a comparative picture. No attempts could be made to adjust these figures for the above drawbacks as adequate data for adjustments were not available. At least data on the quantities and rates of the home-grown products consumed, together with the corresponding transport and other distributive charges for those should have been available for all the rounds for which ex-farm rates have been used for imputation. However, an attempt has been made to arrive at net national product from the above total households expenditure data, keeping in view that to a certain extent the later year figures are short of the 'actuals'. If we add to these unadjusted figures of "total household expenditure", the corresponding estimates of household savings, we arrive at personal income after tax for the respective years.

Savings

The estimated aggregate saving in the household sector has been taken from a paper on "Estimates of Saving in the Indian Economy", prepared by the RBI. Adding to this set of figures of "personal income after tax" (1) personal income taxes, (2) corporate retained profits (equated to corporate savings), and (3) corporate taxes for the respective years, we get "private income at market prices" for the years 1952-53 to 1957-58. We then add subsidies and subtract indirect taxes etc from this set of figures to arrive at "private income at factor cost". (Annexure A) If from this set of figures of "private income" we subtract the (1) net private donations from abroad, (2) transfer payments, (3) national debt interest and (4) earned income from abroad we arrive at "income from domestic product cruing to private sector". To t we add the "income from domes product accruing to Governmer and arrive at "net domestic prodi at factor cost". Adding earned come from abroad for the respe ive years we get "net national p duct at factor cost". Annexure shows the estimates of net natio product at factor cost for the ye 1952-53 to 1957-58. Table 2 prese the comparative figures of natio income at current prices as estim ed above and those shown in t White Paper on National Incom

The over-all national income flator moved from 100.0 in 1952- to 100.10 in 1953-54, 111.24 1954-55, 109.42 in 1955-56, 101. in 1956-57, and 99.30 in 1957-5 To convert our estimates to a co stant price series, we have tak recourse to these deflators and t results are given in Table 3.

Percentages differences, natura remained the same for estimates current and constant prices. To st up, we find that during 1952- our estimate is more than 1 p cent higher than the official es mate, while for all other years, o estimates are lower, the perce age difference varying from 11 21.

Table 2: Net National Product at Factor Cost
(at current prices)

Net National Product at factor Cost at Current Prices	1952-53	1953-54	1954-55	1955-56	1956-57	1957
			(Rs. abja)			
1. C S O Estimates	98.2	104.8	96.1	99.8	113.1	11
2. Our estimates	99.4	93.8	77.6	84.9	89.7	9
3. % difference of (2) over (1)	(+1.2)	(−10.5)	(−19.3)	(−14.9)	(−20.7)	(−19.

Table 3: Net National Product at Factor Cost
(at 1952-53 prices)

Net National Product at factor Cost (at 1952-53 prices)	1952-53	1953-54	1954-55	1955-56	1956-57	1957
			(Rs abja)			
1. C S O estimates	98.2	104.9	106.9	109.2	114.6	11
2. Our estimates	99.4	93.9	86.3	92.9	90.9	9
3. % differences of (2) over (1)	(+1.2)	(−10.5)	(−19.3)	(−14.9)	(−20.7)	(−19.
	1952-53	1953-54	1954-55	1955-56	1956-57	1957
1. Wholesale Price Index (1952-53 = 100)	100.0	104.7	97.5	92.5	105.4	10
2. Consumer Price Index (1952-53 = 100)	100.0	101.9	95.1	92.2	102.9	10
3. Estimated total household expenditure (Rs abja)*	98.6	93.4	77.0	83.6	87.9	9
4. Estimated net national product at factor cost (Rs abja)*	99.4	93.8	77.6	84.9	89.7	9

* at current prices

The index number of wholesale prices and the consumer price index for the working classes with 1952-53 as base have been shown below together with the corresponding estimated total household expenditure and net national product as estimated from them.

Both the whole-sale and the consumer price index recorded a downward trend during 1954-55 and 1955-56, thereby explaining why our estimates of expenditure and income for those years were so low. But for the next two years, though the prices record appreciable rise, total household expenditure did not rise accordingly. It is not possible to give any satisfactory explanation of this slower rate of increase in the total consumer expenditure. But it is a surprise that while wholesale price indices, were 105.4 and 108.5 during 1956-57 and 1957-58 respectively, the corresponding national income deflators with the same 1952-53 as base were below the base year figure, being 99.30 and 97.43 respectively for 1956-57 and 1957-58. As the wholesale price indices cannot be strictly compared with the national income deflators which take into account the 'services sector' besides the 'commodity producing sectors', a comparison of the national output in agriculture, animal husbandry etc, and mining, manufacturing and small enterprises at current and at 1952-53 prices was attempted. Here also, the deflators were less than the base year figure for both 1956-57 and 1957-58. However, this may be due to various reasons, which need thorough investigation. In view of all these it is not possible to give any definite conclusion regarding the percentage differences between our estimates of national output and the official estimates.

Urban-Rural Break-Down

In order to arrive at some estimate of the urban-rural break-down of our estimated total private income, for 1952-53 to 1957-58, we have utilised the separately estimated total consumer expenditure in urban and rural areas during these years, together with the estimates of savings in the urban and rural household sector for those years as prepared by the Economic Department of the RBI, (*RBI Bulletin*, March 1960). The table here shows the urban-rural break-up of "personal income after tax", at current prices, for the years under study.

No direct estimates of incometax, corporate savings, subsidies, indirect taxes etc, in urban and rural areas could be made, as necessary data were not available. Instead, these have been allocated to urban and rural sectors on certain assumptions. These assumptions are arbitrary, but the total contributed by these items being small, the overall error arising out of these assumptions will not be significant. The following assumptions have been made to arrive at urban-rural break-down in the total private income.

(1) As regards personal income taxes, it is assumed on the basis of the percentage distribution of the tax payable by various classes of assessees over a number of years, that this is distributed roughly in the ratio 60:40 between urban and rural sectors.

(2) Corporate savings and subsidies have wholly accrued to the urban sector.

(3) Indirect taxes including miscellaneous fees have been distributed between the two sectors in the same ratio as indicated in the "Taxation Enquiry Commission Report" for revenue from indirect taxes. For later years, however, the share of urban sector has been increased a little.

The urban-rural shares in the private income, for the years 1952-53 to 1957-58, as arrived at on the basis of the above assumptions have been shown in table 5.

A paper on "Share of Urban and Rural Sectors in the Domestic Product in India in 1952-53" by Chakravarti, Datta and Srinivasan, estimated the rural and urban incomes on the basis of N S S data on the distribution of gainful population by sectors between urban and rural areas and the levels of average monthly income per gainfully occupied person. The estimates obtained for the year 1952-53, indicated that 68.9 per cent of the total domestic product accrued to the rural areas as against our estimate of 75.9 per cent of the total private income accruing to the same. It is difficult to explain the wide divergence between these two estimates. But the use of different approaches may be one of the main causes for this discrepancy. Moreover, our estimates are 'private income at factor cost', while the other is "net domestic product".

A few attempts have been made to arrive at estimates of the share of urban and rural sectors in the

Table 4 : Personal Income at Current Prices
(Rs abja)

Year	Rural			Urban		
	Household expenditure	Household savings	personal income after tax	Household expenditure	house-hold savings	Personal income after tax
1952-53	76.3	1.9	78.2	22.3	3.2	25.5
1953-54	71.3	2.1	73.4	22.1	3.0	25.1
1954-55	56.0	1.7	57.7	21.0	3.9	24.9
1955-56	62.2	1.7	63.9	21.4	5.5	26.9
1956-57	65.2	2.2	67.4	22.7	6.1	28.8
1957-58	72.2	2.1	74.8	24.3	4.6	28.9

Table 5: Private Income at Current Prices
(Rs abja)

	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
Rural	76.2	71.2	55.3	61.2	64.3	71.2
Urban	24.2	23.7	23.3	25.2	26.9	26.2
Total	100.4	94.9	78.6	86.4	91.2	97.4

Table 6 : Share of Urban and Rural Areas in the Economy

Year	Percentages of the total consumer expenditure		personal income after tax		private income		domestic product*	
	urban	rural	urban	rural	urban	rural	urban	rural
1	2	3	4	5	6	7	8	9
1952-53	22.6	77.4	24.6	75.4	24.1	75.9	30.3	69.7
1953-54	23.7	76.3	25.5	74.5	25.0	75.0	29.3	60.7
1954-55	27.3	72.7	30.1	69.9	29.6	70.4	33.6	66.4
1955-56	25.6	74.4	29.6	70.4	29.2	70.8	34.1	65.9
1956-57	25.8	74.2	29.9	70.1	29.5	70.5	30.7	69.3
1957-58	25.1	74.9	27.9	72.1	26.9	73.1	n.a.	n.a.

* Source: 1) Share of urban and rural sectors in the domestic product in India in 1952-53, by Chakravarti, Datta and Srinivasan.
2) Resources for the Third Plan, by K N Raj.

domestic product of the country. It would be interesting to compare the shares of urban and rural sectors as obtained by these research workers with same obtained here. Table 6 shows the percenntages of expenditure, personal income, private income, and net domestic product as enjoyed by the urban and rural sectors during 1952-53 to 1957-58.

It appears that according to our estimates, the share of the urban sector increased sharply till 1954-55, dropped a little, but remained at a higher level during the next three years compared to that in 1952-53. From the domestic product approach, the urban-rural share recorded an irregular trend and was almost at the same level during 1956-57 as observed in 1952-53. The main sources used for the distribution of domestic product for 1952-53, were the working force and respective levels of earning in the two areas. For later years, the whole of the income from "agriculture", two-thirds of the income from "small enterprises", half each of "domestic" and "house property" and one-third of "other commerce and transport", were allocated to the rural areas together with an additional ten percent of the total, so arrived at. Thus the materials used for the alternative sets of estimates were diffierent. It is not possible to make any categorical statement about the accuracy of our estimates. But they definitely give an idea of the general trend. It should also be mentioned that the share of urban population also increased from 17.8 per cent during 1952-53 to 19.5 per cent during 1957-58. The over-all levels of private income per person, at current prices in urban and rural areas have been worked out in Table 7.

The disparities between urban and rural areas became disquieteningly significant between 1955-56 and 1956-57. But this was mainly due to the high rate of urban savings during these years. The per capita savings in urban areas were Rs 45/- during 1952-53, which increased to Rs 74/- and Rs 80/- during 1955-56 and 1956-57 respectively, coming down to Rs 58/- during 1957-58. The rural per capita savings, however, remained almost at the same level during all the years under study, varying between Rs 5/- and Rs 7/. Moreover, agricultural production was rising at a much faster rate than the prices it could collect till 1957-58. This might, also, have contributed towards increase in the disparities in income between urban and rural sectors. As the data presented above are at current prices, it is difficult to arrive at any definite conclusion relating to the total effect of planning in reducing economic disparities between the urban and the rural sectors and with the two sectors.

Durgapur Rolling Mills

THE 24" Medium section Mill, the 4th unit of the Rolling Mill Plant at Durgapur Steelworks, was commissioned on February 20 well ahead of its scheduled date.

The Mill has been designed by a member Company of ISCON, the British Consortium building the Durgapur Steelworks.

Table 7: Per Capita Income in Urban and Rural Areas

(at current prices)

(Rs)

	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
Urban	367	349	328	341	354	332
Rural	251	231	177	194	200	218
Percentage differential of urban over rural	+46	+51	+42	+76	+77	+52

ANNEXURE A

Personal and Private Income in India

(at current prices)

(Rs abja)

	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
Household expenditure (a)	98.6	93.4	77.0	83.6	87.9	97.0
Household savings (b)	5.1	5.1	5.6	7.2	8.3	6.7
Personal income after tax (1+2)	103.7	98.5	82.6	90.8	96.2	103.7
Personal income taxes (c)	1.4	1.3	1.3	1.4	1.6	1.8
Personal income before tax (3+4)	105.1	99.8	83.9	92.2	97.8	105.5
Corporate savings (b)	0.1	0.3	0.5	0.6	0.6	0.2
Corporation taxes (c)	0.4	0.4	0.4	0.4	0.5	0.6
Private income (5+6+7) at market prices	105.6	100.5	84.8	93.2	98.9	106.3
Subsidies (c)	0.4	0.2	0.1	0.2	0.3	0.5
Indirect taxes including misc. fees (c)	5.6	5.8	6.3	7.0	8.0	9.4
Private income at factor cost (8+9—10)	100.4	94.9	78.6	86.4	91.2	97.4

(a) NSS

(b) RBI paper on "Estimates of Saving in Indian Economy" prepared by the Division of Development and Planning of the Economic Department, in collaboration of its Department of Statistics, RBI Bulletin March 1960.

(c) White Paper on National Income, C. S. O.

ANNEXURE B

Net National Income at Factor Cost

(at current prices)

(Rs abja)

	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
1. private income at factor cost	100.4	94.9	78.6	86.4	91.2	97.4
2. net private donations from abroad (a)	0.5	0.4	0.3	0.4	0.5	0.5
3. transfer peyments (a)	0.7	0.8	0.9	1.3	1.4	1.5
4. national debt interest (a)	0.4	0.4	0.4	0.5	0.5	0.6
5. earned income from abroad (a)	—0.1	0.0	0.0	0.0	0.1	—0.1
6. income from domestic product accuring to private sector (1-2-3-4-5)	98.9	93.3	77.0	84.2	88.7	94.9
7. income from domestic product accuring to government (a)	0.6	0.5	0.6	0.7	0.9	0.9
8. net domestic product at factor cost (6+7)	99.5	93.8	77.6	84.9	89.6	95.8
9. earned income from abroad	—0.1	0.0	0.0	0.0	0.1	—0.1
10. net national product at factor cost=national income (8+9)	99.0	93.8	77.6	84.9	89.7	95.7

(a) White Paper on National Income, CSO.

UNDER SECRETARY TO G. OF I. 14 MAR 1961 PUBLIC DEPARTMENT

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 Sixth Annual General Meeting of the Shareholders held in Bombay on March 6, 1961 :

Gentlemen,

I have much pleasure in welcoming you all to this Sixth Annual General Meeting of the State Bank of India. The Report of the Central Board of Directors for the year 1960 together with the Bank's Balance Sheet as on 31st December 1960 and the Profit and Loss Account for the year ended 31st December 1960 has already been circulated to you and has been taken as read.

I am happy to say that in marked contrast to the position in 1959, the Bank recorded good progress in its traditional business during the year under review. As a result, the Bank's net profit, after the usual and necessary provisions have been made, shows an increase from Rs 1.87 crores to Rs 2.18 crores. We have been able thereby not only to strengthen our Reserve Fund and other Funds to a greater extent than last year but also to declare a dividend of Rs 22.75 per share for the year, thus restoring practically the net dividend that was previously available to the shareholders.

There are two reasons for the increase in the Bank's net profit for the year : the increase in the level of the Bank's advances and the rise in the Bank's lending rates after October 1, 1960. The Bank's advances (including bills) which had stood at Rs 156.5 crores in December 1959 increased sizeably in the course of the busy season and reached a peak of Rs 215.7 crores in July 1960. They continued to remain at a high level during the slack season and rose further after the commencement of the current busy season. On February 17, 1961, the Bank's advances stood at Rs 259.2 crores. Secondly, consequent on the Reserve Bank's directive of September 21, 1960, asking all scheduled banks to charge a minimum rate of 5 per cent on advances and to raise their average lending rates by half a per cent, the State Bank of India Advance Rate was raised from 4½ per cent to 5 per cent with effect from October 1, 1960 and other lending rates of the Bank were also increased suitably. This has obviously added to the Bank's earnings during the year.

Decline in Deposits

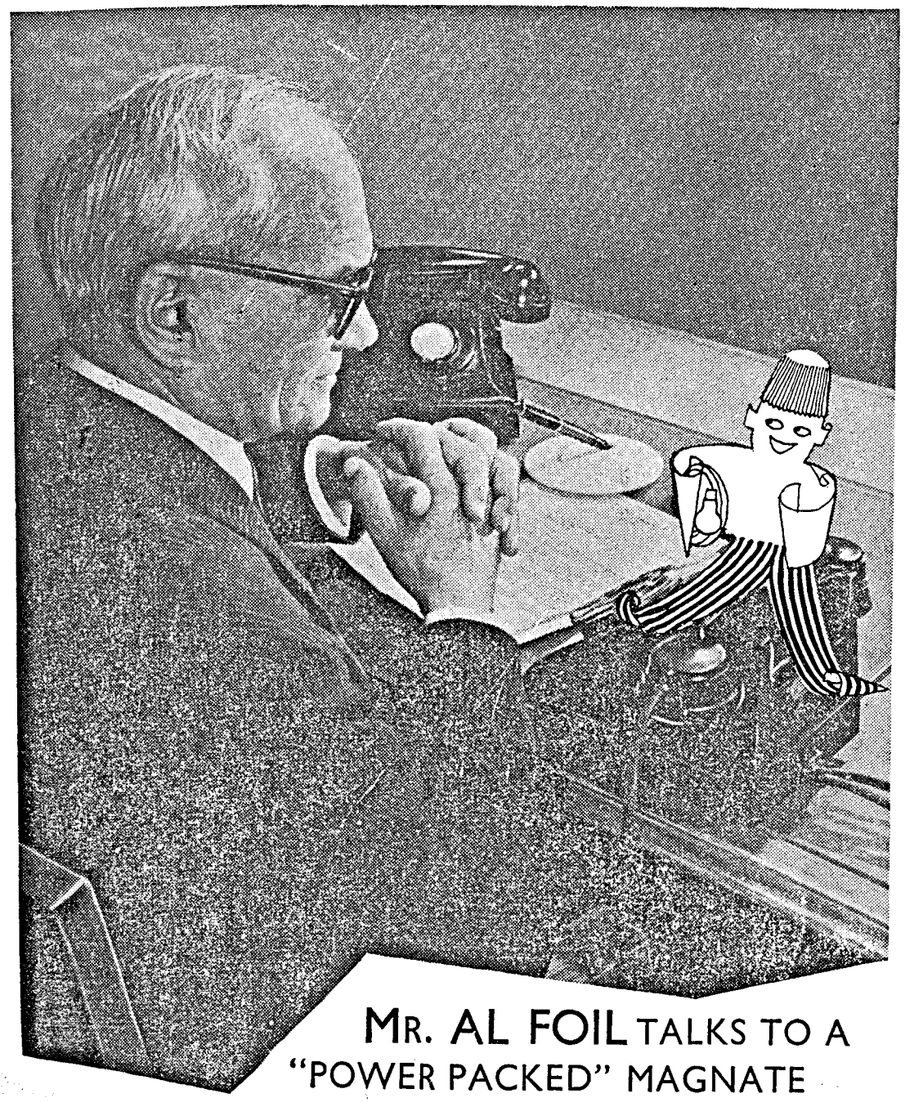
The total deposits of the Bank declined during 1960 by Rs 6.0 crores. This was solely due to the fact that no deposits of U S P L 480 funds accrued to the Bank after May 12, 1960 and a sum of Rs 72.0 crores out of the amounts previously deposited was transferred to the Reserve Bank of India during the year. If the U S P L 480 deposits are kept out of account, the average deposits of the Bank increased by Rs 27.9 crores in 1960, as compared to an increase of Rs 122.0 crores in the total deposits of other scheduled banks. However, the growth of deposits of the State Bank of India as well as other scheduled banks slowed down in the latter half of 1960. This decline in the rate of growth of deposits is a matter of some concern especially in the context of an increasing demand for bank credit. The slack season contraction in bank credit was also much smaller during the last two years. If therefore, the demand for bank credit continues to rise and to remain high throughout the year, all efforts will have to be made by banks to increase deposits.

One point deserves to be mentioned in this context. The banking system must continuously play an active role in the overall mobilisation of resources. For this purpose, it is necessary that new techniques be employed from time to time. Hitherto, banks have depended more on urban areas and industrial and commercial centres for collection of deposits. I feel that the possibilities of securing more deposits from rural and semi-urban areas should now be explored with vigour. Upto the end of 1960, we have opened 429 branches mostly in the rural and semi-urban areas of the country. The total deposits at these branches have increased from Rs 29.32 crores in 1959 to Rs 37.03 crores in 1960; and the average deposits per new branch have risen from Rs 8.17 lakhs to Rs 8.63 lakhs. I feel, however, that there is still considerable scope for increasing bank deposits in these areas. It has been said that the low rates of interest that we pay on deposits have been an inhibiting factor. In order to reduce the influence of this factor we have raised, as a measure of experiment, the Bank's interest rate on savings bank accounts to 2½ per cent per annum and that on savings bank deposit accounts to 2¾ per cent with effect from the 1st of this month. I do hope that this experiment will produce the desired effect and that it will be possible to report better progress next year.

Developmental Activities

I would now refer to the Bank's developmental activities. I am happy to say that with the opening of the Bank's branch at Kairana in Uttar Pradesh on June 1, 1960, the Bank's statutory obligation to open 400 branches in five years was fulfilled before time. This is an achievement which has no parallel in the history of Indian banking. 29 more branches have been opened between June 1 and December 31, 1960.

The Branch Expansion Programme has placed a heavy strain on our staff resources at all levels. The problem of manning new branches was particularly difficult. In addition to taking in many direct recruits, a large number of persons with limited experience had to be promoted; and all these persons had to be appointed to hold charge of branches and other supervisory posts as quickly as possible after giving them the minimum training necessary for the purpose. The Programme has also put a heavy strain on the Local Head Offices as well as the Central Office of the Bank. Your Directors therefore thought that the position should be reviewed comprehensively before deciding on the Bank's future branch expansion policy. A Committee of the Central Board, under the chairmanship of Professor D G



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Karve has been constituted for this purpose. I understand that the work of the Committee has been progressing well and that it will submit its report shortly.

In regard to the other two developmental activities, viz, the financing of small scale industries and provision of rural credit, the Bank has made further progress during the year. The credit limits granted by the Bank to small scale industries and to co-operative institutions went up to Rs 7.8 crores and Rs 22.4 crores respectively during the year. There has been one development to which I may make a special reference. This is the introduction by the Government of India of a Credit Guarantee Scheme for small scale industries. We have been taking full advantage of this scheme.

Subsidiary Banks

I now come to the Subsidiary Banks. I am happy to say that the process of integration of the eight State-owned or State-associated banks with the State Bank of India, started on October 1, 1959 has been completed. The complicated and arduous task of determining the compensation payable to shareholders of the old banks has also been completed. It is gratifying that the shareholders of all the old banks have accepted the compensation determined by the State Bank of India as final, without any demur. The total compensation payable in the case of all the eight Subsidiary Banks amounts to Rs 8.05 crores out of which Rs 6.86 crores have been paid upto February 17, 1961. I may also mention here that part of the compensation is payable in the form of shares of the new bank at the option of the shareholders of the old bank and in the case of two Subsidiary Banks as many as about 1,100 shareholders in each case have taken shares of the respective new bank.

The annual reports of the Subsidiary Banks have been sent to you and these show that all the eight subsidiaries have shown improved working results in 1960. The State Bank of Hyderabad, The State Bank of Mysore and the State Bank of Travancore have declared dividends for the year at 6 per cent, 9 per cent and 5 per cent respectively. In the case of two subsidiaries, no dividend was declared as no compensation had been paid during the year. Regarding the rest, profits were not sufficiently large to justify declaration of dividends. In two of these cases, profits of the corresponding old banks were not subject to income tax previously whereas provision had to be made for taxation in 1960. This reduced considerably the profits available for distribution. I have every hope that the transitional difficulties in all these cases will soon be overcome and all the Subsidiary Banks will show better operational results in future.

The Annual Report refers to a strike from March 4 to March 25, 1960 by the members of the clerical and subordinate staff of the Bank. The essential business of the Bank and Government was carried on during the period, with the assistance of supervising staff and non-striking members of the clerical and subordinate staff. I must commend the way in which they worked, under very trying conditions and served the Bank during the strike. I extend to them my special thanks and I am sure, the shareholders and the Directors would also like me to convey their thanks to them. As you are aware, the dispute has been referred to and is pending before the Tribunal. The present position in this regard is that the Tribunal has given its Award on the question of interim relief; it has not granted any of the demands put forward by the employees on this account. The hearing on the main demands is continuing.

I have pleasure to acknowledge that while the dispute is pending before the Tribunal, our relations with the employees have been generally good. I take this opportunity to record my appreciation of the work put in by all the grades of our staff during the year and convey to them my sincere thanks.

I would like to mention here that our staff has recently been active in organising several sports activities and social gatherings etc. We believe that these are very good activities for developing and promoting closer contacts among all the categories of staff. We have therefore been lending our support to these activities and I do hope that the number as well as the variety of these activities will increase at all the branches and offices of the Bank so as to lead to the promotion of congenial staff relations which are so necessary for every organization.

Before concluding, I would like to place on record my sincere thanks to Shri Mangaldas Pakvasa who rendered valuable service to the Bank as its Vice-Chairman between February 25, 1959 and April 16, 1960. I would also like to express my sincere thanks to Shri B P Patel for the good work that he did as a Managing Director of the Bank for over four crucial years between April 1956 and June 1960.

Indo-British Trade

INDIA'S adverse trade balance with Britain was less than £1,000,000 in 1960, according to figures released by the Board of Trade in London. India last year bought from Britain goods worth £150,194,000, and sold her products valued at £149,286,000.

For the month of December 1960, India had a favourable balance of £3,598,000 in her trade with Britain. The corresponding figure for December 1959 was £3,991,000.

India's exports to Britain for the month had a total value of £15,740,000, and her imports £12,142,000. In December 1959, India exported goods valued at at £17,437,000 and imported £13,445,000 worth.

India's chief export to Britain in 1960 was tea, of which Britain bought £63,992,000 worth. Other principal exports included £14,548,000 worth of cotton yarns and woven fabrics (an increase of more than £3,000,000 over 1959); £13,020,000 worth of leather; £9,192,000 worth of tobacco (an increase of more than £1,000,000 over the previous year); £2,654,000 worth of sheep's and lambs' wool; and £3,161,000 worth of metalliferous ores and metal scrap, showing an increase of over £500,000 since 1959 (the main contribution under this division was manganese ore, of which £1,916,000 worth was exported).

Machinery (electric and non electric), road vehicles and aircraft iron and steel, and chemicals were among the major British exports to India in 1960. The value of these exports last year was: non-electric machinery £43,434,000; electric machinery, apparatus and appliances £14,839,000; road vehicles and aircraft £22,399,000; iron and steel £ 14,830,000; and chemicals £14,066,000.

Around Bombay Markets

Cotton Prices Resume Uptrend

Thursday, Morning.

THE Indian Cotton Mills, Federation has decided to help stabilise cotton prices in the country by making suitable purchases of cotton from time to time. The Federation took this decision at its meeting on 8th March. This action follows the scare caused by the decline in prices in January and early February. The fall in prices had prompted the East India Cotton Association to plead for decontrol and ask for export of short staple cotton with a view to checking the downward trend in prices. The trade's demand for the removal of control on cotton prices and distribution is reported to have been turned down by the Government.

Conditions in the cotton market have undergone a marked change over the past few weeks. The April hedge contract which had been sold down to Rs 554 per 3 quintals on 14th February recovered to Rs 579.25 by the month-end. The contract receded to Rs 564.50 by 4th March but only to rise again to Rs 585 (kerb quotation) on 8th March.The trading pattern of cotton futures over the past few weeks suggests that the market is now set for a good rise. It is very unlikely that futures will again see the rate of Rs 554 during the rest of the season because the pressure of arrivals has passed its peak. How the upward trend might progress week by week is, however, difficult to say. The problem that the textile industry and the Government will have to face in the not-distant future will perhaps be how best to secure adequate supplies of cotton at below the ceiling prices.

Rise Explained

Last week's impressive improvement in futures was caused mainly by heavy bear covering though there were also reports of fresh bull support. The market is said to be carrying a huge "short" interest, which is quite different from hedge sales. Speculators who had gambled heavily on ideas of a bumper crop and the bearish nature of the contract are beginning to feel uneasy because of the strength in the spot material now that the delivery period is approaching nearer. Bears' anxiety is not understandable. It is true that almost any cotton can be tendered against the hedge contract but bears certainly run the risk of having to pay a heavy price should the cotton tendered against the contract be rejected. While the volume of tenders will depend to a considerable extent on the nature of tendering differences, which will be fixed on 25th March, tenders might not be heavy in view of the marked strength in the spot market.

Spot prices have recorded an impressive rise over the past few weeks. Quite a few varieties are now quoted almost at around the ceiling rates. Even the unspinnable yellow zoda cotton is quoted at around Rs 725, which, of course, is due to good export inquiry. Crop estimates have not been revised downward. The crop is still estimated around 52/53 lakh bales. But the pressure of arrivals has passed its peak. Nearly 34 lakh bales are reported to have been marketed by now. Mills are said to have purchased nearly 28 lakh bales out of their quota of nearly 33 lakh bales.

Trade to Share Imports

Reliable reports indicate that the trade will also be allowed to participate in the import of cotton. Hitherto only mills had been authorised to import cotton according to the quota allotments made by the Textile Commissioner. But now the trade is likely to be permitted to import about 25 per cent of the 3 lakh bales under P L 480 for which the Government of India is expected to issue purchase authorisations soon. The major portion of this cotton will of staple 1-1/16" and above. The trade is pleased with the change in the official attitude though it does not seem very enthusiastic at the moment because the prevailing prices of U S cotton are thought to be on the high side and they do not compare favourably with Indian cottons of similar quality.

Arrivals of cotton since the beginning of the season, i.e., 1st September, to 18th February are placed at 5,12,357 bales as against 2,12,173 bales during the corresponding period of the previous season. Arrivals consist of 3,40,991 bales of U S cotton, 36,332 bales of Sudan, 32,312 bales of Egyptian, 78,722 bales of East African, 2,624 bales of Pakistan and 21,375 bales from other countries.

The trade seems optimistic about a further export quota of Bengal Deshi and of short staple cottons. The supply position of Bengal Deshi is comfortable enough to permit a further quota for about 50,000 bales to 75,000 bales. But the Government will have to be very careful in acceding to the trade's plea for an export quota for short staple cotton because notwithstanding a larger crop of 52/53 lakh bales the supply position of indigenous cotton cannot be considered very comfortable in view of the record low carryover at the end of the previous season—a mere 9.8 lakh bales. The need for earning foreign exchange will need to be weighed against the need for building an adequate carryover.

Oilseeds

Tighter Control On Groundnut

OILSEEDS prices recorded all-round moderate improvement with groundnut continuing to provide the lead. Trading in groundnut futures continues to be at a standstill because of the ceiling of Rs 220 per 250 kilos but that has not made any difference to the trend in spot prices. Groundnut ready were marked up last week to Rs 265 which is probably an all-time high. Castor May which eased to Rs 170.25 earlier in the week improved to Rs 174.25 near the week-end. Cottonseed May rose from Rs 92 to Rs 95.50. Linseed may improved from Rs 35.25 to Rs 35.94 per 50 kilos.

Futures trading in groundnut has been at a standstill since long. The ceiling of Rs 220 not only applies to hedge contract but it covers transferable delivery contracts also. Since all this has failed to check the rising trend in groundnut prices, the Forward Markets Commission is now thinking of bringing even the non-transferable specific delivery contracts under the purview of the Forward Markets Regulation Act. This

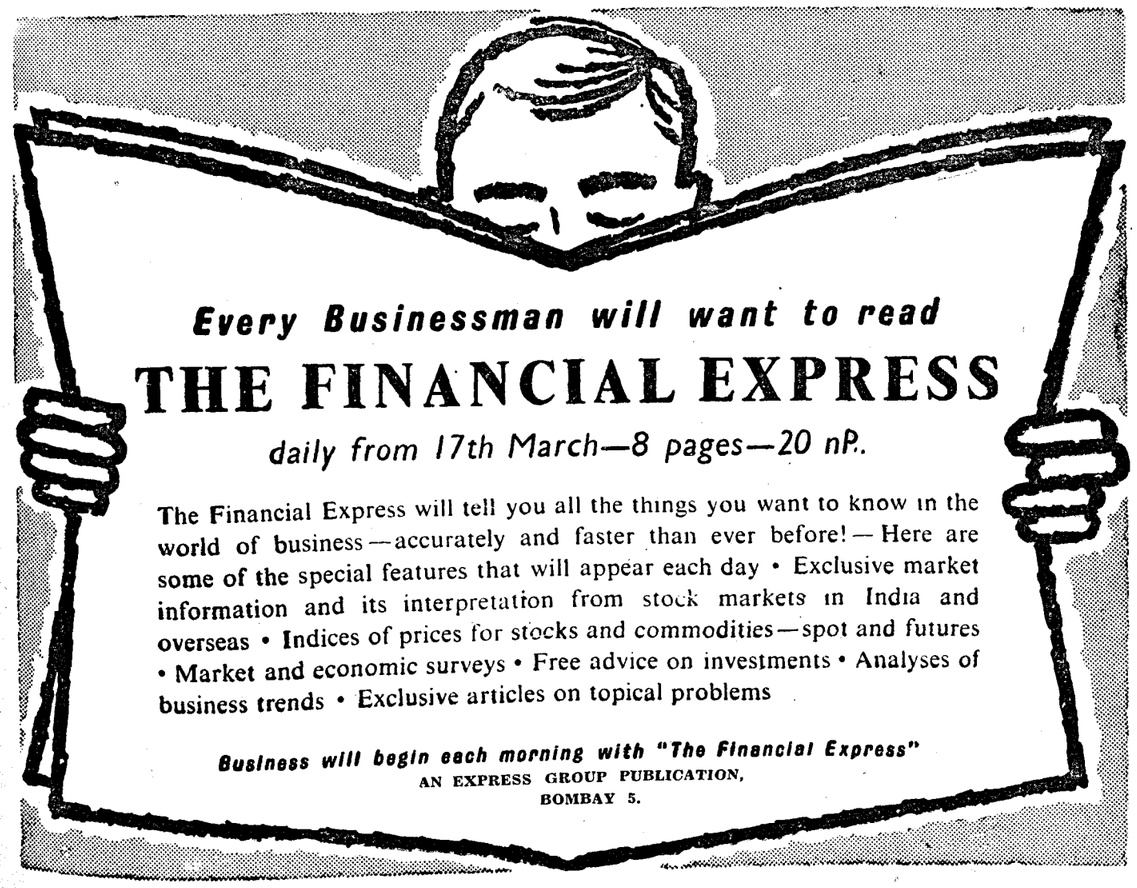
means that trading in non-transferable specific delivery contracts will also have to be conducted through recognised associations. Speculators have been known to abuse specific delivery contracts—transferable as well as non-transferable. It is therefore good to regulate trading in these contracts. But no amount of control can check the rising trend in prices when it is due essentially to a serious shortfall in supply. If groundnut prices continue to rise despite a slightly better crop it is because of the marked increase in effective demand.

Linseed, Castor Up

While groundnut oil ready is quoted at around Rs 21.87 per 10 kilos, linseed oil is still available at around Rs 16.20. Little wonder that linseed oil is being increasingly used for mixing with other edible oils—groundnut oil and rapeseed oil. This explains the firmness in linseed despite a normal crop of about 4.25 lakh tons and the fairly satisfactory flow of arrivals. In view of the existing wide spread between linseed and groundnut prices there seems little chance for any material decline in linseed prices even if the pressure of arrivals increases considerably and export business in linseed oil remains at a standstill.

Last week's improvement in castor futures was not due merely to the strength in other seeds. Sentiment was helped largely by increased overseas inquiries for castor oil and reports of fair business with some Communist countries. East Germany and Czechoslovakia were reported to have purchased about 1,200 tons of castor oil over the past two weeks. The U K inquiries were on the increase though actual business was restricted to the sale of a few afloat parcels. The latest U K quotations for castor oil were mentioned around £118-10 per ton for Commercial and £126 for B S S. The Indian parity works out a little higher. The U S buyers continue to keep off the Indian market, being well-supplied by Brazil. Though the export business in castor oil this year compares very unfavourably with the performance in the previous year there is perhaps not much cause for anxiety.

Export houses reported satisfactory business in groundnut extractions and linseed cake. The bulk of business in extractions is from Saurashtra. The U K was mentioned as the main buyer and it paid about £ 27-½ per ton for extractions, March shipment. Linseed cake realised about £ 29-15. Locally, groundnut expellers are quoted at around Rs 330 while extractions are available



at around £290. Two years ago expellers were quoted about Rs 100 to 125 per ton lower than extractions. The relative movements in the prices of expellers and extractions indicate the change in the pattern of production with the increase in the number of solvent extraction factories. It is interesting to hear the trade say that there has been a marked decline in the demand for extractions by the Deccan sugar factories because of the land ceiling legislation.

Stock Exchange

Buoyancy Persists

DALAL Street continues to be in excellent form. The market has pushed its way further up since the Budget despite a fair amount of corrective profit-taking in some of the speculators' favourites. Neither the introduction of the special deposit making-up prices (havala rates) nor the textile industry's strong protest against the incidence of additional burden proposed in the Budget has had any noticeable effect on bullish fervour. Not only that. Corrective profit-taking has been well-absorbed and there has been a marked revival of investment inquiry. Equities have recorded impressive gains since the turn of the year but investors who had been marking time for the Budget uncertainty to be over are in no mood to wait any longer now that they know that the Budget contains little which will discourage fresh investment. Technical considerations might produce a setback from time to time but equities can be expected to maintain an upward trend under the influence of inflationary psychology and increased developmental expenditure. Considerations of bonus issue would also seem to have contributed to the last week's keen inquiry in certain counters.

Regulation

Five shares, namely, Century, National Rayon, Tata Engineering, Hindustan Motors and Bombay Burmah—have been brought under the system of special deposit making-up prices. This is believed to have been done at the instance of the Stock Exchange Division of the Ministry of Finance. The system is by no means new. It was first introduced in June last year. Any measures aimed at discouraging unhealthy speculation will be welcomed but the authorities need to bear in mind that the rise in prices is not synonymous with excessive or unhealthy speculation. And nor is the rising trend in prices always unwelcome. This is particularly true of the stock market where a rising trend in prices should normally be encouraged rather than discouraged because it is only when the capital market is in good form that the entrepreneurs can attract risk capital in a big way.

Study in Trends

There are reports — unconfirmed though—that the Stock Exchange Division is not quite happy about the recent behaviour of the market. Equity prices are thought to have risen rather too steeply since the turn of the year. Indeed, they *have*.



Economy and Speed of Construction at a New Township

At the New Township at Nahorkatiya being built by Oil India Private Limited, the flat roofs of the buildings consist of 2" to 2½" thick x 14" wide precast prestressed concrete planks of span 12 to 20 ft. placed butting against each other. In-situ concrete 1" to 2" thick was laid over the planks to form a composite roof slab of 3" to 4½" thick. Foam concrete 2" to 4" thick was laid over the roof for additional heat insulation. The roof was finally waterproofed with Stp "Tarfelt"

Precasting and absence of shuttering have enabled each bungalow to be completed in all respects within a month.

Stp

SHALIMAR TAR PRODUCTS (1935) LIMITED

CALCUTTA NEW DELHI BOMBAY LUCKNOW CHANDIGARH

Agents:

The Bombay Company Private Ltd., Madras-1

R. C. Abrol & Co., (Private) Ltd., New Delhi-1

STP 6 IR

But the decline in prices from the July 1960 high levels had been no less spectacular. The authorities would do well to study the "Trends in Share Prices"—a small brochure recently published by the Association of Indian Trade and Industry, Bombay. Share prices in India have risen far less than share prices abroad.

Taking 1939=100 as the base the index of share prices for India stood at 174 in August 1960 whereas the index for U K was quoted at 406, U S 513, Switzerland 329 and for Canada at 281. The index of wholesale prices (1939=100) stood at 481 for India, 325 for U K, 233 for U S, 206 for Switzerland and 232 in case of Canada.

It would be unfortunate if, like the Forward Markets Commission, the Stock Exchange Division too were to start sitting in judgment over the market's verdict on prices. Price determination is the market's function. It is enough if the authorities entrusted with the administration of markets, restricted their activities to measures which ensure the solvency and the liquidity of the market.

Bullion

Gold at New High

BULLION prices recorded sizable gains last week, the rise being particularly marked in gold which struck a new all-time high. Silver Chaitra delivery rose from Rs 206.65 to Rs 208.45 per kilogram which works out to around Rs 245 per 100 tolas. Gold Chaitra improved from Rs 121.70 to Rs 124.50 per 10 grams. In terms of tola the price of gold comes to around Rn 146.

Off-take of precious metals is beginning to pick up with the end of the Holi festival. With floating stocks being what they are and seasonal influences favouring an increase in off-take in coming weeks bullion prices can be expected to show further strength. They are already quoted at record high levels. Floating stocks of gold and silver in Bombay are estimated around 40,000 tolas and 800 bars respectively. The all-India stocks are placed around 75,000 tolas of gold and 2,800 bars of silver. One wonders whether these stocks can be regarded as adequate for the smooth functioning of a futures market. Perhaps it does not matter much as to what happens to the market so long as it continues to yield some revenue to the Government by way of stamp duty.

Ways and Means Position of the Central Government (1956-57 to 1961-62)

(Rs Crores)

		1956-57 Accts	1957-58 Accts	1958-59 Accts	1959-60 Accts	1960-61 Budget	1960-61 Revised	Second Plan	1961-62 Budget
I	**Revenue Receipts**	**590**	**726**	**758**	**870**	**920**	**924**	**3868**	**1024**
	(i) Tax Revenue	508	606	615	706	739	744	3179	830
	(ii) Non-tax Revenue	82	120	143	164	181	179	688	194
II	**Revenue Expenditure**	**501**	**684**	**763**	**828**	**980**	**957**	**3733**	**1024**
	(i) Defence Expenditure	192	257	251	231	272	266	1197	283
	(ii) Civil Expenditure	309	427	512	597	708	691	2536	741
III	**Surplus (+) or Deficit (—) (I-II) on Revenue Account**	**+89**	**+42**	**—5**	**+43**	**—60**	**—33**	**+136**	**—**
IV	**Capital Receipts**	**255**	**253**	**543**	**586**	**787**	**909**	**2546**	**945**
	(i) Long term Loans (net)	86	94	370	289	445	348	1187	456
	(ii) Investment of U S Government Counterpart Deposit Funds	—	—	—	—	—	240	240	96
	(iii) Small Savings and Unfunded Debt (net)	78	85	94	175	126	141	573	145
	(iv) Loans Repaid to Government*	42	61	67	70	55	58	298	99
	(v) Addition to Depreciation and other Reserve Funds (net)	7	—23	—39	—6	—12	—28	—89	+10
	(vi) Other Deposits and Advances (net)	33	25	42	47	161	139	286	127
	(vii) Miscellaneous (net)**	9	11	9	11	12	11	51	12
V	**Capital Disbursements**	**528**	**754**	**786**	**816**	**879**	**910**	**3794**	**1010**
	(i) Development Outlay	231	346	365	191	302	312	1445	381
	of which (a) Railways	(107)	(152)	(126)	(75)	(121)	(124)	(584)	(160)
	(b) Industrial Undertakings	(66)	(148)	(187)	(59)	(95)	(99)	(559)	(107)
	(ii) Defence capital outlay	20	23	28	36	38	36	143	32
	(iii) Compensation to Displaced Persons	20	13	5	—	5	—	38	2
	(iv) Schemes of Government Trading	12	47	23	4	27	57	143	27
	(v) Loans and Advances	255	334	400	493	508	494	1976	556
	of which to States	(193	(276)	(294)	(275)	(332)	(335)	(1378)	(395)
	(vi) Indus Water Treaty	—	—	—	—	—	8	8	8
	(vii) Other Expenditure@	—10	—9	—35	91	—1	3	40	5
VI	**Surplus (+) or Deficit (—) on Capital Account**	**—273**	**—501**	**—243**	**—230**	**—92**	**—1**	**—1248**	**—65**
VII	**Overall Deficit (—) or Surplus (+)**	**—184**	**—459**	**—248**	**—187**	**—152**	**—34**	**1112**	**—65**
VIII	**Financing of Deficit**								
	(i) Change in Floating Debt£	+240	+459	+230	+222	+152	+15	+1166	+65
	(ii) Change in Cash Balances	+56	—	—18	+35	—	—19	+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.

Company Notes

State Bank

IT is very difficult to compare the operating results of the State Bank of India for 1960 with those for 1959 due to the non-accrual of fresh P L 480 deposits from May 1960 and the gradual transfer of old P L 480 deposits to the Reserve Bank. The change in the method of tax deduction from interest on investments also creates difficulties in comparison. Total deposit liabilities have declined over the year by Rs 6 crores to Rs 557 crores; the decline was made up of a rise of Rs 29 crores under demand deposits and a fall of Rs 35 crores under time deposits. Interest paid on deposits and borrowings went up by barely 2 per cent while interest and commission earned, largely the latter, increased by nearly 6 per cent. Consequently, interest and commission *earned* covered interest *paid* 2.4 times against 2.3 times in the previous year. In spite of larger expenditure on salaries and bonus, net disclosed profit shows a rise from Rs 147 lakhs to Rs 176 lakhs. The previous year's disclosed profit, however, was exclusive of earnings from transactions in P L 480 funds. Net earning per share has gone up from Rs 26 to Rs 31 and distribution has been raised from Rs 20 to Rs 22.75.

With the partial withdrawal of P L 480 deposits and their counterpart investments, the distribution of the Bank's assets is becoming relatively more normal. The ratio of investments to deposits has declined from 68 to 51 per cent and that of credit has risen from 28 to 41 per cent. Investments in Government securities went down by Rs 78 crores while the credit portfolio expanded by Rs 65 crores. The cash ratio has risen fractionally from 10 to 11 per cent of deposits.

The value of the Bank's investments in its subsidiaries is not indicated in the balance sheet though the annual report estimates the total amount of compensation payable to their former shareholders at Rs 8 crores. As at the end of December 1960, the eight subsidiaries had a total share capital of Rs 495 lakhs, and reserves of Rs 212 lakhs. Their deposits aggregated nearly Rs 104 crores which together with the deposits of the holding bank account for 38 per cent of the deposits of all scheduled banks. The comparable percentages for cash balances, investments and credit are 35, 53 and 24 respectively. The network of State Banks includes 1290 offices, of which 383 belong to the subsidiaries. In view of the importance of the network, it should be worthwhile for the holding bank in future to publish a consolidated balance sheet and profit and loss account.

Changdeo Sugar

WHILE the net sales of Shree Changdeo Sugar during the year ended September 30, 1960 declined from Rs 95 lakhs to Rs 73 lakhs, gross profit margin on them improved from 25 to 31 per cent. Net profit went up slightly to Rs 12.65 lakhs, which represents 20 per cent on capital invested, 22 per cent on net worth and 34 per cent on equity capital. Distribution is 25 per cent gross, and absorbs roughly three-fifths of the net profit. Among the significant changes in the balance sheet is the increase in stock-in-trade from Rs 16 lakhs to Rs 33 lakhs.

The newly installed high-speed electrically driven centrifugals worked satisfactorily through the year. There was also an appreciable improvement in fuel consumption. Average recovery was maintained at 11.4 per cent. Of the total cane crushed, about 40 per cent came from the company's farms, almost an equal proportion from members of the Company's Scheme, the precise nature of which is not described in the Report, and the remaining was purchased from outside cultivators. The current year's production is expected to be 20 per cent larger due to better weather and the arrangements made with cultivators for the supply of cane.

The company will not be affected in any substantial measure by the provisions of the Maharashtra Land Ceilings Bill since the major part of its profits are derived from the manufacture of sugar rather than growing of cane. The Bill if passed will, however, affect the supply of cane to the factory which has already suffered due to the setting up of cooperaive factories in the vicinity.

Tata's Investment Corporation

THE Investment Corporation of India which has taken over the affairs of Oriental Life is probably the most important of private investment companies in the country. I investments valued at or below co as on June 30 last year amounted t Rs 4.62 crores, of which 89 per ce was in ordinary shares. More tha 8 per cent of the investments we in foreign securities. The proportio of its investments in companies ou side the Tata Group is known to l considerable, though neither th balance sheet nor the annual repo gives any clear idea of this. The li of investments annexed to th balance sheet does, however, ind cate roughly the spread in the Co poration's protfolio. As required b the amended Companies Act, th next balance sheet of the Corpor tion should provide the comple particulars of all these investment and it would then be possible find out the proportion of its inves ments outside the Tata Group.

In 1959-60, the Corporation ear ed (after tax deduction at source Rs 20 lakhs or nearly 4.4 per ce on its investments. Managing agen commission from Indian Standar Metal and National Ekco Rad fetched Rs 7 lakhs and interest c loans nearly Rs 4 lakhs. Rather su prisingly underwriting commi sion was practically *nil*. Th reason perhaps lies in the compet tion offered by other large unde writers like the L I C, I C I C I a I F C in this field. The net pro of Rs 17 lakhs, excluding realis captial gains of Rs 13 lakhs tak to the capital reserve, represen nearly 5 percent on net worth ar approximately 8 per cent on sha capital.

The Corporation's liabiliti amounted to Rs 5.23 crores; wi share capital at Rs 2.26 crores, r serves at Rs 1.20 crores, loans Rs 1.10 crores (of which Rs lakhs has been raised from debe tures) and short-term liabilities Rs 66 lakhs. On the assets side, i vestments accounted for Rs 4.(crores and loans for Rs 32 lakh The latter is *net* of Rs 20 lakhs doubtful debts which are presuma ly free of interest (previous ye Rs 14 lakhs) but includes Rs lakhs (against Rs 10 lakhs) *budli* (or carry-forward) settleme loans. The increase in *budli* sett ment loans, an item which appear for the first time in the balan sheet for 1958-59, is interesting view of the prohibition of ba loans for this purpose by the R serve Bank.

The Corporation's subsidiary, Indian Standard Metal, has practically emerged out of the red. With Sales increasing from Rs 68 lakhs to Rs 91 lakhs in 1959, it has made up all the arrears of depreciation and most of the arrears in respect of preference dividends.

Thirumbadi Rubber

THE rubber sales of Thirumbadi Rubber (Pierce Leslie group) were maintained at Rs 13 lakhs during the year ended September 30, 1960. Increase in labour costs and additionad expenses on crop protection measures reduced the net profit to Rs 1 lakh which represents about 11 per cent on equity capital. Dividend is 7 per cent. The directors propose to improve the financial position of the company by selling off the Calicut estate, the proceeds of which will be used to liquidate the debenture liability of Rs 5 lakhs.

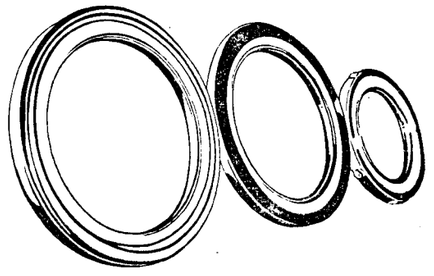
NON-FERROUS



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IISCO makes all types of standard quality non-ferrous castings required by steelworks. Some of the items on regular production schedule are :

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IIC-83

CURRENT STATISTICS

BANKING RETURNS (Rs Crores)

Reserve Bank	Latest Week‡	Week Ago	Month Ago	Year Ago
1. Note Circulation	1947.16	1925.33	1929.25	1796.80
2. Rupee Coin	120.46	122.26	122.49	127.20
3. Deposits				
(a) Central Govt	51.44	61.04	52.07	49.25
(b) Other Govts	14.70	18.39	22.05	25.74
(c) Banks	71.86	76.98	72.13	66.29
(d) Others	90.75	89.54	92.49	119.36
4. Foreign Securities	128.01	128.01	128.01	163.01
5. Balances abroad	29.29	31.49	19.25	44.34
6. Rupee Securities	1592.27	1592.28	1572.28	1407.34
7. Investments	154.12	143.60	150.93	202.40
8. Loans and advances to Govts	41.62	37.77	36.14	21.75
9. Other Loans and Advances	155.53	147.64	154.25	121.04
Scheduled Banks				
1. Liabilities:				
2. Demand (net)	698.21	695.27	691.34	742.27*
3. Time (net)	1039.44	1041.68	1047.64	1130.94*
4. Total	1737.65	1736.95	1738.98	1873.21
5. Cash in hand	45.20	46.06	47.61	46.83
6. Balances with Reserve Bank	72.91	67.53	74.54	74.55
7. (5) + (6) as % of (4)	6.53	6.28	6.74	6.48
8. Borrowings from Reserve Bank	52.14	54.27	44.94	41.49
of which Usance Bills	26.15	26.90	18.81	5.68
9. Advances	1062.97	1061.94	1037.91	901.82
of which State Bank's	247.33	245.98	232.17	274.64
10. Bills Discounted:				
(a) Inland	139.58	138.25	126.84	113.42
(b) Foreign	48.78	47.55	47.29	45.69
(c) Total	188.66	185.80	174.13	159.11
of which State Bank's	17.56	17.11	17.66	15.86
11. Bank Credit (9+10c) as % of (4)	69.16	69.04	66.86	56.64
12. Invest in Govt Sec.	584.42	585.57	610.19	764.14
of which State Bank's	251.09	250.81	272.59	381.35
13. (12) as % of (4)	32.30	32.40	33.66	40.79
Cheque Clearance	212.44	194.29	158.02	175.76

‡For Reserve Bank week ended 3-3-61. For scheduled Banks and Cheque Clearance week ended 24-2-'61.

*Includes deposits of banks and others.

Bombay Money Rates (% per annum)

(Selected Scheduled Banks other than State Bank)

Call Money	24-2-61	Week Ago	Month Ago	Year Ago
From Banks	5.25	5.26	5.25	3.50
Deposits:				
Seven Days	2.00	2.00	2.00	3.37
Three Months	3.50	3.50	3.50	3.50
Six Months	3.50	3.50	3.50	3.50

Bombay Bullion (Rs and nP)

	9-3-'61	Week Ago	Month Ago	Year Ago
Gold (per ten grams)				
Spot	123.50	121.45	121.55	112.82
Forward	123.65	121.80	121.55	112.50
Silver (per kilogram)				
Spot	206.45	206.15	208.10	187.29
Forward	206.70	206.60	207.95	186.81

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)

	18-2-61	Week 11-2-61	Ending 21-1-61	20-2-60
Food Articles	115.9	116.5	116.5	118.3
Cereals	99.9	99.4	99.0	104.2
Pulses	92.7	92.2	95.3	94.6
Fruits & Vegetables	103.7	103.7	108.1	116.5
Milk & Ghee	109.8	111.4	109.1	109.1
Edible oils	160.8	159.6	160.1	137.6
Fish, Eggs & Meat	122.7	120.7	123.5	109.1
Sugar & Gur	117.8	120.6	122.5	145.8
Others	166.7	170.7	168.9	167.8
Liquor & Tobacco	112.2	111.6	111.2	95.8
Tobacco	110.8	110.3	109.8	94.0
Fuel, Power, Light & Lubricants	120.2	120.1	120.2	117.3
Industrial Raw Materials	159.4	160.3	155.9	131.7
Fibres	179.5	182.9	167.7	123.3
Oilseeds	158.0	156.5	160.6	140.9
Minerals	95.0	95.0	95.0	95.2
Others	128.0	128.7	128.3	132.8
Manufactures	129.3	129.6	127.6	116.3
Intermediate Products	134.3	133.8	135.0	120.5
Finished Products	128.4	129.0	126.3	115.6
Textiles	134.7	135.5	130.9	115.3
Cotton	126.1	126.4	126.4	125.6
Jute	167.7	171.9	155.3	96.3
Woollen	110.1	110.1	110.1	104.2
Silk & Rayon	113.2	109.5	105.1	102.9
Metal Products	146.9	146.9	146.9	145.2
Chemicals	104.2	104.2	104.5	105.3
Oil cakes	148.6	149.7	151.5	144.2
Machinery & Transport Equipment	112.6	112.6	112.6	106.5
Others	116.8	116.6	116.7	112.5
All Commodities	126.6	127.1	125.8	119.3

SUGAR PRODUCTION

(November 1, 1960 to December 31, 1960)

(Tons)

	Production	Despatches	Stocks*
Northern India			
Uttar Predesh	3,48,422	1,51,873	4,89,640
Bihar	98,117	46,445	1,28,313
Assam	25	—	60
West Bengal	4,666	1,256	5,212
Punjab	24,230	13,612	38,378
Rajasthan	1,887	1,355	4,466
Orissa	36	436	293
Madhya Pradesh	3,872	5,812	6,180
Total	4,81,255	2,20,789	6,72,542
Maharashtra	1,59,942	55,754	1,93,544
Gujarat	6,446	718	7,877
Total	1,66,388	56,472	2,01,421
Southern India			
Madras	15,950	10,501	26,280
Kerala	6,451	1,258	4,567
Mysore	55,684	13,065	34,106
Andhra	38,377	15,555	49,856
Pondicherry	3,588	439	2,962
Total	1,20,020	40,818	1,17,771
Grand Total	7,67,663	3,18,079	9,91,734

*As on December 31.

Source : Bombay Sugar Merchants' Association

COAL PRODUCTION AND DESPATCHES

(Monthly Average of Calendar Months)

('000 metric tons)

	Raisings	Despatches	Stock at Pit heads*
1957	3,683	3,190	3,331
1958	3,838	3,416	2,808
1959	3,982	3,513	2,729
1958 Oct	3,807	3,529	2,725
Nov	3,747	3,428	2,613
Dec	4,215	3,562	2,808
1959:Jan	4,151	3,491	2,951
Feb	4,002	3,162	3,290
Mar	4,018	3,543	3,246
April	4,048	3,584	3,203
May	4,079	3,450	3,333
June	4,079	3,410	3,331
July	3,876	3,652	3,132
Aug	3,922	3,667	2,850
Sept	3,810	3,641	2,737
Oct	3,999	3,481	2,466
Nov	3,848	3,522	2,362
Dec	4,363	3,549	2,729
1960:Jan	4,182	3,664	2,739
Feb	4,365	3,583	3,018
Mar	4,434	3,818	3,117
April	4,453	3,807	3,272
May	4,421	3,663	3,546
June	4,207	3,749	3,578
July	4,123	3,701	3,556
Aug	4,204	3,926	3,306
Sept.	4,212	4,006	3,163
Oct	4,339	4,134	2,931
Nov	4,638	4,143	—

*At or about the end of each period.

Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

INDUSTRIAL DISPUTES IN INDIA

(Numbers)

Year/Month	Disputes	Workers involved	Working days lost
1957	1,522	666,253	5,903,083
1958	1,784	908,722	6,406,566
1958 : 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	33,990	271,253
Mar	134	55,078	279,346
April	158	42,425	383,741
May	131	53,755	354,517
June	161	91,553	826,805
July	142	57,913	745,436
Aug	141	63,716	396,789
Sept	137	65,153	220,586
Oct	168	68,371	273,181
Nov	142	51,896	262,691
Dec	138	87,810	412,340
1960 : Jan	141	73,891	423,077
Feb	133	62,075	412,797
Mar	125	47,700	470,258
April	92	47,770	331,511
May	127	37,675	414,789
June	154	65,783	390,425
July	125	168,407	748,651
Aug	50	16,993	69,951
Sept	129	32,179	242,901
Oct	86	40,484	205,419

Source : Ministry of Labour and Employment

ELECTRICITY GENERATION

(Monthly Averages of Calendar Months)

(million kWh)

	Output	sold: Industry	sold: Total (incl others)
1958	1,031	550.9	830.3
1959	1,329	664.2	974.9
1958 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	700.9	1,019.6
Nov	1,235	685.4	994.0
Dec	1,301	733.7	1,046.9
1960 Jan	1,297	733.4	1,055.5
Feb	1,252	704.0	1,022.5
Mar	1,324	741.9	1,071.0
April	1,325	745.1	1,081.7
May	1,388	765.4	1,119.4
June	1,380	753.2	1,113.9
July	1,361	766.7	1,106.0
Aug	1,404	789.6	1,143.1
Sept	1,378	785.2	1,131.7
Oct	1,368	786.1	1,134.7

Source : Ministry of Irrigation and Power.

INDUSTRIAL DISPUTES IN MAHARASHTRA STATE

(Numbers)

Year/Month	Disputes	Workers involved	Working days lost
1957	306	192,283	867,311
1958	245	216,105	1,261,770
1959	291	195,089	648,074
1958 : 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	119,866
1960 : Jan	50	35,643	79,418
Feb	36	17,730	75,803
Mar	37	16,497	71,701
April	32	13,188	36,098
May	38	7,395	40,996
June	41	38,181	93,434
July	23	47,856	491,895
Aug	16	2,828	18,288
Sept	22	4,678	13,955
Oct	18	3,097	32,578

Source : Government of Maharashtra

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Dr Verwoerd's Self-Expulsion

IT is true, technically speaking, that Dr Verwoerd has resigned from the Commonwealth club instead of being sacked from it. But there are situations in which a resignation becomes merely a euphemism for a sack. The Prime Minister of South Africa would deceive no one but himself if he were to pretend now that his departure from the Commonwealth is the result of his own wishes. The truth is quite the contrary. He not only risked but actually underwent a considerable amount of humiliation in the hope of being allowed to remain a member.

When he came to London for this year's Conference of the Commonwealth Prime Ministers, he was fully aware that he would not be welcomed with anything approaching warmth. But he came nevertheless. The strongest criticisms of his Government's policies, he evidently decided, would be well worth hearing if in the end some device could be found for enabling him to retain his membership. What he actually encountered, however, was more than mere criticism. He faced condemnation all round.

Even Mr Macmillan, who laboured conscientously to find some means of avoiding South Africa's expulsion from the Commonwealth, could not offer that prospect to Dr Verwoerd without accompanying it with a thorough condemnation of his policies. Again, the South African Prime Minister was probably prepared to make light of the anger which he knew would be heaped upon him by the Prime Ministers of the African and Asian countries—he could have shrugged it off with the same disdain with which he is accustomed to dismissing non-white demonstrations at home—but he must have come to the end of his tether when he found even the white members of the Commonwealth more or less ranged against himself. Of these Canada's Diefenbaker was the most notable, and Dr Verwoerd singled him out for special attack afterwards.

This must have seemed to the man in the dock to be an act of gross betrayal; and after this, it was no longer worth belonging to the Commonwealth. And so, seeing that it was impossible to remain, he quit: it is immaterial whether he let himself out, or was helped to the open door.

The question is: Now what? What will be the effect of South Africa's departure from the Commonwealth on (a) South Africa, (b) the liberation movement of the South African non-white peoples and (c) the Commonwealth itself.

Dr Verwoerd has confidently predicted that the Commonwealth will break up as a result of his departure. But if it does, it will only mean that the club was not worth having in the first place. If the condition for the Commonwealth's survival was that it must accept an upholder of racial inequality as its indispensable pillar, the Commonwealth is best dead and buried. But if the Commonwealth is indeed the free association of equal members that it has always claimed to be, then the purge will do it good and make it cleaner and stronger. Certainly, the prestige of the Commonwealth has risen immediately in the countries of Asia and Africa as a result of its attitude to South Africa at

this year's session. Cynicism would have risen instead, if South Africa had been allowed to remain within the fold, and Britain could have been certain that for the future at least no Asian or African country would have sought Commonwealth membership. Indeed some of the existing members from these countries might have resigned.

Inside South Africa, the development has already had the effect of raising something of a storm against the Government. The United Party demands a general referendum on the Prime Minister's decision regarding the Commonwealth, but since a General Election is less risky for the ruling party (which has the rolls weighted in its favour as a result of constitutional devices), this is what South Africa is more likely to get. The electoral storm will therefore fail to blow away the Government in its wake.

Only agitational methods might succeed; and since the Opposition party, long accustomed to accept the Government's racial policies by strong implication if not otherwise, is not the most promising choice for waging this struggle, the task will fall more heavily than ever upon the non-whites themselves. It is good to see that they have drawn heart from Dr Verwoerd's exit from the Commonwealth, but not complacency. Indeed throughout Africa the development has been accepted as an important battle-victory but not as the end of the war on apartheid. Dr Verwoerd himself, in voting against the Commonwealth, has cast his vote for continued apartheid. A bitter fight lies ahead. But now that South Africa is isolated from its respectable company, there is a better chance of winning that fight.

Agricultural Labour Enquiry

RARELY has Delhi been so agitated over so technical a question as the comparability of a set of statistics and that, too, in so remote a field as that of the income and consumption of the families of agricultural labourers. True enough, agricultural labour households form nearly one-third of the total rural population. True also, that they might be potentially explosive political material. Some concern for them in a pre-election year is, therefore, understandable, but not this furore over a purely technical question of comparability of statistics which raised an echo in Parliament when the Deputy Finance Minister, Shri B R Bhagat intervened in the debate to rebut Acharya Kripalani's statement that agricultural labour was worse off today, according to the Report of the Second Agricultural Labour Enquiry. The Deputy Finance Minister cautioned the House against "statistical illusions created by a plethora of enquiries".

It will be recalled that this report against which Shri Bhagat warned the House was placed on the table of the Lok Sabha some time ago and that the Planning Commission has been so upset over it that it has appointed a committee of experts to look into it and see what was wrong. The impact produced on the Lok Sabha is, therefore, a delayed one. Meanwhile, the Ministry of Information has done its job by withholding the report from the press and though copies of the report can be picked up in the corridors of the Secretariat, none can be obtained from the offices of the P I B maintained at least in this area for supplying information to the press. It would be useless to suggest, however humbly, that by withholding the report, the Ministry has not only added to the confusion but deliberately prevented an understanding of the situation and intelligent reporting.

The interpretation of the data on which the report was based (Agricultural Labour in India by Ranjan Kumar Som in the issue of February 25, 1961) has provoked a reader to comment :

"It may well be true that as India develops along the lines of her characteristic socialist pattern, the rich get richer and the poor get *relatively* poorer. I can scarcely believe, however, that progress during the first 6 years of the plan period was so rapid that the average income of agricultural labour families fell *absolutely* by 1/7, all this despite the fact that over the same years their consumption expenditure rose by 1/3 !"

Reactions on the report run on different lines—one is that of comparability, definitional or conceptual, and statistical. Since those agricultural labour households which at the time of the First Enquiry had some land from which they did not derive the bulk of their income may have moved out from the group at the time of the Second Enquiry, because income from land had increased (because of higher agricultural prices) more than that from their agricultural labour, the puzzle of falling income may be partially explained. The fall may also have been explained, as the Deputy Minister of Finance tried to do in the Lok Sabha, by the fact that in the First Enquiry, the wages paid in kind had been valued at retail prices while in the Second, wholesale prices had been taken as the basis of valuation. It is doubtful, however, if the changed basis of valuation did make a difference.

Those who do not go into the question of comparability and take the findings of the Second Report at their face value interpret the fall in the incomes of agricultural labour households in terms of the decline in the average size of the operating farm from 7.50 acres in 1950-51 to 5.70 acres in 1956-57. The operating size of the farm or holding is again a statistical concept, the measurement of which itself raises controversy. But accepting these figures as valid, the explanation offered is that smaller size farms can well be looked after by family members and, therefore, demand for hired agricultural labour went down or, rather, the total demand for services of hired agricultural labour failed to increase as much as their supply between the two Enquiries and this accounts, in the main, for the decline in the income of agricultural labourers' families.

That the report should have created a stir is all to the good. If the income of this under-privileged section of the population has actually gone down or failed to keep pace with the growth of national income, it should be a matter of the greatest concern to the country which plans to achieve socialism. Secondly, if Government is made to sit up and realise the folly of just collecting statistics and not interpreting and using them for any purpose, it might bring about a welcome change which is now overdue.

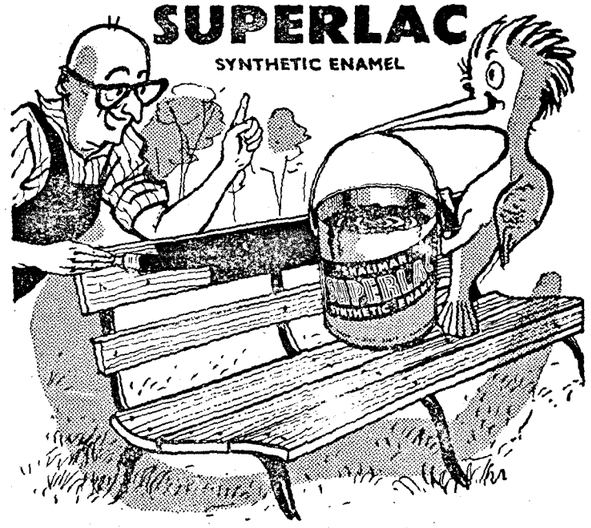
From Deposits to Bonds ?

BANKERS and the Reserve Bank have both become concerned that deposits have remained stagnant while bank advances have gone up and up and demand for accommodation shows no sign of abating. The credit ratio of some of the banks has already reached nearly 80 per cent and the busy season has yet a couple of months to go. Why have the deposits practically stopped rising since the end of last August? There is no doubt that both the decline in deficit financing and the reduction of rates on short term deposits have something to do with it. But how much, is a question that merits closer examination. After making allowance for the transfer of P L 480 deposits from the State Bank and the change in the presentation of banking statistics effected since November last, the increase in scheduled bank deposits during the latter half of 1960 amounted to Rs 2 crores only. Calculated in the same manner, the increase in the last quarter of the year was, however, Rs 10 crores of which Indian banks accounted for Rs 7 crores and foreign banks for Rs 3 crores. The lowering of interest rates on deposits enforced in October last has not, therefore, led to an actual decline in deposits. It may well have slowed down the growth of deposits which had been registered in 1958 and 1959.

Those who have faith in the interest elasticity of deposits may be interested in one development that seems to have escaped attention so far. Between September 1959 when the revised inter-bank agreement on deposit rates came into effect, and the end of 1960, the rates offered by banks on short term deposits have become unfavourable as compared with yields on Government securities. In September 1959, the rate on deposits of up to 3 months was 3.4 per cent, the same as the yield on 1962 bonds while the average rate of discount on Treasury Bills was 2.5 per cent. From October 1, 1960, the rate of interest on deposits up to 21 days was reduced from 3 to 2 per cent, on 1 to 3 months deposits to 3.25 per cent and on deposits of 3 months and over to 3.5 per cent. These rates compared unfavourably with the rate of 2.6 per cent on Treasury Bills, 3.5 per cent on 1962 bonds and 3.7 per cent on 1965 bonds, prevalent at the end of last year. Whether and how far the relatively unfavourable rates offered by banks have led to a diversion of deposits to Government securities is a question worth investigation.

Now that the Reserve Bank has removed the ceiling on the rates of interest payable on deposits at a notice of 21 days or less, and banks have immediately taken advantage of it and raised the interest on 3 months deposits to 3½ per cent and on 12 months to 4 per cent, the trend towards switch over to bonds should be arrested. The reversal of the policy by the Reserve Bank appears in retrospect to have sprung from a realisation that simultaneous raising of rates on advances and lowering of rates on deposits has acted as a boomerang on the banking system.

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Weekly Notes

More Coal by Sea

WITH the Cabinet sub-committee appointed to enquire into the coal crisis due to report next week, the Railway Minister seems to have shed some of the earlier smugness with which he had rebutted complaints of shortage of wagons to move coal. On Wednesday, faced with a square charge that the coal crisis had been caused by the shortage of wagons, the best reply the Minister could muster was that "the entire matter of transport and rationalisation of production is being considered at the highest level".

The share of the blame for the muddle in coal movement that can be apportioned to the railways is still a matter of dispute. There is no doubt, however, that, the railways have not been able to move coal in adequate quantities to ensure uninterrupted supplies to consumers and prevent accumulation of stocks at pitheads. The railways alone are not to blame for this. The regional pattern of coal production has not changed in accordance with Plan expectations. Consequently, one of the important steps that must be taken to overcome the crisis is to spread out production instead of concentrating it in the Bengal-Bihar coalfields.

A positive outcome of last Monday's conference of coastal shipping lines in New Delhi was the decision to move one million tons of coal to South and West India by sea from Calcutta. This will be in addition to the one million tons which is already being moved by sea. The movement of the additional million tons of coal will present its own problems. First, the handling facilities at Calcutta port will have to be increased and adequate arrangements would have to be made for the movement of coal from the coal fields to Calcutta. Besides, the shipping companies will have to be assured that the additional coal traffic will be permanent and not a temporary affair. Finally, there is also the problem of providing cargo to the ships on their return voyage.

It has been the contention of the shipping interests that railways heavily subsidise coal traffic, that it is cheaper to carry coal by ships than by rail and that, if the freight rates were appropriately adjusted, much more coal could be carried by sea and, thus, the pressure on rail transport reduced substantially. The offer of the coastal lines to carry another million tons of coal to the ports in South and West India has yet to surmount two obstacles—one is that of freight rates and the other that of wagon movements at ports and in loading and unloading of ships. The suggested solution for the first is some sort of pooling of freight rates by which the subsidy saved by the railways on coal movement can be passed on to the shipping companies in such a manner that consumers of coal will not have to pay a differential price according as coal is transported by rail or by sea. The second obstacle is less easy to overcome, since it involves movement of wagons and loading arrangements in an area which is already very severely congested.

Foreign Collaboration

COMMENTING on the Delhi despatch in the issue of March 11 that Government is contemplating issuing a policy statement on foreign collaboration, a knowledgeable correspondent writes :

Today foreign collaboration is the key-stone of our industrial policy. If you can get a foreign collaborator willing to invest, industrial licence automatically follows, irrespective of the priority, if there is such a thing, given to the industry in the Plan. In the guise of progressive manufacture, foreign capital and technical know-how are coming in as permanent features of our economy to strengthen the otherwise weak private sector. Far from making us self-reliant, they are perpetuating our dependence and leading us to a high-cost economy.

Take the case of the tyre industry. Two of the largest manufacturers of tyres established their factories in India more than twenty years ago. To give competition to them, half-a-dozen new units have been licensed, each with a fraction of the capacity of the old units. In licensing such units, neither the economic size of the unit, nor the economies of expanding the existing units have been taken into consideration, with the result that, in the scarcity economy which is going to remain with us for another decade or two, the high cost of the small units would determine price, to the advantage of the larger units. It has also to be noted that though we had a well-established tyre industry for the last twenty years, all the new units had to seek import technical know-how afresh in order to establish their factories in the country. Similar is the case in many other industries.

The mistake is that instead of trying to make foreign collaboration an aid to industrialisation, we are making it the end product or central piece of our industrial plan. Every unit in each industry goes in for foreign collaboration and ties up permanently foreign capital and technical know-how, without making any effort to stand independent of foreign aid eventually. The automobile industry is a classic example of it. Though a basic industry, it shows up the ramifications of such a tie up at every stage, from manufacture of ancillaries upwards, between foreign capital and private sector.

K Rama Rao

THERE used to be nationalist newspapers in an earlier day. These were papers dedicated to a cause and those who ran them, took it up as a mission. Today we have national papers which are national by virtue of their circulation and the extent of their news collection and distribution organisation. Running of such papers is now a big business. Of these again, few are independent business units, most of them being affiliates or subsidiaries of big industrial houses. K Rama Rao who died under tragic circumstances last week belonged to an earlier day when the newspaper work was a mission. In this, he was one among many others —all valiant fighters for freedom. But he differed from the rest in being alone among that group who set store by technical competence as a requisite and essential qualification for newspaper work. For him, a sense of mission alone was not enough. *The National Herald* of which he was the founder-editor set up an altogether new standard in this respect in those days. At that time what mattered most was the correct editorial policy of the paper and not whether the paper was printed or arranged, or even folded properly or not. Rama Rao changed all that.

It was not surprising that Rama Rao should have felt lost when newspaper production changed over from a mission to big business and never seems to have regained the fire which he had displayed in an earlier day. Forbidden to publish editorials which had not been passed previously by the Government, he defiantly brought out *the National Herald* without any editorials, but with a make-up and coverage which startled the Government and forced it to close down the paper. He had established thereby what is so well-known today, viz that a newspaper does not preach or propagate through the editorial columns alone, but through its selection and display of news.

As one who had been brought up on the faith that the freedom of the press was inviolate, after Independence the late Rama Rao found himself somewhat out of tune with his times. He attacked the Congress Government on press laws and on encroachments on the freedom of the press as ruthlessly as in pre-Independence days. But he also remained loyal to the Congress which he had served so devotedly. Torn between the two, this conflict of loyalties nearly snuffed him out. The only outlet he could find was in fighting for the improvement of the working conditions of the journalists. He was among the founder-members of the Indian Federation of Working Journalists and took a prominent part in the Federation's work before the Press Commission. He was more at home on this forum than in the All-India Newspaper Editors' Conference of which also he was a member from the time of its formation, almost a lone fighter for the non-conformist papers in their fight against the press laws.

Oil Agreements in Sight

LAST week the Minister for Mines and Fuel, Shri K D Malaviya, expressed his dissatisfaction with the progress of negotiations between the Government and the private oil companies over the refining of crude oil produced in the Ankaleshwar-Cambay area. The next day the General Managers of the two leading oil companies declared in a joint statement that the Minister's statement had come as a 'complete surprise' to 'oil industry circles'. The wisdom of the Minister's comments while negotiations with the oil companies are still in progress and the Government, according to the Minister himself, is hopeful of reaching some agreement, is doubtful. But surely, the fact there is disagreement between the Government and the oil companies is not news.

The whole question of exploration and development of oil has been hanging fire since late 1959 when the Government first invited foreign private companies to join the search for oil on 'mutually acceptable terms'. The delay has been partly due to the fact that the interest shown by the dozen or so oil companies earlier seems to have tapered off. In fact many of them have since dropped out. Even those who have lasted the entire gamut of negotiations have been surprised by the tenacity with which the Government has stuck to the three conditions it laid down at the outset. These are that in any foreign venture in oil exploration the Government would insist on reasonable participation; that it would agree to no commitment about refining and marketing of the oil discovered; and that it would not accept the conventional 50:50 formula for sharing profits. By and large the Government has succeeded in bringing the companies around to accepting these conditions and agreement with at least two of them now appears to be in sight. The Italian state-owned firm, E N I, has apparently agreed to equity participation by the Government and to restrict itself to exploration and production of oil. ESSO also may be prepared to make similar concessions. Even Burmah Shell which had been the most lukewarm of all the companies has decided to drop its insistence on refining rights, though on the question of marketing its position is still far removed from that of the Government.

Compared to the question of exploration and production, refining of oil produced in Cambay should not present too many difficulties since it is only a matter of arriving at some temporary arrangement. The oil is to be eventually refined at the two-million ton public sector refinery to be set up at Cambay. In view of the Government's insistence on marketing the refined oil through Indian Oil Company, the real difficulty here seems to be that if the oil companies are not permitted to expand their refining capacity, their marketing organisations will not have enough products to handle unless they are granted higher import quotas for oil products.

Suratgarh, No Prototype

From the summary of its report that has been released to the press, the Damle Committee on large mechanised farms appears to have interpreted its terms of reference very narrowly indeed. The Committee, with Shri K R Damle, Agriculture Secretary, as Chairman, was appointed in August 1959 to examine the economics of state-owned large farms and explore the possibilities of setting up more mechanised farms on the lines of the Suratgarh farm. After apparently protracted deliberations the Committee has come up with the finding that, given necessary facilities, particularly perennial irrigation, it should be possible for a large mechanised farm to yield a return of six per cent on the capital invested. The investment on such a farm would thus be recovered in about 16 to 20 years. From this the Committee has concluded that large farms on the Suratgarh model would be 'economic'!

The gross area of the Suratgarh farm is roughly 30,000 acres of which 22,000 acres are earmarked for cultivation, 2,000 acres for orchards, 1,500 acres for animal husbandry schemes and the remaining 4,500 acres for roads, buildings, etc. The total capital investment on the farm, including the cost of the machinery gifted by the Soviet Union, is estimated at Rs 2.28 crores. Spreading the total capital over the area of 25,000 acres utilised for productive activities, the investment per acre would work out at about Rs 900. The Committee admits that capital investment accountable towards land development in Suratgarh was on the low side because very little reclamation work was required to be undertaken. In areas where reclamation involves clearance of thick jungles, etc, the additional cost of reclamation would vary from Rs 250 to Rs 300 per acre, according to the Committee. Finally, the operational costs of working a Suratgarh-type farm would be about Rs 175 per acre.

The question then is whether a return of six per cent per annum is adequate to justify the investment by the Government of large sums

and the incurring of much foreign exchange expenditure to set up mechanised state farms. Such farms, even assuming that a number of them are established, cannot make a significant addition to the country's total food production. Nor can they, for obvious reasons, serve as models of farming technique and organisation for the millions of small cultivators.

It is not denied that mechanisation at Suratgarh has helped to achieve yields strikingly higher than those achieved in adjoining areas. But can Suratgarh be a guide to the whole country? The experiment is certainly valuable if the objective is to extend cultivation into hitherto uncultivated areas where water has recently become available. But elsewhere a Suratgarh-type farm can be set up only by displacing the present individual cultivators. The only justification, and that too a purely economic one, for the adoption of such a policy would be the assurance that it would lead to a large increase in yield. But the yields achieved at Suratgarh are not in fact much higher than what individual cultivators in many parts of Punjab have achieved with much lower capital investment.

While there is a certain amount of cultivable land in the Himalayan Terai and in Rajasthan and Central India which could be brought under the plough if water for irrigation is supplied, on the whole the possibilities of extending cultivation are strictly limited in India. The poor response from the State Governments to the Committee's invitation to submit proposals for setting up mechanised farms, even relatively small ones of 10,000 acres, and the fact that of the 15 proposals actually examined by the Committee only one was found suitable, bears this out.

Unity in Andhra by Appeasement

THERE is something unedifying about the manner in which the feuding groups in the Andhra Legislature Party have suddenly patched up their prolonged, acrimonious differences and started crying for harmony and unity in the party as earnestly as they were crying down each other only a few days back. All that was needed to appease the dissident group was for the group in power to agree to share seats on the Executive Committee of the Legislature Party on an equal basis and undertake to expand the Ministry so as to include some dissidents. That peace had to be purchased in this fashion, notwithstanding all the hallelujahs sung in celebration of unity, reflects no credit on Congress leaders in Andhra or their sense of responsibility.

If the agreement has been hurriedly reached to enable the Congress to approach the electorate as a united party in the forthcoming elections, it is doubtful whether the expedient adopted is likely to commend itself to the voting public. And it is still more doubtful whether the hot-house unity, fostered in the party by a division of the spoils of office between the two bickering groups, will ever outlast the elections. The point is that as long as personal and regional rivalries take precedence over the interests of the State, there can be no real harmony or cohesion in the legislature party.

To claim that groups have disappeared when the group principle has been made the very basis of the composition of the Executive Committee and of the possible expansion of the Ministry, is to hoodwink none. The process of fission, once started, is bound to continue in some form or other. It is not as if differences at various levels of personal or regional ambition are all summed up in just two groups. These groups have smaller groups within themselves, and if there is pacification at a certain level, it can only be the signal for the emergence of differences at other and perhaps lower levels. And the method of ending dissensions by offering the inducement of office to the disgruntled is hardly calculated to discourage the eruption of fresh longings and rivalries in various quarters. This expedient has been tried too long by the Congress in various States to allow for the continued nursing of any illusion about its efficacy. In fact, the time has come to reject the method altogether and experiment with less objectionable, less degrading ways of keeping the party together.

The Kerala Ministry

WITH the collapse of the Congress-Ganatantra Parishad Ministry in Orissa, attention is turned on the other coalition Government in Kerala. In that State too the path of the coalition Government has not been smooth. The undercurrent of discontent in the coalescing parties is slowly emerging into the open, and the question of the P S P and the Congress putting up joint candidates for elections to municipalities next month and panchayats in May has brought matters to a pretty pass. Judging from public statements by leaders, of which there have been too many to be good for the health of the Ministry, and from reports in the party press, it would appear that, as in Orissa, the non-Ministerialist wing of the Congress is not too keen about the coalition. The alliance with the P S P and the Muslim League, according to them, has cost the party dear in terms of independence of action and popular influence. The feeling is widely prevalent that Chief Minister Pattom Thanu Pillai ignores his Congress colleagues in matters of policy as also day-to-day administration and thus assumes powers disproportionate to his party's position in the coalition or its strength in the legislature.

Two specific charges were levelled against the Chief Minister at a recent meeting of the Kerala Congress executive: first, that he had changed cabinet business rules without consulting his colleagues with a view to arrogating more powers to himself, and second, that he was retaining the education portfolio which was allotted to the Congress at the time of the formation of the Ministry.

Shri Pattom's reaction to this was characteristic: that he was not concerned with the K P C C at all but only with his cabinet. His colleagues in the P S P have reacted even more vigorously, with a non-official resolution at the executive committee meeting last week demanding withdrawal of the party from the coalition.

Shri U N Dhebar's visit to Kerala is evidence of the importance which the Congress High Command attaches to preservation of the coalition Ministry. This is understandable since, as the recent Parli by-election proved, the Communists are far from being a spent force in the State yet. While, therefore, the instinct of self-preservation will compel the Ministry to carry on for some time at least, if not for its full term, it is difficult to see how, in view of growing dissensions within its ranks, it can function with even ordinary efficiency. But that, it will be argued, is the price to be paid to keep democracy safe.

Letter from Japan

One - Step - at - a -Time

MR TATSUNOSUKE TAKASAKI, a Liberal Democratic Member of the Diet and Chairman of the Toyo Can Manufacturing Company, led a semi-official trade mission to China recently. Regular readers of these columns will remember that missions visiting China have for the most part consisted of representatives of light industries and cultural associations. The iron and steel associations have refused to participate in goodwill or other missions to China. Apart from lack of confidence in business opportunities in China, this is because of the fact that the Japanese steel companies suffered a severe loss two years ago when a barter agreement between China and Japan was unilaterally cancelled by China on a political excuse. Mr Takasaki is one of the first representatives of the iron and steel associations to go to China, albeit in an unofficial capacity, and his comments in the *Chuo Koron* and *Asahi* magazines are, therefore, of special interest.

With 16 other delegates, he visited Peking, the Japanese prisoner-of-war camp at Fushun where 17 Japanese are still imprisoned and the big iron and steel works at Anshan in Manchuria once operated and run by the Japanese. He also had a private four-hour interview with Chou En-lai.

Mr Takasaki admitted that China had made substantial progress in the north-east compared with when Japan was in control. For example, today Anshan produces over 6,000,000 tons of ingots whereas under the Japanese it produced only 1,200,000 tons. But what surprised Mr Takasaki most was not the increase of production in new China but its inefficiency. He gave two examples of this. In the Manchurian automobile factory, 30,000 cars were produced annually by 22,000 workers. In Japan the same number of workers would produce 90,000 cars. As a Japanese, he was astounded that this factory had as many as 30 per cent of its employees women. In Japan there is considerable prejudice against the employment of women in skilled trades.

The second example Mr Takasaki gave of faulty organisation was in respect to a 13,000 ton ship at Dairen which was launched in two months. But after launching, it remained tied to a pier, waiting for its engine and fittings. The engines were apparently to be made with Soviet machines but the Chinese workers lacked the skill to use these machines. Mr Takasaki was impressed by the determination and organisation of the Chinese people, but the extent to which much of their effort was misapplied surprised him.

Of his meeting with Chou En-lai, Mr Takasaki says that the two tried to outdo each other in politeness. Mr Takasaki volunteered that Japan should pay China war reparations for fifty years for its cruelty to the Chinese people. Mr Chou En-lai, on his part, said that far from paying reparations, it was China which actually owed a debt to Japan for overthrowing Chiang Kai Shek and helping to destroy the Ch'ing dynasty. After this friendly interchange, the two had a serious discussion on unspecified subjects.

China Will Change

Concluding his article, Mr Takasaki says: "It is doubtful whether the present Communist thinking will remain unchanged. China is now like the Soviet Union in 1940. I visited the Soviet Union in 1940, 1958 and 1960 and every time I visited that country I found a change. I think China, too, will undergo a change some day and become a country like the present Soviet Union. I think it is a mistake to believe communism and capitalism are incompatible and countries upholding them must fight with one another. Soviet Prime Minister, N S Khrushchev, supports peaceful co-existence 43 years after the Soviet Revolution. I optimistically think that China, too, will follow after the Soviet Union."

It is, of course, wrong to read too much into an interview of this sort but it is clear that neither Mr Takasaki nor Mr Chou En-lai regarded each other as firm friends. The position of each is far removed from the other. But they too had this in common: a firm belief in their own abilities and a desire to gain something from the other. Mr Chou En-lai was clearly interested in understanding the viewpoint of the Liberal Democratic Dietman who is also an important capitalist in the Japanese steel industry. Mr Takasaki was interested in the development of the Chinese heavy industry, which he himself indirectly helped to found and, as an expert, could not but criticise the backwardness of much of the organisation. He would be interested in assisting China, if the inducements were sufficient, not for ideological reasons, but as an expert. Both regarded themselves as equals in a way and could, therefore, talk frankly and make polite jokes at each other in a way that the desperately earnest Japanese fellow-travellers would not dare to do. It appears to me that the one-step-at-a-time type of approach to China is the correct way to bring China into the comity of nations. The greater the number of Asians who can deal at a high level with the Chinese as equals in skills which China needs, the quicker the fog of ideology with which China today wraps up every statement will be dispelled.

Middle East Oil

OIL production in the Middle East reached the record figure of 264,000,000 metric tons last year. This is an increase of 33,000,000 metric tons, or 14.4 per cent, over the output of 1959. Output figures for the leading producers were :

Country	1959	1960
	(in 000 metric tons)	
Kuwait	69,500	81,800
Saudi Arabia	53,900	60,800
Persia	45,600	52,000
Iraq	41,700	47,400

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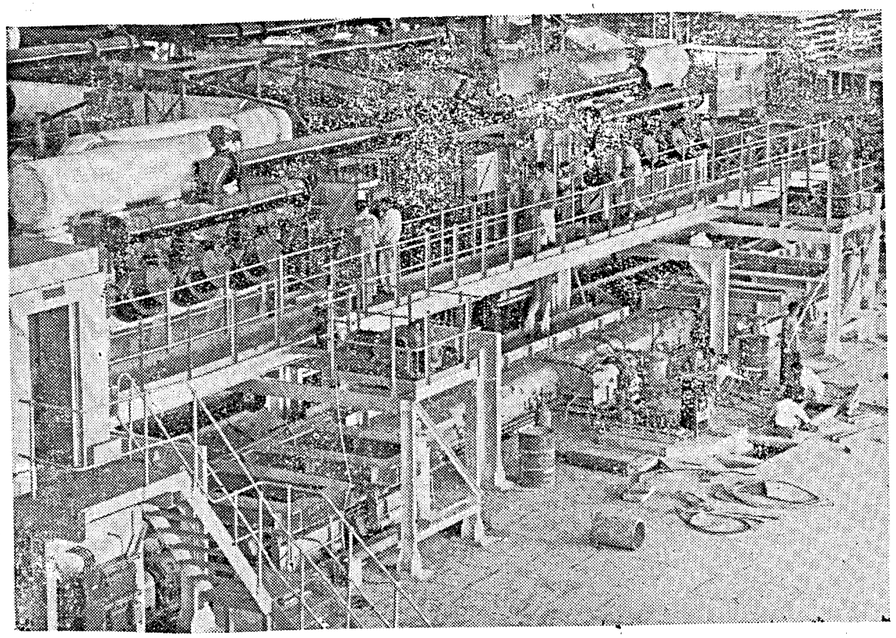
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BRITISH COMPANIES WORKING FOR INDIA

PAGE 24

Letters to the Editor

Economic Growth of the Last Decade

A Comment

IN his article "Some Features of the Economic Growth of the Last Decade in India" published in the Annual Number, 1961, of *The Economic Weekly*, Dr Raj has based himself preponderantly on the statistics of national income, and in doing so has made quite a few important mistakes and drawn conclusions that are obviously invalid. There are many points in his article that call for criticism, but here we propose to concentrate only on that part of his article where he deals with the regional pattern of growth.

While trying to estimate income from factory enterprises in the different states, Dr Raj makes the assumption that the relative share of the different states in the net value added by factory enterprises has remained unchanged over the whole decade (except in the case of tea manufacture). This assumption makes the rate of growth of income from this sector a constant for each state and equal to the rate of growth of income of India from this sector. It is not a little surprising that such an assumption should be made precisely while setting out to study the rate of growth of income in the different regions! For, any differences that there might have been in these rates due to differential rates of industrial growth — and we know that industries have a marked tendency to concentrate regionally, — are removed by the very way the measurement is made. Again, in estimating the income from small enterprises in the different states, Dr Raj assumes the productivity of labour to be the same in all the States and constancy for the rates of increase of the working forces engaged in small enterprises in the different States. Once more, after making such an assumption there can be hardly any point in investigating the relative performances of the different States in the matter of small scale enterprises. Dr Raj admits that the assumptions are not likely to be correct and warns the reader that "appropriate allowance must be made for them in interpreting the data". He does not however explain how precisely one can make such allowances.

It is clear that whatever be the rates of growth for the sector 'Mining Manufacturing and Small Enterprises' that Dr Raj may have arrived at, they have nothing at all to do with the real rates of growth that have taken place. As the procedure followed by him for the Services Sector is similar it is not at all surprising that ".... the inclusion of Mining, Manufacturing and Small Enterprises does not make any significant difference to the estimates of the rates of growth established in agriculture." This is not only due to the fact, noted by Dr Raj, that agriculture accounts for nearly three-fourths of the income from commodity production, but also because the estimates of income from 'Mining, Manufacturing and Small Enterprises' and from Services do not *at all* reflect the differences that there might be among them in reality.

In this connection Dr Raj has drawn attention to two special cases, namely, Rajasthan and West Bengal. Explaining, he says, "In the case of Rajasthan, the percentage increase in commodity production as a whole is much lower than the percentage increase in the agricultural sector, while in West Bengal, due to the greater share of industry and *higher rate of growth* (italics mine) in this sector the percentage increase in commodity production is significantly higher than in agriculture". Dr Raj does not seem to be aware that by the very way he has made his estimates, his Table XIV does not give any information at all about the relative rates of growth of commodity production as a whole and the agriculture sector, either for West Bengal, or, for Rajasthan or, for that matter, for any other State. The different relations for these two parts of the increase in income observed for the different States in Table XIV merely reflect the different shares of the different States in income from factory enterprises in 1957 and in the population of India in 1951 set against the different rates of growth of agricultural income in the States.

Calcutta,
March 3

T MAITRA

Why Is Taxation Not Effective ?

THE one question which I am really interested in and which some local economists ought to raise and try to get an answer, is how this tremendous expansion of luxury consumption could arise despite all the brave new taxes introduced by Krishnamachari. Surely the expenditure tax is *on paper* admirably designed to counteract this trend? Is it because the tax is so full of loopholes, or is it because the exemption limits are too high, or is it (which seems to me most likely) that no serious attempt has been made to enforce it? Also the yield of all the other taxes, particularly the wealth tax, seems to me suspiciously low in the light of other facts concerning the growth of private wealth in India.

I still feel that short of complete confiscation, the instrument of progressive taxation is the only one which is capable of dealing with the question that your correspondents were raising. The question is why is this taxation not effective? I know of no fundamental reason why it should be impossible to impose an effective tax system if the political and administrative will is there, and in the absence of this, there is nothing that can be made to work. The problem is therefore mainly a political one and not technical or economic.

King's College,
Cambridge.
March 1

NICHOLAS KALDOR

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Impact of Changing Technology on Society

Nirmal Kumar Bose

Every productive organisation is attended by its own moral codes.

The codes may continue for sometime after the productive organisation has changed.

In one's anxiety for change one may feel impatient with codes of a yesteryear. Such impatience may be justified, but a deep understanding of social proces ses is required even if the objective is to ultimately change them..

ALL parts of India have not naturally been affected in an equal measure by the recent shift towards modern technology. There are some regions like Orissa, for instance, where changes have been less rapid and more superficial than in the case of the neighbouring State of West Bengal. Science as a way of thinking is as yet far from having become common even among educated people.

It is our purpose here to draw attention to some of the changes which have been occurring in the State of Orissa recently on account of a change in the productive organisation. Orissa is a land cut up by many rivers. Seventy years ago, people could reach Orissa either by ship or by walking along roads. Even now, communication with the rest of India is a little difficult. The railway, with its numerous bridges, has made Orissa more accessible to North India than ever before.

One of the direct results of the facility of movement has been that a large number of skilled workmen and labourers has migrated from the northern districts of Orissa to the industrial belt round Calcutta. Consequently, there are complaints now and then about the shortage of able-bodied men to carry on agricultural operations in the northern districts of the State.

Another result has been that production in agriculture has shifted its interest from the local market to the more distant market. It is necessary to point out here the social consequences of such change. One of them relates to the Teli oilmen caste of Puri district, and the other relates to Tanti weaver caste of Barpali in the Sambalpur district of Western Orissa. Investigation has been carried on by the Department of Anthropology among the Telis while Shri N Patnaik of the Utkal University has carried on some investigation among the weavers of Barpali. The results of both enquiries are interesting.

The Teli manage their internal affairs by means of local panchayats. The written records of these panchayats have been subjected to examination by the Department of Anthropology and it is found that the panchayats, realising that changes are taking place, try to adapt their rules to the changing situation. The cultivation of *pan* (betel-vine) is a profitable industry now. The railways have helped to transfer *pan* to distant markets and therefore there has been fairly considerable growth in the cultivation of *pan* within the last 20 years in the district of Puri. *Pan* cultivation was exclusively the monopoly of the Patra or Barujivi caste. Oilmen began to take to cultivation of *pan.* It was resolved that a man could cultivate *pan* but should never carry it on his head in a basket in order to sell it. They are too high a caste to engage in such a low trade. A few years later, the resolution was that people could sell it to wholesale dealers if the latter came to the *pan* plantation.

Moral Codes Persist

The Teli were formerly a caste from whom water was not found acceptable by Barui. Now they are trying to raise themselves to a higher rank. Naturally in return higher castes tried to boycott the Teli for their new pretensions. Formerly, it was the rule that if jajamani castes like barbers and washermen boycotted a person for any reason in the locality, the rest of the oilmen caste would also boycott the particular oilmen. Now a resolution has been passed which says that if Jajamani castes boycott someone, he need not be similarly boycotted by the rest of his fellow castemen. The point is, the former boycott was applied on a person for some breach of social rule. But the present boycott is for the oilmen's attempt to upgrade themselves and therefore it need n be taken cognisance of.

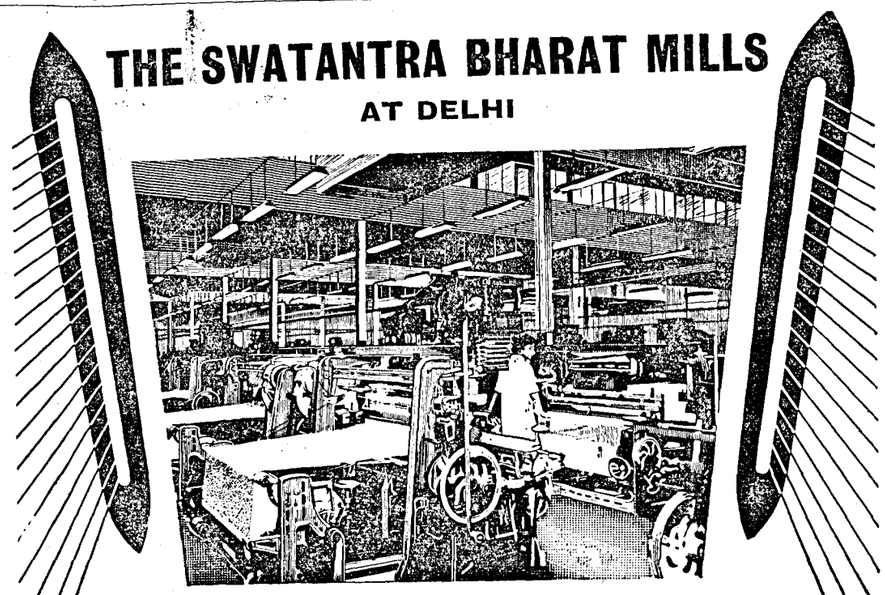
Formerly if a man was sent jail for a criminal offence, he w boycotted by his society on retur home. But during the Nation Movement, many people foun themselves in jail on account political reasons. A new rule h been passed. If a man is jail for having taken part in civil di obedience, he should not be bo cotted. This indicates that there a internal mechanisms by means which the Teli society tries to kee pace with changing times. Chan may be slow; it may have to regularised by the panchayat's res lutions. Yet change is taking plac and the change has been part brought about by the new occup tions and historical conditio brought into being by increase urbanisation and quicker transport.

The weavers of Barpali are divi ed into several sub-castes who pra tise slightly different techniques weaving or processing yarn. The are certain designs which are ver colourful and which seem to be t monopoly of different sub-caste For the last eight years, a group American technicians along wit their local Oriya counterparts h been trying to bring about an build up a co-operative societ among these weavers in Barpal One of the designs seemed at o time to command a ready overse market. It was suggested to all t weavers that they should take that particular pattern. The weave nominally agreed to do so, but was soon found that many of the were either slow or wholly refuse to produce the particular design Shri N Patnaik, who was then ser ing as the Rural Life Analyst of t team investigated the matter an found that the weavers recognise very clearly that some designs we the monopoly of one sub-cast while the others belonged to an ther sub-caste. According to we vers, it was wrong to encroach upo

somebody else's preservation. They had a keen sense of honour and even under the stress of poverty, continued to respect the moral code of the trade.

It is quite true, but when a moral code like this persists, it becomes difficult to switch men over from one trade to another.

Changes are taking place all over India today and quite often there is a feeling among our economists as well as our political leaders that the change is not fast enough or that some of the "superstitions" of the past stand in the way of rapid industrialisation. It is necessary that social scientists should point out that the productive organisation which prevailed in India for many centuries still predominates in some of the more sequestered parts or among the more "lowly" classes of our country. A productive organisation is attended by its own code of morals. The morals may continue to be effective even after a productive organisation has been altered. If the urgency of change is great, one may be impatient with certain moral codes which held together men in the past. Such impatience may be justified; but we need a deeper understanding of social processes even if our objective is to change them in a new direction.



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India's Balance of Payments, 1921-22 to 1938-39

Estimates of Current and Long-term Capital Accounts

Arun Banerji

An attempt is made in this article to estimate India's balance of payments during the inter-war years.

Compared to the few existing estimates, many new items have been assigned magnitudes and others revalued.

Over the 18 years India imported over Rs 200 crores of long-term capital, but paid four to five times as much by way of interest charges. During the pre-war years, 1898-1913, too, capital imports fell short of debt services.

For a complete assessment of the cost of foreign capital, to debt services must be added other remittances including coastal freights, remittances by exchange banking and out of incomes and accumulated savings of the foreign business and professional community temporarily resident in India.

THE estimates of India's balance of payments submitted by the Government of India to the League of Nations from 1923-24 omitted certain items in both the current and capital accounts, and covered other items very inadequately. They related only to British India, excluding the sea-borne foreign trade of the French and Portuguese possessions in India and the Maritime States of Kathiawar and Travancore, as also, during 1937-39, of Burma, the international transactions of which were then a part of those of British India. The Indian rupee was their common currency and unit of account, and the same banking system as in British India managed their international accounts. These shortcomings of the estimates, which vitiate the capital account also, justify a fresh estimate of India's balance of payments for those years.

Every transaction between two countries involves a receipt by one party of the payment made by the other. Thus if no intermediaries intervene — or, if they do, we know their share in the transactions —the totals of the two sides of an inventory of all receipts and payments must agree, provided double counting is avoided and cash receipts and disbursements as well as the exchange of evidences of indebtedness are taken account of. If, then, we estimate credits and debits over a period of time for all items of a country's international accounts, except the exchange of such evidences, the net cumulative credit (or debit) for the first set of items must equal the net cumulative debit (or credit) for the exchange of evidences of indebtedness.

This method perhaps found its first major use in Hobson's "The Export of Capital" (London, 1914). Viner ("Canada's Balance of International Indebtedness 1900-1913"—Harvard, 1924), defined it more precisely, dividing the current account to indicate separately the balance on commodity account, service account and on account of non-commercial transactions. The last, now termed donations, include unrequited international transfers, mainly associated with migrants. Over a series of years, the ends relatively free from abnormal movements of short-term funds, the estimated net cumulative position of all the three balances reflects, subject to errors of estimation, the net movement of long-term capital.

Viner's Three-fold Division

If Gr, Sr, Ur and Cr stand for India's receipts from abroad on goods, services, unrequited remittances and long-term capital accounts respectively, and Gp, Sp, Up and Cp stand for payments by her under the same heads, then, Gr+ Sr + Ur + Cr = Gp + Sp + Up + Cp. Or, (Gr — Gp) + (Sr — Up) = Cp — Cr. Over any specified period, the algebraic sum of the balances of transactions in goods, services and unrequited transfers equals the net balance of capital transactions, i e, of transactions to acquire or repatriate claims on assets abroad, and to deliver or repatriate foreigners' claims on assets in India.

Short-term capital movements are excluded in this method, as a consistent movement in any one direction tends to set in motion corrective forces. These offset the first movement and/or affect the current and/or long-term capital account(s) and are thus reflected in one or more of the above categories.

We adopt Viner's three-fold division of the current account, but not his method of estimating individual items. Thus, owing to lack of data and to allow, even partly, for the close association of foreign capital with productive and distributory activities within our country, we do not estimate the remittances of recompense received by foreign capital on the usual basis of the size of foreign capital employed and the average returns on such capital in (a) coastal-carrying trade, (b) life and general insurance business, (c) foreign exchange banks, and (d) the distribution of exposed foreign films, but instead attempt independent direct estimates.

Our general treatment of returns on foreign investments marks a basic departure from Viner; he estimated them indirectly, from the net deficits in the current account for all other items. This method concentrates on this crucial item and exaggerates the returns if portions of previous investments are repaid during the period under study. We, therefore, make a direct estimate, constructing a suitable dividend series. Also, one need not estimate the interest on India's sterling public debt; Government accounts contain full data (see, however, Pandit, "India's Balance of Indebtedness, 1898-1914", Allen and Unwin). Lastly, while, like Viner, we compare the indirect estimate of the net import of long-term capital with direct evidence on the annual flows of such capital, we compare it also

This is a rigorous abridgement of a detailed work on the subject awaiting publication by Asia Publishing House.

with the net accretion to foreign investments in India between 1921 and 1938 (no data could be collected of the net change in foreign investment by India in that period except Indian subscriptions to loans, etc, floated in London).

II
Balance of Commodity Transactions

Commodity transactions, goods and treasure, on private account, yielded a surplus of Rs 1489 crores during 1921-22 to 1938-39 (Government stores are included in Section IV below). These include (a) the sea-borne foreign trade of British India (including Burma), French and Portuguese possessions, Kathiawar and Travancore, (b) the land-frontier trade, and (c) the air-borne trade. This study makes no allowance for the alleged under-valuation of imports for lack of evidence; tariffs were relatively low in this period, and our customs keep no record of total imports, subject to the two subsections of Section 30 of the Indian Sea Customs Act, 1878, which lay down the norms for evaluation of imports by customs.

Even a superficial probe into customs returns is rewarding, e g, the mode of conversion of other currencies into rupees has introduced indeterminate errors. During 1921-24 when the rupee-pound rate was fluctuating, Calcutta customs issued a public notice directing conversion of sterling import values into rupees at rates determined by the exchange banks' selling rates for demand drafts. It laid down working rates for rupees for ranges of its market rates, the working rate intervals being as much as half-rupees! This system distorted the position, though it was convenient administratively.

Land-frontier trade was recorded in quantities and values up to 1924-25. Later, due to defective recording of values, only the quantities of the trade in selected articles at certain rail-heads near the more important trade routes were published. From 1927-28 the Government somehow evaluated this trade, and reported to the League of Nations. We have to accept these figures despite obvious defects.

Certain gaps in trade returns are filled by us on the basis of the trend in the respective sectors in adjacent years—(a) land-frontier trade during 1925-27, (b) trade of Kathiawar and Travancore during 1921-26, and Travancore's trade during 1931-35, (c) trade of French and Portuguese Possessions during 1921-23 and 1921-26 respectively when these seem to be recorded imperfectly. Other adjustments are made for the inclusion in the trade returns of imports of passenger baggage and samples which should not enter international accounts, and the addition of export duties realised to total exports. To present the pure commodity balance in Table 1, we deduct from import values, including treasure, 5 per cent for freights and 1½ per cent for insurance and commission; these are included in the service balance below.

Table 1 shows the totals and annual averages on this account for 18 years. The treasure account was in overall deficit, but it had unequalled credits from 1931-32 when India started to export gold. The large overall surplus of Rs 1489 crores could not meet our payments abroad for "invisibles", leaving a deficit of Rs 200 odd crores.

III
Balance of Service Transactions

This includes (a) freight, insurance and commission on merchandise, (b) expenditure in India of foreign ships engaged in her overseas trade, (c) pensions disbursed by the Government of India in U K, (d) profits, etc, remitted by exchange banks, (e) funds remitted by foreign insurance companies working in India and Indian companies working abroad, (f) coastal freights, (g) cinematograph royalties, (h) tourist account, and (i) interest on sterling public debt and other foreign investments in India. Table 2 shows that these items account for a cumulative deficit of Rs 1487 crores during the period.

Item (a) was explained above. Item (b) is taken at one-third of the gross freight earning of foreign ships in carrying our imports. A direct estimate of such expenses was sought to be made but the tonnage of ships in India's foreign and coastal trade being inextricably mixed in Government returns, the attempt was abandoned. For pensions, civil and others, averaging Rs 8.3 crores a year, Government accounts are used.

As already stated, items (d) to (g) are not estimated on a capital employed-times-return basis. For exchange banks, the only data are their consolidated end-of-year Indian deposits (even these need allowance for Burma for 1921-31), and the size of imported funds as on 31st December 1929, as they were furnished to the Indian Central Banking Enquiry Committee, 1931. We made a vain attempt to collect further data from the Commonwealth Relations Office, London. The present estimate applies to their estimated tolal resources (local and imported), the relation between their resources and profits as disclosed for certain post-World War II years, suitably modified to take into account the features of the pre-War years. As these banks handled almost all of India's exchange business, the estimated annual remittance of Rs 3 crores as profit, service charges to Head Office, etc, perhaps errs on the low side.

Table 1 : India's Balance of Commodity Transactions, 1921-22 to 1938-39
(Rs Lakhs)

Items	Total for 18 years			Annual averages		
	Gross credits	Gross debits	Net balance	Gross credits	Gross debits	Net balance
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
Merchandise	+5032,06	—3730,26	+1301,80	+297,56	—207.24	+72,32
Treasure	+ 400,23	— 522,35	— 122,12	+ 22,24	— 29,02	— 6,78
Adjustments for						
(a) Freights	+ 212,64		+ 212,64	+ 11,81		+11,81
(b) Insurance	+ 63,73		+ 63,73	+ 3,54		+ 3,54
(c) Gaps in trade returns	+ 33,00		+ 33,00	+ 1,83		+ 1,83
Total	+5741,66	—4252,61	+1489,05	+318,98	—236,26	+82,72

Like exchange banks, little is known about foreign insurance companies in India before 1939. The present estimate of insurance remittances rests on data relating to their Indian business from 1928-29, especially premium and interest and other incomes (former adjusted conservatively for re-insurance). Deductions have been made from this for expenses, claims and build-up of assets. Foreign companies had a monopoly of insuring the lives of Europeans in India on which claims were largely met abroad. The resultant estimate yields an average yearly remittance of Rs 2.98 crores during 1929-39. For 1921-22 to 1928-29, it is estimated at Rs 2 crores yearly. The small inward remittance from Indian companies is put at 40 per cent of their premium income abroad.

In inter-War years, our large coastal trade (annual exports of some Rs 100 crores) was mostly carried by foreign, largely British, ships. Freights and passage fares earned by them, less expenses here, were remitted abroad. We estimate these remittances with certain data relating to the size of coastal cargo (coal, salt and general cargo) freight rates thereon, and the relative shares of Indian and foreign ships in the 1930's as obtained from the premier Indian company, Scindia Steam Navigation (P & O Steam Navigation, which controlled British India Steam Navigation, the biggest British line on the Indian coast, were approached for some relatively innocuous data but they regretted their inability to help in any manner). These remittances are estimated here at about Rs 3.5 crores net annually.

Net average annual remittance of cinematograph royalties is estimated at Rs 2.2 crores on the basis of the imports of feature films, obtained from the Boards of Censor, and their average remittable earnings, taken at Rs 0.5 lakh, based on a memorandum submitted to the Indian Cinematograph Committee, and on some data obtained from the Indian Motion Picture Producers' Association. Foreign distributors were approached, but in vain.

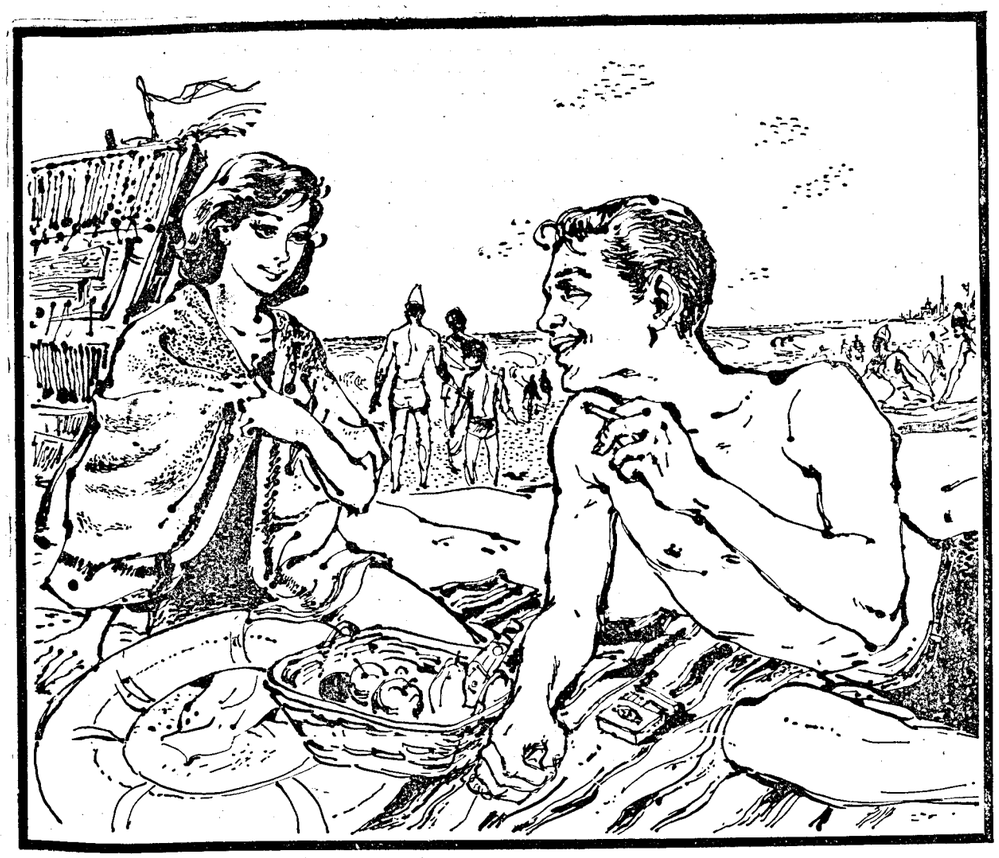
Earnings of Foreign Investments

The interest on sterling public debt is obtained from Government accounts. Of the total interest bill, 91 per cent are taken as due to foreign holders, on the result of an enquiry into British overseas investments (*Economic Journal*, 1929-39) by Lord Kindersley, and the *Economist* (1930). Column (xii) of Table 2 shows the average interest as Rs 18 crores. It remains almost steady, varying between Rs 20 crores in 1931-32 and Rs 15.6 crores in 1921-22, in a period when export earnings from merchandise fluctuated sharply.

Other foreign investments in India are estimated below at Rs 336 crores in 1921 and Rs 439 crores in 1939. To estimate their earnings the least tractable part of the enquiry was to determine a time series of their average rates of returns. This perhaps explains why both Viner and Pandit relied upon one or more already existing series, often constructed with very different aims. Here the returns are estimated with reference to two dividend series specially constructed by us for two statistically valid samples of rupee and sterling companies, selected from the extensive industry-wise enumeration of units with likely foreign capital which we had to do to estimate the volume of these investments. These series revealed that the earnings of both rupee and sterling companies

Table 2 : India's Balance of Service Transactions
(Rs Lakhs)

	CREDITS			DEBITS										
YEAR	Expenditure of foreign ships in India	Insurance receipts	Total	Foreign insurance etc on imports	Govt pensions.	Cinematograph royalties	Profits etc remitted by exch. Banks	Tourist a/c	Insurance remittance	Coastal freights	'£' Public debt (Interest on)	Other debt	Total	Net balance (xiv—iv)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(iii)	(ix)	(x)	(xi)	(xii)	(xiii)	(xiv)	(xv)
1921-22	5,29	40	5,69	20,57	8,33	2,10	3,31	1,58	2,00	4,70	15,59	29,41	87,59	81,90
1922-23	5,28	41	5,69	20,58	8,75	2,00	3,23	1,25	2,00	4,53	18,09	33,54	93,97	88,28
1923-24	5,04	42	5,46	19,67	8,55	1,83	3,01	1,91	2,00	4,48	19,23	37,58	98,26	92,80
1924-25	6,20	43	6,63	24,18	8,22	1,75	3,11	1,76	2,00	4,21	18,11	39,80	103,14	96,51
1925-26	4,76	44	5,20	18,55	7,33	1,66	3,10	71	2,00	4,28	17,30	38,99	93,92	88,72
1926-27	4,69	45	5,14	18,30	8,05	2,25	3,15	1,96	2,00	4,00	17,34	37,00	94,05	88,91
1927-28	5,22	46	5,68	20,34	8,05	2,81	3,03	2,56	2,00	4,07	17,35	42,38	102,59	96,91
1928-29	5,30	47	5,77	20,66	8,25	2,75	3,13	1,75	2,00	3,91	17,62	35,67	95,74	89,97
1929-30	4,95	48	5,43	19,32	8,56	2,84	2,93	1,57	2,30	3,66	18,56	33,93	93,67	88,24
1930-31	3,60	49	4,09	14,05	8,50	2,75	3,00	1,28	2,00	3,09	19,43	24,95	79,05	74,96
1931-32	2,46	49	2,95	9,61	8,38	2,35	2,96	98	77	3,00	20,23	22,32	70,60	67,65
1932-33	2,48	49	2,97	9,69	8,34	2,25	2,92	1,58	4,38	2,72	19,65	22,89	74,42	71,45
1933-34	2,19	46	2,65	8,55	8,52	2,19	2,83	1,82	1,51	2,45	19,09	26,76	73,72	71,07
1934-35	2,56	45	3,01	10,00	8,54	2,00	2,86	2,61	2,16	2,88	18,46	26,50	76,01	73,00
1935-36	2,63	45	3,08	10,25	8,57	1,94	3,05	2,56	1,62	2,66	18,51	29,53	78,69	75,61
1936-37	2,60	43	3,03	10,15	8,01	1,95	3,01	2,30	4,80	2,68	17,48	33,28	83,66	80,63
1937-38	3,03	69	3,72	11,80	9,09	1,99	2,93	2,36	5,58	2,71	16,74	33,86	87,06	83,34
1938-39	2,59	64	3,23	10,10	7,87	1,95	2,69	2,81	4,68	2,43	16,43	31,45	80,41	77,18
Total.	70,87	8,55	79,42	276,37	149,91	39,36	54,25	33,35	45,80	62,46	325,21	579,84	1566,55	1487,13
Annual average	3,94	47	4,41	15,35	8,33	2,19	3,01	1,85	2,54	3,47	18,07	32,21	87,03	82,62



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fell sharply after 1929, the latter more heavily. But sterling companies generally fared better than the rupee ones; their average total returns (i e, on ordinary shares and preference and debenture capital) for the entire 18-year period, and during 1921-29 and 1930-38 are 10.2, 12.6 and 7.8 respectively; corresponding rates for the rupee companies are 8.3, 9.9 and 6.8 respectively. As compared with returns elsewhere, the relative stability of these rates despite the Great Depression may be due to the employment of foreign capital in specially high-yielding lines and the weight of fixed-interest-bearing obligations in these investments. Thus, in the rupee companies we selected for the dividend series, fixed-interest-bearing obligations, i e, preference shares and debentures, amounted to 24 per cent in 1921 and 32 per cent in 1938 of their total capital. For similar sterling companies the rations are higher — 37 per cent in 1921 and 33 per cent in 1938. For estimated investments other than those for which company-wise details were available, viz, managing agencies, other rupee and sterling investments, and U S and other foreign investments (we deduct an estimated Rs 25 crores from such investments for exchange banks and insurance companies), the returns are calculated at the average of the dividend series for rupee and sterling companies. Column (xiii) of Table 2 shows that the total returns on investments excluding sterling public debt averaged Rs 32 crores. 1923-24 to 1929-30 are the most prosperous years.

The broad divisions of the tourist account are those with (i) the U K and (ii) other countries; (iii) Haj Pilgrims and (iv) Indian Students. These add up to an average annual debit of Rs 1.85 crores. The Indo-U K account is estimated to have been an average debit of Rs 1.09 crores, on the basis of the British Board of Trade returns of "British" passengers and long-term migrants (the difference between them being tourists, who were divided into tourists inward and outward, and adjusted to include passengers via the Continent), and an estimated expenditure per capita. Item (ii) is based on certain data we discovered in the old Central Publicity Bureau of the Indian State Railways, covering passenger arrivals at Indian Ports, by nationalities and purpose of visit, from 1930-31. For (iii) fairly, and (iv) reasonably, reliable data for numbers and average expenditure are available; for (iv), Government scholars are excluded. We allow another Rs 50 lakhs annually for tourists and business visitors from India to the U S, Europe, Japan, etc, including the large expenditure by the Ruling Chiefs, normally and on occasions like the Round Table Conference, Silver Jubilee of King George V, etc.

IV

Balance of Non-Commercial Transactions

The balance of non-commercial transactions which shows a deficit of Rs 222 crores (Table 3), is dominated by Government transactions, which we take from Government returns. To accord with our method, we exclude, from both receipts and disbursements of India Government in the U K, all transactions relating to (i) Council bills and sterling purchases which only transferred to Government part of the

Table 2A : Annual Returns on Foreign Investments in India Other Than in Her Sterling Public Debt
(Rupees lakhs, except columns v-viii)

	Traceable rupee investments			Traceable sterling investments					
	9 Industry groups used for dividend series	Rupee loans of corporations etc.	India Govt promissory notes-enfaced London	6 Industry-groups used for dividend series	£ Loans of corporations etc.	Total of (v) & (vi)	VII Converted into Rs. lakhs as explained in text	Other foreign investments"	Total
				(£'000)	(£'000)	(£'000)			
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
1921-22	7,25	1,28	25	6,248	167	6,415	9,73	10,90	29,41
1922-23	6,99	1,27	25	8,505	359	8,864	12,93	12,10	33,54
1923-24	6,88	1,26	25	10,064	537	10,601	15,29	13,90	37,58
1924-25	7,25	1,24	25	11,224	599	11,823	15,76	15,30	39,80
1925-26	6,86	1,24	25	10,808	621	11,429	15,24	15,40	38,99
1926-27	6,36	1,30	25	10,170	619	10,789	14,39	14,70	37,00
1927-28	7,24	1,32	25	11,432	618	12,050	16,07	17,50	42,38
1928-29	7,00	1,30	25	8,772	617	9,389	12,52	14,60	35,67
1929-30	6,59	1,31	25	8,294	615	8,909	11,88	13,90	33,93
1930-31	5,42	1,30	25	5,224	609	5,833	7,78	10,20	24,95
1931-32	4,52	1,30	25	4,834	607	5,441	7,25	9,00	22,32
1932-33	4,28	1,28	25	5,249	660	5,909	7,88	9,20	22,89
1933-34	4,66	1,27	25	6,450	659	7,109	9,48	11,10	26,76
1934-35	4,82	1,26	25	5,993	657	6,650	8,87	11,30	26,50
1935-36	5,02	1,26	25	7,167	710	7,877	10,50	12,50	29,53
1936-37	5,00	1,25	25	8,503	709	9,212	12,28	14,50	33,28
1937-38	5,09	1,30	25	8,608	708	9,316	12,42	14,80	33,86
1938-39	5,14	1,32	25	7,429	701	8,130	10,84	13,90	31,45
Total	106,37	23,06	4,50	144,974	10,772	155,746	211,11	234,80	579,84
Annual average	5,91	1,28	25	—	—	—	11,73	13,04	32,21

favourable balance of private account, and (ii) permanent debt. The residue, after excluding interest on sterling debt and pensions (which accounts for surpluses in some years) has already been considered and is taken into the current account. Large year-to-year changes arise mainly from changes in short and long-term borrowings, imports of stores, etc.

Other non-commercial items are: missionary donations, expenditure by foreign consules etc in India, and migrants' remittances received through Post Office, savings brought back by returning Indian emigrants, and estimated outward remittances by foreign immigrants to India. Donations from missionaries are estimated at about Rs 4 crores a year, with certain data from authoritative sources and a 13-year series obtained from the International Missionary Council, London. Annual consular expenditure is put at Rs 5 crores for the 100-odd foreign consulates etc in India as reported to us by Government for 1934. This excludes receipts, if any, by the French and Portuguese possessions for which no data are yet available.

Migration data are seriously incomplete for our period. Migrants' funds may move (a) through the post office—we have data on this, which we adjust for the estimated two-way payments through the post office for the goods to arrive at non-commercial remittances; (b) through banks—no data are traceable; (c) by being physically carried—we know only of the sums brought by Indian emigrant labourers returning from the colonies—estimated here by multiplying their numbers by the average sums brought by those returning to Calcutta. But we are ignorant of the movements of cash with migrants across the extensive land frontier. For a large part of (b), i e remittances from India, we make a rough estimate. Even that cannot be done for inward remittances from Indian traders. We assume, perforce, that the latter more or less offset the outward flow to countries like China, across the land frontier and through banks. Excluding these, we estimate remittances by non-Indian, largely British, temporary immigrants to India under: remittances for their families, and of savings on retirement. The Indian Census, 1921 and 1931, collected the numbers (recognised as not fully correct) and occupational distribution of workers of European and allied races in India. From these and the abnormal age distribution of the European British subjects in India as compared with the distribution for the home population of the U K, we estimate that money may have been remitted annually at £250 each (based on fees in some English schools) to support no less than, perhaps, 6,000 persons, mostly school children.

For remittances of savings on retirement, we get some indication of the likely number of people involved from the British Board of Trade records of movements of British migrants between the U K, and India and Ceylon, occupation-wise. These are processed to arrive at the estimated numbers which could have sizable savings. On savings, through courtesy of some companies we obtained figures for 42 Europeans who left certain occupations in the 1930's. In these, sums received from employers or partnership firms on

Table 3 : Balance of Non-commercial Transactions, 1921-22 to 1938-39

(Rs lakhs)

Year	Missionary remittances	Exp. of Consuls etc.	*Migrants* Through P. O.	Remitt. Savings brought back	Total (ii to v)	Government transactions	Non-Indian Annual remittances	Imming Savings	Total (vii to ix)	Net balance (x minus vi)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)
1921-22	4,00	5,00	3,37	31	12,68	+ 3,85	2,00	10,50	8,65	+ 4,03
1922-23	4,00	5,00	2,20	3,79	14,99	24,01	2,00	10,50	36,51	21,52
1923-24	4,13	5,00	1,84	2,98	13,95	28,34	2,00	10,50	40,84	26,89
1924-25	4,13	5,00	1,83	1,44	12,40	28,79	2,00	11,08	41,87	29,47
1925-26	4,20	5,00	1,99	1,16	12,35	32,45	2,00	10,29	44,74	32,39
1926-27	4,36	5,00	2,39	1,88	13,63	+ 28,29	2,00	10,01	+ 16,28	+ 29,91
1927-28	4,36	5,00	2,53	2,55	14,44	16,88	2,00	10,13	29,01	14,57
1928-29	4,33	5,00	2,48	2,65	14,46	22,66	2,00	9,69	34,35	19,89
1929-30	4,31	5,00	2,66	2,71	14,68	+ 1,15	2,00	10,25	11,10	+ 3,58
1930-31	4,30	5,00	2,17	3,24	14,71	11,49	2,00	10,60	24,09	9,38
1931-32	4,22	5,00	1,67	1,52	12,41	16,32	2,00	10,71	29,03	16,62
1932-33	4,19	5,00	1,26	2,27	12,72	17,41	2,00	11,19	30,60	17,88
1933-34	4,08	5,00	1,20	2,53	12,81	36,76	2,00	10,85	49,61	36,80
1934-35	3,75	5,00	1,46	1,35	11,56	22,10	2,00	10,19	34,29	22,73
1935-36	4,12	5,00	1,60	96	11,68	+ 14,79	2,00	10,67	+ 2,12	+ 13,80
1936-37	3,90	5,00	1,71	1,81	12,42	8,92	2,00	12,10	23,02	10,60
1937-38	4,00	5,00	1,82	1,17	11,99	5,80	2,00	10,00	17,80	5,81
1938-39	4,00	5,00	1,91	1,02	11,93	8,12	2,00	10,77	20,89	8,96
Total	74,38	90,00	36,09	35,34	235,81	231,97	36,00	190,03	458,00	222,19
Annual average	4,13	5,00	2,01	1,96	13,10	12,88	2,00	10,56	25,44	12,34

rement ranged from Rs 0.31 lakh Rs 10 lakhs. We put the average a modest Rs 0.5 lakh. Multiplied the numbers estimated as having ie savings, we arrive at the average imum savings remitted at 10.56 crores during 1921-38.

V

Final Balance on Current Account

Table 4 brings together the above ee balances. (The commodity ance differs from Table 1, being dited here with Rs 3.24 crores to ow for the estimated imports of tal articles for which India made payments, i e samples, gifts, etc). lumns (v) and (vi) show the net dits and debits, the net cumulative it being Rs 217 crores. By detion, this measures the net im- t of the long-term capital in this iod.

The present estimate of foreign estments in India is based on a rencywise classification.

Sterling (*Table* 5(*a*)) : Sterling ns of (i) the Government, includ- ; Railway Annuities; and (ii) rporations, ports, etc; (iii) investnts in companies functioning in lia with sterling capital, and rling debentures of rupee comnies. From the London Stock Exinge Year Books, capital and deitures of over 200 companies were corded industrywise. The "Brih-held" portion is taken at 91 per it as already stated. The untraced ier portions are assumed to be per cent and 20 per cent of the ceable portions in 1921 and 1938 spectively.

Rupee (*Table* 5 (*b*)) : Foreign holdings in (i) Rupee joint-stock companies; (ii) Rupee loans of Government, ports, etc; and (iii) private firms and partnerships, mainly prominent managing agencies. Foreign holdings in rupee companies before 1939 have always been an obscure subject. The present estimate assumes that such holdings would be perhaps largely in companies managed directly by foreign boards or indirectly by British or other agency houses. On this basis, data about capital, etc of some 700 companies have been collected, including agency houses and classified into 10 groups. As before, untraceable rupee holdings are allowed at 15 per cent in 1921 and 20 per cent in 1938 of the traceable amounts. The evidence recorded by the Indian Industrial Commission, 1916-18, the Indian Fiscal Commission, 1921-22, and Pat Lovett in "The Mirror of Investment" leads one to believe that, over a very large sector of these investments, foreign holdings predo-

Table 4 : Final Balance of India's International Transactions on Current Account

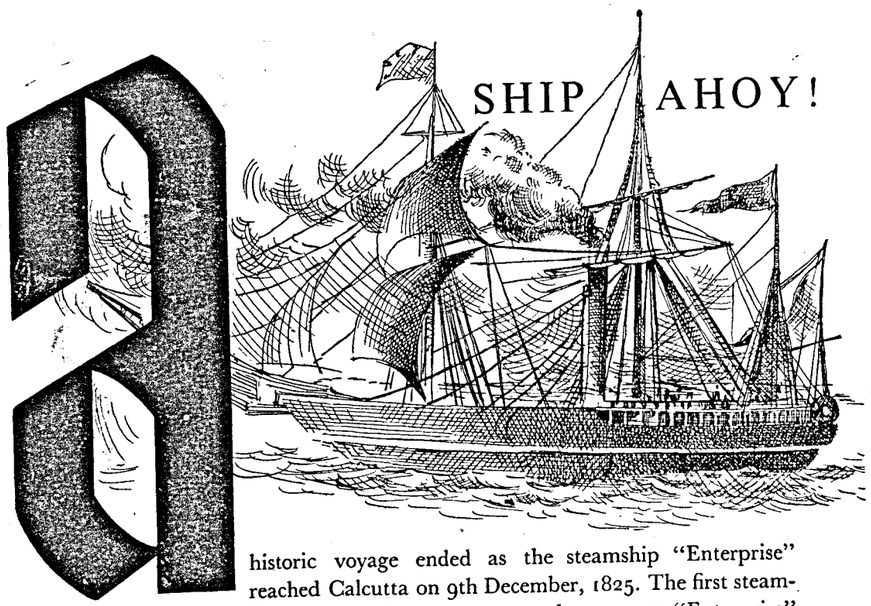
(Rs lakhs)

Year	Commodity transactions	Service Transactions	Non-commercial transactions	Balance of Net Credit (+)	Balance Debit (—)
(i)	(ii)	(iii)	(iv)	(v)	(vi)
1921-22	— 9,60	— 81,90	+ 4,03		87,47
1922-23	+ 46,30	— 88,28	— 21,52		63,50
1923-24	+ 111,33	— 92,80	— 26,89		9,36
1924-25	+ 85,61	— 96,51	— 29,47		40,37
1925-26	+ 133,15	— 88,72	— 32,39	12,04	
1926-27	+ 68,83	— 88,91	+ 29,91	9,83	
1927-28	+ 82,39	— 96,91	— 14,57		29,09
1928-29	+ 89,89	— 89,97	— 19,89		19,97
1929-30	+ 88,20	— 88,24	+ 3,58	3,54	
1930-31	+ 61,34	— 74,96	— 9,38		23,00
1931-32	+ 109,34	— 67,65	— 16,62	25,07	
1932-33	+ 85,12	— 71,45	— 17,88		4,21
1933-34	+ 108,61	— 71,07	— 36,80	74	
1934-35	+ 90,78	— 73,00	— 22,73		4,95
1935-36	+ 81,66	— 75,61	+ 13,80	19,85	
1936-37	+ 111,36	— 80,63	— 10,60	20,13	
1937-38	+ 75,23	— 83,34	— 5.81		13,91
1938-39	+ 73,75	— 77,18	— 8,96		12,39
Total	+1492,29	—1487,13	—222,19	+91,20	—308,23
Net position	....	..			—217,03

Table 5a : Sterling Investments (Traceable)

(£ '000)

	1921			1938		
	Share	Loan	Total	Share	Loan	Total
i. Tea, coffee, Rubber	18,487	876	19,363	28,616	1,250	29,866
i. Oil	9,975	925	10,900	17,509	4,818	22,327
i. Railways	18,249	8,859	27,108	9,465	5,729	15,194
. Trams, electricity etc.	3,601	1,463	5,064	7,449	2,334	9,783
. Mines	17,304	—	17,304	13,918	159	14,077
i. Inland shipping	3,557	200	3,757	5,013	278	5,291
	71,173	12,323	83,496	81,970	14,568	96,538
i. Corporations		3,933	3,933	14,600	14,600	14,600
i. Native State Raj loans		505	505		730	730
Total :	71,173	16,761	87,934	81,970	29,898	111,868
nount British held or i-vi, 92.5% of shares and 86% of loan capital; for vii and viii, 91% of amount outstanding)'	65,835	14,414	80,249	75,822	25,712	101,534
r Rs lakhs :	87,78	19,21	106,99	101,10	34,28	135,36



historic voyage ended as the steamship "Enterprise" reached Calcutta on 9th December, 1825. The first steam-powered vessel to make the England-India run, the 500-ton "Enterprise" won a cash prize of Rs. 100,000 offered by Calcutta's trading community for this truly pioneering achievement. Her captain on the hazardous voyage round 'the Cape' was James Henry Johnson, Commander, Royal Navy, and a hero of Trafalgar.

Though the "Enterprise" was the first ocean-going, partly steam-propelled ship to arrive at any Indian port, small steam-powered craft were being built in Calcutta as early as 1823.

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minated in the 'twenties. Conservatively, we assume that, in our period, managing agency houses and individual non-Indians held 50 per cent of the capital of these companies.

Other Foreign Investments: Based on certain U S Government data, U S investments in India are put at Rs 10 crores in 1921 and Rs 20 crores in 1938. Other foreign investments are assumed to be 15 per cent in 1921 and 20 per cent in 1938 of the total rupee and sterling (excluding public debt) investments.

Total foreign investments in India are thus, Rs 708 crores in 1921 and Rs 885 crores in 1938.

This shows a net rise of Rs 177 crores during 1921-1938. It may be stated that the bulk, viz, traceable parts of (A) and (B), is in terms of par values of the equities; their market values would be larger by perhaps a quarter, judging from the values of their dividend series. This will raise the totals and, to a smaller extent, the net rise over the period.

Flow of Foreign Capital

Table 6 shows the issue prices and par values of annual borrowings on the London Stock Exchange by India Government, and by other public bodies and joint-stock companies working in India (source : *Economist*). Government loans predominate, and are concentrated in 1921-24 and 1927-34. Among "Other" borrowings are: Ports and Corporations, £9.98 mn; Oil Companies, £9.76 mn; Electricity, Trams, Gas, etc, £8.8 mn; Railway and Navigation, £3.74 mn, etc. As much as 79 per cent of "Other" borrowings are fixed-interest-bearing.

The foreign-held part (91 per cent) in these borrowings is Rs 278.8 crores. Having no such data for other current borrowings, we distribute the Rs 75 odd crores increase between 1921 and 1938 of "Other Sterling Investments", "Rupee Investments" and "Other Foreign Investments" among different years as in column (iii) of Table 7, based on the trend of traceable borrowings.

During 1921-38, Government repaid Rs 164 crores of sterling debt, especially from 1931-32 when gold exports yielded a large favourable balance and interest rates in London favoured conversions. Excluding 9 per cent Indian holdings net repayments for balance of payments purpose are Rs 149 crores. Of other repayments, in the data collected by us, private Railway capital was prominent.

Table 7 presents estimates of imports and repayments of foreign capital. The net import is placed at Rs 183 crores.

Table 5b : Rupee Investments in 1921 and 1938

(Rs lakhs)

		1921 Cap & Debs	1938 Cap & Debs
i.	Jute mills	22,22	19,69
ii.	Electricity & tele	12,46	21,60
iii.	Cotton mills	15,69	12,66
iv.	Engineering	10,23	13,55
v.	Coal	8,84	7,41
vi.	Tea	4,85	6,89
vii.	Re. Loans of corpns. etc.	59,42	60,88
viii.	Railways	11,57	12,31
ix.	Sugar	2,29	4,22
x.	Miscellaneous	35,75	36,28
xi.	Managing agencies	40,000	50,00
xii.	Govt. promissory notes enfaced for payment of interest in London	7,70	7,58
	Outstanding on 31st Dec	231,02	253,07
	Amount British held (for i-x, 50% of total; for xi and xii, 100% of total)	139,36	155,33

Table 6 : Annual Borrowings on the London Stock Exchange

(£ 000)

	Government		Other borrowings		Total	
	Par value	Issue price	Par value	Issue price	Par values	Issue prices
1921-22	17,500	16,850	7,085	6,801	24,585	23,651
1922-23	32,500	29,000	8,041	7,917	40,541	36,917
1923-24	20,330	18,000	5,869	6,859	26,199	24,859
1924-25	—	—	3,724	3,646	3,724	3,646
1925-26	—	—	2,225	2,196	2,225	2,196
1926-27	—	—	827	992	827	992
1927-28	7,500	6,862	350	490	7,850	7,352
1928-29	10,000	9,100	4,439	4,527	14,439	13,627
1929-30	6,000	5,940	327	517	6,327	6,457
1930-31	36,000	35,420	1,365	604	37,365	36,020
1931-32	10,000	10,000	—	—	10,000	10,000
1932-33	10,000	9,500	2,956	2,855	12,956	12,355
1933-34	22,000	21,400	250	245	22,250	21,645
1934-35	—	—	180	405	180	405
1935-36	10,000	9,800	980	1,039	10,980	10,839
1936-37	—	—	2,980	3,054	2,980	3,054
1937-38	—	—	2,065	2,065	2,065	2,065
1938-39	—	—	875	950	875	950
	181,830	171,872	44,538	45,162	226,368	217,034

(From *Economist*)

Foreign Investments in India

(A) Sterling investment (Traceable and others)	....	Rs 12,304 Lakhs	Rs 16,243 Lakhs
(B) Rupee investment (Traceable and others)	....	Rs 16,026 „	Rs 18,640 „
(C) Other Foreign investment (Traceable and others)	....	Rs 5,250 „	Rs 8,977 „
(D) Foreign-held part of £ (Public Debt)	....	Rs 37,267 „	Rs 44,649 „
		Rs 70,847 „	Rs 88,509 „

Comparison of Direct and Indirect Estimates

We have now three estimates: (i) Indirect: net current account deficit—Rs 217 crores; (ii) difference between foreign investments in 1921 and 1938—Rs 177 crores; and (iii) cumulative net annual inflow—Rs 183 crores. A particularly close agreement among these is unlikely with the wide range of data of varying pedigree used for these estimates. Also, the net import of capital being small as compared with India's total international transactions in this period, even small errors of estimation in the latter will tend to magnify their impact on the capital balance. A further point may, however, remain. In estimating debt services, we assume a one-year lag between investment and remittance of returns; it may have been larger for fresh industrial ventures, though such ventures were rare in India's fresh borrowings in London in this period. However, if this is allowed for, the indirect estimate may come nearer the direct estimates by another Rs 8-10 crores.

The annual deficits/surpluses in the current account may be compared with the net in-(out-) flows of long-term capital. Within the limits of our estimates, the gap between the two is bridged by short-term capital. Of the 11 years when the current account had deficits, in 9 years these are associated with varying surpluses in the capital account. Of the 6 years when the current account had surpluses (excluding the minor one in 1933-34) in 4 years these are associated with deficits in the capital account. The private sector may have financed the deficits in 1937-39 from its foreign balances and/or by incurring short debts to stockpile, anticipating the War. For the unmatched current surplus in 1925-26, there is at least one explanation — the Secretary of State used some of it to augment his reources in the U K which he ran down in 1926-27.

It is significant to compare the long-term capital balance and debt services on foreign capital during 1921-38. The former is around Rs 200 crores while Table 2 places the latter at Rs 905 crores (excluding remittances by exchange banks, insurance companies and coastal and

Table 7 : Annual Estimated Imports and Repayments of Foreign Capital
(Rs lakhs)

Year	Issue prices of floatation in London	Estimated other borrowings	Total of II & III	Repayments Government & others	Net borrowings	Net repayments
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
1921-22	32,59	8,00	40,59	3,53	37,06	
23	51,16	8,00	59,16	3,85	55,31	
24	35,24	8,00	43,24	4,50	38,74	
25	4,55	6,00	10,55	3,84	6,71	
26	2,67	6,00	8,67	4,56	4,11	
27	1,20	6,00	7,20	7,33		—13
28	8,92	6,00	14,92	4,42	10,50	
29	16,53	—	16,53	7,59	8,94	
30	7,84	—	7,84	3,28	4,56	
31	43,71	—	43,71	3,35	40,36	
32	12,13	4,00	16,13	23,04		—6,91
33	14,99	4,00	18,99	14,47	4,52	
34	26,26	4,00	30,26	18,99	11,27	
35	49	4,00	4,49	4,00	49	
36	13,15	4,00	17,15	22,32		—5,17
37	3,71	4,00	7,71	25,12		—17,41
38	2,51	3,00	5,51	9,22		—3,71
39	1,15	—	1,15	7,60		—6,45
Total	278,80	75,00	353,80	171,01	222,57	—39,78
Annual average	15,49	4,17	19,66	9,50	10,16	

1914, Pandit estimated debt services at Rs 249 crores—an underestimate, we feel; his direct and indirect estimates of the capital account are Rs 150 crores and Rs 200 crores respectively. The limitations of Pandit's and our estimates are not of an order of magnitude as precludes the broad conclusion that, barring the 7 years' gap 1914-21, during 1898-1938 debt services on extent foreign investments always exceeded the net annual imports of foreign capital except in 1900-01, 1905-06, 1908-10 and 1922-23. In inter-War years the gap between the two streams widened more compared to the pre-1914 years.

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Productivity and Employment

A Note

John P Lewis

Indian economic decision-makers up and down the line need to cultivate a much livelier passion for productivity improvement than many of them exhibit now. They need always to give the benefit of the doubt to any proposed particular productivity improvement, avoiding undue anxiety about its temporary dislocating effects, until it can be proved that by over-claiming scarce capital or land the particular improvement would stunt other modest improvements to retard the growth of output per member of the total labour force.

Technological adjustments that will minimize the temporary labour-surpluses by introducing more capital-saving techniques without slowing down the pace of development are all to the good. But beyond this the problem of temporary residual unemployment has to be dealt with mainly by an imaginative works programme that can put the residual labour force to constructive, self-terminating tasks without generating perverse, lingering side-effects and without cluttering the logic or slowing down the momentum of the main development effort.

THERE is a generic confusion running through current Indian economic commentary concerning the relationship of improvement of labour productivity to employment and to the efficiency of land-use and capital-use. One hears that, because labour is abundant, raising labour productivity is far less important than boosting output per acre in agriculture and per unit of capital in industry. From many discussions of the employment problem, it would be easy to gather that an upward trend in output per manhour is positively anti-social; that its over-riding effect is simply to kill off jobs.

It is hard to imagine a more misleading reading of Indian development requirements. The primary substantive goal of development is to raise real income per capita, and the only possible way of accomplishing this is by raising output per capita, which, for all practical purposes, is to say output per member of the total labour force. Economic progress is absolutely dependent upon the growth in total labour productivity defined in this way. Indeed, the main reason for worrying about the productivities of land and of capital is our concern to see that these scarce factors are spread around in such fashion as to maximise output per member of the total labour force, both employed and unemployed.

Only the misrationing of these scarce factors, in an economy like the Indian, is apt to make the introduction of a labour-saving process into a particular productive establishment fail to contribute to the general economy-wide advance in lopment principally seeks. Most particular advances in labour productivity, of course, are apt to put some people, either in the innovating establishment or its competitors, out of work — temporarily—and/or force them to change jobs. This is unsettling and socially costly; there are good political and humane reasons for temporising the impact on dislocated enterprises and individuals. But such a continuing displacement of inferior processes and products by superior ones is the very essence of progress in any economic system, however organised. Moreover, this inherently dislocating aspect of all particular improvements in labour productivity can cause serious trouble only in an economy where total demand grows so sluggishly that it fails to generate adequate re-employment opportunities for the displaced workers. Deficient aggregate demand is one of the last problems that India should have to worry about in this era, faced, as it is, with manifold development tasks and equipped with a powerful, fiscally sophisticated government.

Capital-Intensive Innovation and Unemployment

Therefore, the real problem that particular improvements in labour productivity can pose for employment, and for general labour productivity in India arises only when steps to increase output per manhour in a particular industry or establishment claim so much of the available supply of capital and/or land that not enough of these latter is left to supply the tools and facilities necessary, whatever the buoyancy of aggregate demand, for re-productive work as they were doing before. Or, to put the thing in more dynamic terms: the problem arises when a capital-intensive innovation, although perhaps achieving a dramatic rise in output per manhour in a particular industry, forestalls a number of lesser advances in productivity elsewhere that would have bulked into a larger increase in total output per member of the labour force.

The minimization of unemployment, admittedly, is sought as an end in itself in India. But can this goal ever really be at odds with an attempt to maximise the advance in total labour force productivity? In the terms in which the latter objective has just been discussed, the answer would appear to be, probably, No. Whenever there is unemployment in the present Indian economy — that is, when the productivity of part of the labour force is zero — there is a *prima facie* case that capital is misallocated; the losses in output per manhour that would be occasioned by saving capital from elsewhere in the system to provide the minimal tools necessary for putting the unemployed to useful work probably would be less than the resulting gains. But this rather glib assertion invites some qualifying comments.

In the first place, India's export difficulties, which force it to economise on imports, mean that the country must largely produce, not only the quantity, but the particular collection of things it wants to consume, as well as the primary and intermediate products needed for delivering these end products. But the capacity requirements for some

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batch of goods — especially for such essential intermediate products as steel, machine tools, and machinery — are more capital-intensive than would be consistent with a literal maximisation of output per member of the total labour force (and minimisation of unemployment) if the composition of domestic output were a matter of complete indifference. Thus some conflict is possible on this count between the employment and what might be called the "modified total productivity" objective, defining the latter as maximum per capita growth in the output of the "right things".

Conflict is also possible for a closely related reason : the development programme must be coherent through time. Because of the long lead times required for putting some productive capacity in place, it is impossible fully to maximise employment and output per member of the labour force month-by-month, year-by-year, or even five-years by five-years if the objective is maximum performance in a longer run. Thus during the Third Plan period, for example, it will be advisable to allocate some of the country's scarce capital resources to the construction of machine-building capacity that will contribute nothing to total labour productivity and employment by the end of the Third Plan, but will economise foreign exchange and capital, thereby stimulating a further expansion of employment and productivity, in the Fourth Plan period.

Both the product composition and the time composition that must be sought in the economy's productive expansion tend to give the developing Indian economy an unemployment bias, a temporary labour surplus. This is one problem, however, that cannot be properly solved by attacking its causes. For the latter, as just explained, are inherent to the strategy of development that must be pursued. To be sure, purposeful efforts to contrive new capital-saving productive processes that can reduce the capital claims of essential products and services without slowing the dynamic of development are strongly indicated. But some of these capital claims are bound to remain heavy, and some of the unemployment bias is likely to persist. There are two key points to be made about the policy response to this stubborn residue of the problem.

The first is that it is essential not to get rattled; not to throw out the baby with the bath; not to surrender the basic strategy; not, above all, to fall into the fatal habit — mentally, administratively, or politically — of regarding the improvement of labour productivity as unimportant. In the rapidly developing Indian economy, it is vital to keep the allocation of long-lead investments and, even more, the formation of managerial attitudes and practices (which takes even longer) tilted in the direction of the more capital-abundant, labour-expensive economy India is in the process of becoming.

Systematic Mobilisation of Labour

The second point to be made about the labour surplus that even the best designed investment allocation will tend to leave at this point in India is that it does not need to remain such; that unemployment and underemployment, at least in the countryside, can be substantially and quickly reduced in a manner that furthers, not impedes, the general development effort; that, indeed, a systematic mobilisation of the labour surplus can add a kind of bonus, an extra push, to the central elements of the development programme — if the challenge can be recognised and accepted as an essentially organisational one. Most existing unemployment, especially the rural variety, does not actually betoken an absolute shortage of capital that denies willing hands even the barest tools required for some kind of productive work. Rather, it betokens a failure to organise what is a temporarily residual labour force into the performance of socially useful tasks that could not otherwise be undertaken. Much of what Indian economic policy so far has attempted in this regard has made the mistake of blurring the distinction between a temporary residual employment programme and the mainstream of the sustained expansion effort. Thus permanent government agencies have made a virtue of employing superfluous personnel; workers have been encouraged to enter dead-end, archaic trades and crafts that (unlike many small industries and handicrafts) have no conceivable future in the open, unprotected market of an industrialising economy and yet breed expectations of permanent employment and income; and the topsy-turvy doctrine of benign inefficiency has been variously nurtured.

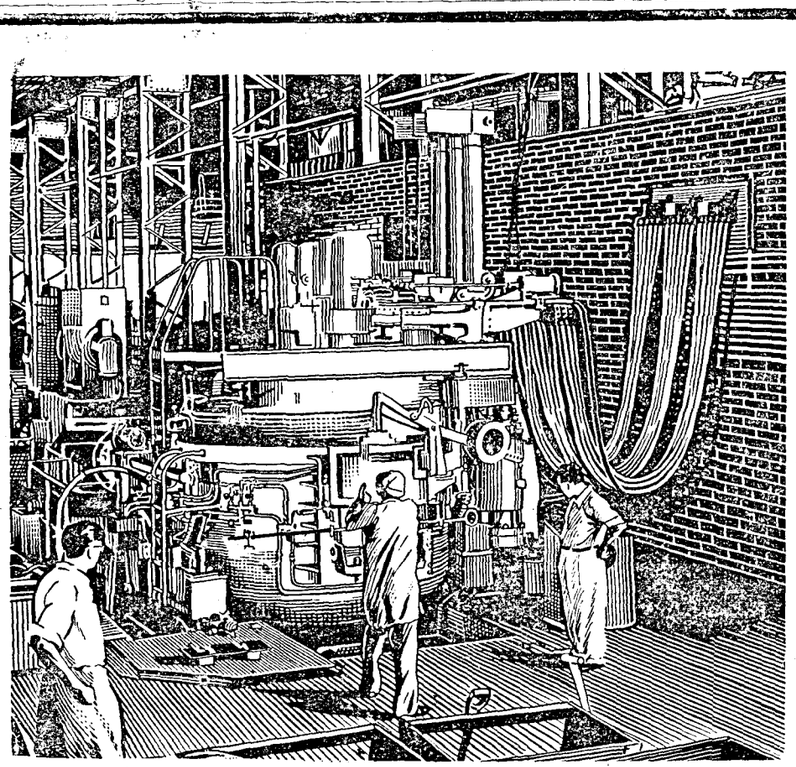
But there is no need for a large and distinctive residual employment programme to have these foibles. It can be one that enters into no direct competition with permanent productive establishments but, rather, performs tasks that will heighten their future productivity. It can consist of self-terminating projects which periodically throw residual labourers back into the labour market for recruitment into permanent jobs as fast as the latter can be created. It can be a programme, therefore, that does not build pockets of chronic inefficiency into the economy but, on the contrary, maintains a good level of productive discipline, demanding and only paying for hard, useful work. It nevertheless, can be as massive a programme as need be, can be overwhelmingly labour-intensive, can therefore have costs limited very nearly to the wages paid, and marginal social costs (since the nation, in any event, proposes to provide subsistence to the residual labour force) substantially lower. As will be plain by now, the concrete programme that could most readily be organised to fit these specifications would be a greatly expanded venture in rural public works.

Rural Works Programme

This last brings us to a topic about which, certainly, much has been said and written in India during the past decade. But it has remained a peripheral subject, nonetheless. Official thinking, in my judgment — both in India and in aiding governments — has failed to appreciate the pivotal role that a massive, realistically organised and financed, rural works programme could play in the nation's developmental strategy. Nor has there been sufficient exploration of the extent to which incremental surplus food imports (from the United States or elsewhere) could be used to leech the one really dangerous (although temporary) inflationary pressure that a sharply expanded rural works programme would generate — namely, that on food prices.

To sum up the general points : The idea that Indian economic development need not be concerned about raising general labour productivity is an unspeakable heresy. This is precisely what the whole business is mostly about. Indian economic

decision makers up and down the line need to cultivate a much livelier passion for productivity improvement than many of them now exhibit. They need always to give the benefit of the doubt to any proposed particular productivity improvement — especially they need to avoid undue anxiety about its temporary dislocating effects — until it can be shown that, by overclaiming scarce capital and/or land, the particular improvement would stunt enough other more modest improvements to retard the growth of output per member of the total labour force. It is scarcely possible for any development programme that maximises general productivity in this sense to have adverse employment effects. However, modifications in the literal productivity-maximising standard that must be made in the interests of appropriate product composition and time composition in the economy's output do, presently in India, make for some labour surplus. Technological adjustments that can minimize this by introducing more capital-saving techniques without slowing the pace or distorting the needed composition of productive expansion are all to the good. But, beyond this, the problem of temporary residual unemployment should be dealt with mainly by the mounting of an imaginative works programme that can put the residual labour force to constructive, self-terminating tasks without generating perverse, lingering side effects and without cluttering the logic or slowing the momentum of the main development effort.



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Around Bombay Markets

Dalal Street Jubilant

Thursday, Morning

DALAL STREET continues to be in a jubilant mood. It is not hat a few big professional operaors have acquired a firm hold on he market and are now in a posion to call the tune. Interest has roadened appreciably and the perormance of cash counters is no less mpressive than that of the speculators' favourities. Corrective profitaking last week, which was quite eavy at times, did little more than roduce a slight setback now and hen but in most cases these setbacks roved to be only an intra-day ffair. Slowly but confidently, quities continued to edge their way p and the market wound up the eek on Wednesday almost at its ery best.

Growing monetary stringency, the alf per cent increase in the rate of nterest on advances against shares y some of the banks, technical conderations and prospects of further urbs on speculation by the stock xchange authorities — all these ave failed to cause any uneasiness n the stock market. But this is not he least surprising. Apart from the airly satisfactory corporate news, he stock market is particularly imressed by the Finance Minister's bservations in the Rajya Sabha hat the bulk of the additional taxaon revenue in the third Plan would ave to come from indirect taxaon. Only a small part of the reuired resources could come from irect taxation. Shri Morarji Desai urned down suggestions for revivng the excess profits tax which he escribed as a war-time measure. axing firms which made higher rofits in normal times would amunt to penalising efficiency, he aid. The stock market has indeed ttle to worry so long as Shri Desai the Finance Minister. It has alays regarded him as its own man nd Shri Morarji Desai has fully ved up to the stock market's exectations.

Near 1960 Peak

'Vyapar's' equity share index January-June 1956 = 100) which ood at 138.77 on 28th February nd had risen to 142.48 by 8th larch improved further last week nd touched a high of 145.26 on 5th March. The closing was only slightly lower at 144.93. The new issues index (July 1, 1960 = 100) rose from 96.22 to 98.61 last week. Early in January the equity share index had declined to a low of 127.19. Last week's rise to 145.26 brings the index to within a striking distance of its July 1960 high of 150.39.

Surprising as it might appear there is a striking similarity in the behaviour of London Stock Exchange, Wall Street and the Bombay Stock Exchange. The Financial Times index for ordinary shares which had declined from its all-time high of 342.9 (4th January 1960) to 293.4 on 9th December and stood at 305.3 at the year-end is up again at around 338. The Dow-Jones industrial average touched its all-time high of 685.47 on 5th January 1960 and fell to a low of 569.08 on 28th September. It had recovered to 615.89 by the year-end and has advanced further to 674.49. Both the London stock market and Wall Street are thus very near their all-time highs. And so is Dalal Street. Interesting, isn't it?

Oilseeds

All-Round Advance

OILSEEDS prices last week recorded impressive gains all-round. Linseed May advanced from Rs 35.81 to Rs 38.25 per 50 kilos and cottonseed May from Rs 94.25 to Rs 98.50 per 250 kilos. These are record high levels for the season in both cases. Last week's rise in castor May from Rs 173.62 to Rs 179.75 brings it very close to its previous high of Rs 182 and it may not be long before castor too establishes a new high. About groundnut: the less said the better. Futures trading continues to be at a standstill because of the ceiling of Rs 220 per 250 kilos and it is long ago that ready groundnut hit a new all-time high; they continue to rise. Groundnut K G quality was quoted at around Rs 280 last week and H P S fetched a fancy price of Rs 300. Even the inferior most quality of groundnut was difficult to secure at below Rs 260. The price of groundnut oil ready improved from Rs 21.50 to Rs 22.75 per 10 kilos during the week. The growing strength in groundnuts reflects the continued good consumer demand and inquiry from vanaspati manufacturers on the one hand and the steady decline in stocks which apart from being small are quite tightly held in expectation of still higher prices.

In view of the extremely tight supply position of groundnut it is really amazing that the Government should still be thinking in terms of exporting groundnut oil. It would be unwise to allow the export of edible oils this season. On the contrary, there is need for augmenting domestic supplies through imports. That is the only way how internal prices of edible oils can be kept under check. The Government should expore the possibilities of importing large quantities of soyabean oil and/or cottonseed oil, preferably under P L 480. This might help release Indian linseed oil for export.

It is the record high prices of groundnuts which have led to a marked improvement in linseed and linseed oil prices over the past few weeks and widened the disparity between Indian and world prices of linseed oil. The price of linseed oil works out to around £ 145 against the current U K quotation of £ 117. Internal prices cannot be expected to come down much as long as groundnut oil continues to be quoted at around the prevailing high level. Linseed oil is being eagerly sought for mixing with other edible oils.

Export Performance

Last week's improvement in castor too was mainly of a sympathetic nature. Export houses did not report any important fresh business in castor oil though there was a considerable improvement in the U K quotation for Indian oil. As against the previous week's quotation of about £ 126/127 per ton for B S S the U K was said to have made small purchases during the week at between £ 128 and £ 130 and was reported willing to pay around £ 132 near the week-end. Shippers seemed reserved because of the difficulty in securing oil in bulk. The U S continued to keep off the Indian market though Bra-

zil had ceased to be an important seller for prompt shipments. Reports from the U S indicate that importers there are carrying sufficient stocks to last them three months. Export houses seem optimistic about the revival of business with the U K and Communist countries. Apart from the sale of a few hundred tons of castor oil export business put through during the week consisted of nearly 2,500 tons of groundnut extractions, mostly from Saurashtra ports, and some 500 tons of linseed cake. The prices realised for groundnut extractions were reported to be about 10 shillings per ton less than in the previous week, with March shipment quoted at around £ 26-17½.

Shipments of oilseeds, oils and oilcakes from Bombay in the first two months of the year with the corresponding figures last year in brackets are: groundnut 2,680 tons (5,603), sesame 3 (347), cottonseed 99 (nil), groundnut oil 132 (1,893), linseed oil 547 (1,846), castor oil 2,342 (8,639), groundnut expellers 1,653 (14,188), groundnut extractions 31,027 (33,482), linseed cake 3,205 (7,659), cottonseed cake 6,159 (1) and nigercake nil (2,235).

Cotton

Further Rise

THE cotton market last week showed further strength which was particularly marked in ready because of continued good spinner inquiry. All cottons stapling 15/16" and above were said to be in keen demand and C02 rose, by as much as Rs 50 per candy. It is hardly possible to get this cotton at the ceiling rate. In Vidarbha, 'kapas' prices are reported to have touched new high levels for the season. With nearly 65 per cent of the crop having already been marketed there seems little chance of any noticeable decline in ready cotton prices in the near future. If anything, prices should harden further with the progress of the season. That the spot cotton market should have developed marked strength despite a crop of about 52/53 lakh bales and fairly heavy imports is not surprising in view of the record low carryover from the previous season. It is really amazing that the East India Cotton Association should ever have expressed concern over the decline in cotton prices which was nothing more than seasonal in character. Perhaps that was intended merely to strengthen its plea for an additional export quotas.

Futures were erratic but firm. The April hedge contract which had risen from Rs 569 to Rs 582.25 in the preceding week recorded a high of Rs 592.25 on 14th March and the closing rate of Rs 588 the next day showed a net gain of Rs 5.75 per 3 quintals over the week. An interesting feature of last week's trading in futures was the marked decline in the spread between the two hedge contracts. The distant August contract which was quoted at a premium of Rs 12.25 over April at the previous week-end fetched a premium of only Rs 6.50 on 15th March. Apparently "bears" in April are switching over to the distant contract because of the approach of the delivery period. With Moglai fine 25/32" ready, which forms the basis of the hedge contract, quoted at around the ceiling rate of Rs 693, it is only natural that the "bears" in April should start feeling uneasy now that the contract is approaching its delivery period. For too long have they gambled on the bearish character of the contract.

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For Asian New Age Publishers Private Limited

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U S Cotton

The procedure for the import of 3 lakh bales from the U S under P L 480 has yet to be announced. It is not therefore certain what will be the share of the trade in this quota. But the mills' reaction to this quota is far from enthusiastic. For one thing this cotton will be of staple below 1-1/16" the supply position of which is fairly satisfactory because of the good Indian crop. Besides, prices of short staple U S cotton are considered to be favourable compared to equivalent Indian cottons and there seems considerable dissatisfaction about the irregular quality of American shipments. That apart, mills are reluctant to lock up their funds in the import of cottons because of the acute stringency in the money market. It is quite likely that mills will ask the Government to permit the import of longer staple cotton—1-1/16" and above — and at the same time allow shipments beyond 31st July so that they can take advantage of the increased export subsidy of 8.5 cent a pound which comes into effect from 1st August.

Exports, Imports

Notwithstanding the improved supply position because of the larger Indian crop, it might be inadvisable to allow the export of short staple cotton like Kalagin and Wagad because of their possible impact on domestic prices. But the position of Bengal Deshi is different because there exists a fairly large exportable surplus of Deshi. The 1960-61 Deshi crop is estimated around 350,000 bales and there is also a carryover of about 40,000 bales from the previous season. The total domestic consumption is placed around 150,000 bales. The export quotas allowed so far add up to 100,000 bales. It should therefore be easily possible to permit the export of 75,000 to 100,000 bales. Unlike the prices of other varieties, Bengal Deshi prices have been showing an easier tendency for some weeks. Bengal fine which had been marked up as high as Rs 75 per Bengali maund has come down to around Rs 66. The release of a further export quota for Bengal Deshi seems desirable in every respect. The sooner it is announced, the better.

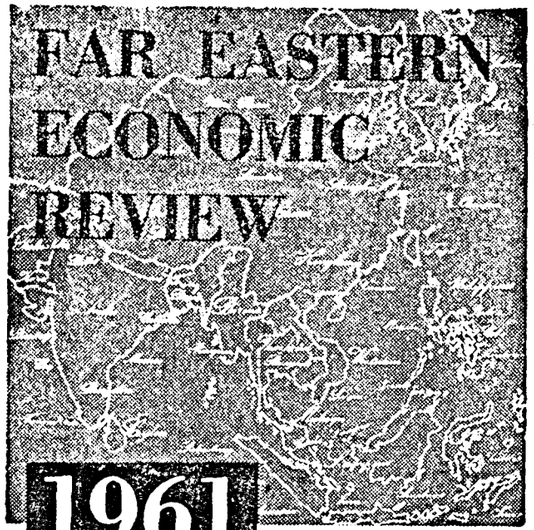
The quantity of cotton licensed for import between 1st September 1960 and 4th March consists of 115,296 bales of sterling area cotton and 410,024 bales from the U S. Actual arrivals, which include quantities licensed in the previous season, total 179,572 bales from the sterling area and 404,164 bales of U S cotton. Shipments of cotton from India upto 25th February total 73,595 bales as against 109,830 bales in the same period last season. Japan took 61,373 bales, Hong

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Kong accounted for another 7,325 bales and the Continent lifted 4,323 bales. The U K accounted for no more than 250 bales and the share of the U S was about the same at 256 bales. Other countries took a mere 68 bales.

Bullion

Break in Silver

THE bullion market had a big jolt last week. Silver Chaitra delivery which had been bid up to Rs 208.48 per kilogram in the previous week and had drifted lower to Rs 206.40 by 11th March was sold down to Rs 202.80 on 13th March. Thereafter it rallied to around Rs 205.85 and showed a net loss of Rs 2.80 over the week-end closing of Rs 208. Gold eased merely in sympathy with silver. The quotation for Chaitra delivery eased from Rs 124.20 to Rs 122.20 and rallied to close at Rs 123.35 per 10 grams.

The sharp break in silver which really occured on Sunday, 12th March, was caused by reports which are yet to be confirmed, that the Government of India might soon release about 100 tons of silver in the form of bars of 3,000 tolas each. The report emanated from Calcutta and a spokesman of the Reserve Bank (Calcutta office) was said to have even expressed considerable concern over the possible impact on the price structure of the sudden release of a large quantity of silver.

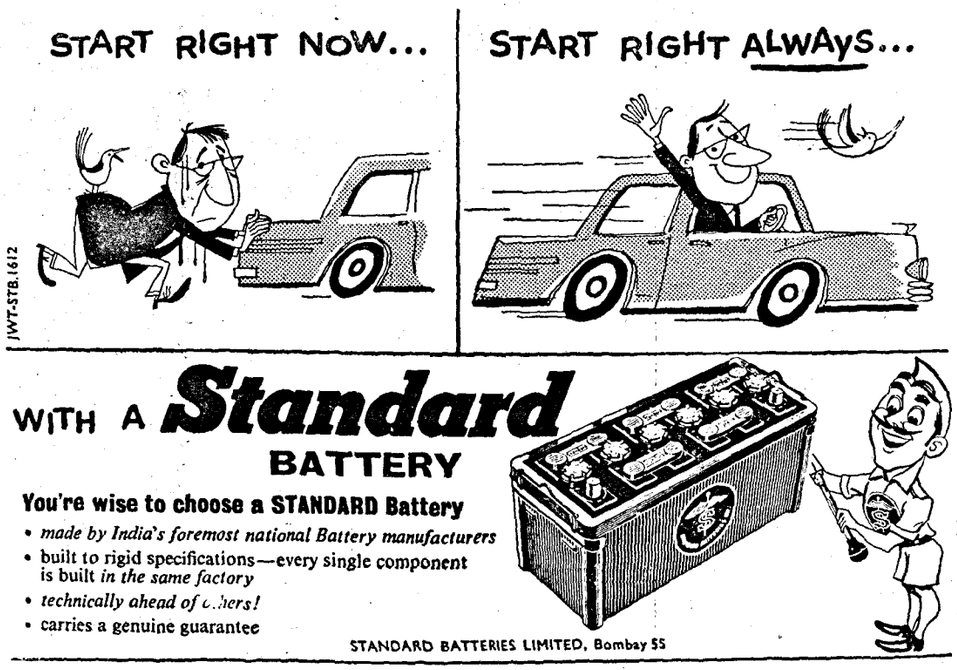
That the Government has a huge stock of silver from the refining of pre-war coins is common knowledge. Whether the Government would like to release these stocks to be sold in the market is difficult to say. There is little to be gained by disposing these stocks in the market. Considering how readily large quantities of silver coins from Tibet were absorbed at rising prices a few years ago the effect of the sale of silver from the Government's stocks is likely to be only temporary. It is difficult to say whether uncertainty about the sale of silver by the Government will continue to have a restraining effect on the trend of silver prices for long.

I F C Investment

THE International Finance Corporation has announced a commitment to invest US$210,000 in K S B Pumps Private Ltd., of Bombay, India, to help finance the construction and operation of a plant at Pimpri, near Poona, for the manufacture of special-purpose pumps.

Principal shareholder is Klein, Schanzlin & Becker AG (KSB) of Frankenthal, Germany. This firm was formed in 1871 and is today a leading manufacturer of a wide range of pumps, compressors, and valves. Other shareholders are : The Industrial and Prudential Investment Co., Ltd., of Bombay; The New India Development Corporation (Private) Ltd. and a private investor. KSB will be responsible for construction of the plant and for the Indian company's management and technical direction.

Production is planned at about 800 pumps annually, and is expected to begin in 1962. Total cost of the project is estimated at $630,000 in U S dollars and dollar equivalent. The IFC investment of $210,000 is in unsecured dollar notes bearing 7% payable in dollars, and maturing between 1966 and 1971. IFC will also be entitled to receive additional interest in rupees related to profits.



CURRENT STATISTICS

BANKING RETURNS (Rs Crores)

ve Bank	Latest Week‡	Week Ago	Month Ago	Year Ago
Note Circulation	1979.96	1947.16	1948.81	1837.90
Rupee Coin	118.32	120.46	120.94	123.69
Deposits				
a) Central Govt	55.42	51.44	59.86	50.64
b) Other Govts	6.27	14.70	21.85	29.76
c) Banks	73.87	71.86	70.44	71.63
d) Others	88.95	90.75	92.28	95.04
Foreign Securities	128.01	128.01	128.01	163.01
Balances abroad	30.84	29.29	24.47	32.27
Rupee Securities	1627.27	1592.27	1592.28	1442.11
Investments	118.71	154.12	130.84	207.49
Loans and advances				
o Govts	48.71	41.62	39.22	29.49
Other Loans and Advances	158.24	155.53	157.03	135.61
luled Banks				
Liabilities:				
Demand (net)	696.75	698.21	692.38	740.03*
Time (net)	1038.92	1039.44	1049.13	1134.79*
Total	1735.67	1737.65	1741.51	1874.82
Cash in hand	44.91	45.20	45.77	47.06
Balances with Reserve Bank	69.92	72.91	74.05	79.39
(5) + (6) as % of (4)	6.36	6.53	6.61	6.74
Borrowings from Reserve Bank	62.46	52.14	58.72	46.69
of which				
Usance Bills	27.55	26.15	22.35	6.70
Advances	1071.42	1062.97	1047.78	911.28
of which				
State Bank's	250.30	247.33	235.51	175.71
Bills Discounted:				
(a) Inland	142.27	139.58	129.99	113.32
(b) Foreign	49.49	48.78	47.96	46.14
(c) Total	191.76	188.36	177.95	159.46
of which				
State Bank's	17.24	17.56	17.52	16.09
Bank Credit (9+10c)				
as % of (4)	69.92	69.16	67.63	57.11
Invest in Govt Sec.	581.40	584.42	605.97	757.49
of which				
State Bank's	251.05	251.09	269.01	381.85
(12) as % of (4)	32.18	32.30	33.44	40.40
ue Clearance	199.04	212.44	240.93	204.64

Reserve Bank week ended 10-3-61. For scheduled s and Cheque Clearance week ended 3-3-61.
ludes deposits of banks and others.

Bombay Money Rates (% per annum)

elected Scheduled Banks other than State Bank)

Money	3-3-61	Week Ago	Month Ago	Year Ago
om Banks	5.26	5.25	5.25	3.50
sits:				
ven Days	—	2.00	2.00	3.37
ree Months	3.50	3.50	3.50	3.50
Months	3.50	3.50	3.50	3.50

Bombay Bullion (Rs and nP)

	16-3-'61	Month Ago	Week Ago	Year Ago
(per ten grams)				
ot	122.45	123.50	122.10	111.21
rward	123.00	123.65	122.20	110.72
r (per kilogram)				
ot	205.05	206.45	207.40	186.78
rward	204.90	206.70	208.35	186.57

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53 = 100)

	Feb '61	Jan '61	Dec '60	Feb '60
Food Articles	**116.2**	**116.4**	**117.0**	**118.8**
Cereals	99.8	99.1	100.4	104.4
Pulses	92.9	94.9	93.6	95.1
Fruits & Vegetables	104.2	105.8	104.4	113.1
Milk & Ghee	109.5	109.8	111.1	111.5
Edible Oils	160.4	159.6	154.0	137.8
Fish, Eggs & Meat	121.3	123.2	125.0	110.5
Sugar & Gur	119.1	122.4	126.6	145.2
Others	169.3	168.1	170.0	168.6
Liquor and Tobacco	**111.2**	**111.2**	**112.1**	**96.0**
Tobacco	109.8	109.8	110.8	94.2
Fuel, Power, Light & Lubricants	**120.0**	**120.0**	**120.3**	**117.3**
Industrial Raw Materials	**159.2**	**154.7**	**149.5**	**131.6**
Fibres	178.9	166.0	157.0	123.0
Oilseeds	157.9	158.8	153.5	140.8
Minerals	95.0	95.5	97.7	95.2
Others	128.3	129.1	131.3	133.2
Manufactures	**129.2**	**127.5**	**126.0**	**116.3**
Intermediate Products	**134.2**	**133.9**	**132.3**	**120.5**
Finished Products	**128.4**	**126.5**	**125.0**	**115.6**
Textiles	134.4	131.2	129.2	115.1
Cotton	126.1	127.4	129.3	125.2
Jute	167.7	154.9	142.6	96.4
Woollen	110.1	110.1	110.1	104.2
Silk & Rayon	111.4	103.8	101.8	103.4
Metal Products	146.9	146.9	146.8	145.2
Chemicals	104.2	104.2	103.7	105.6
Oil Cakes	149.1	150.4	146.8	144.6
Machinery & Transport Equipment	112.6	112.6	112.1	106.5
Others	117.0	116.7	116.4	112.7
All Commodities	**126.6**	**125.6**	**124.6**	**119.5**

STOCKS OF CLOTH AND YARN

	Cloth (Bales of 1,500 yds each)		Yarn (bales of 400 lbs each)	
End of month :	Sold	Unsold	Total	Unsold
1957 : Jan	239,592	274,596	514,188	27,445
June	209,485	297,277	506,764	51,945
Dec	209,186	450,699	659,885	108,455
1958 : Jan	210,500	372,500	583,000	89,200
June	223,600	341,000	565,200	105,700
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
Dec	155,700	118,000	273,700	21,100
1960 : Jan	151,200	117,700	268,900	22,800
Feb	119,600	140,200	259,800	28,900
Mar	130,000	156,000	286,000	30,500
April	146,000	128,000	274,000	31,600
May	145,300	130,100	275,400	33,600
June	151,600	131,900	283,500	31,000
July	172,500	127,100	299,600	30,700
Aug	189,000	172,000	361,000	42,500
Sept	198,000	188,000	386,000	50,200
Oct	196,500	188,000	384,500	44,100
Nov	190,800	190,300	381,100	45,300
Dec	205,400	206,100	411,500	52,700
1961 : Jan	194,300	177,100	371,400	43,100

Source : Textile Commissioner

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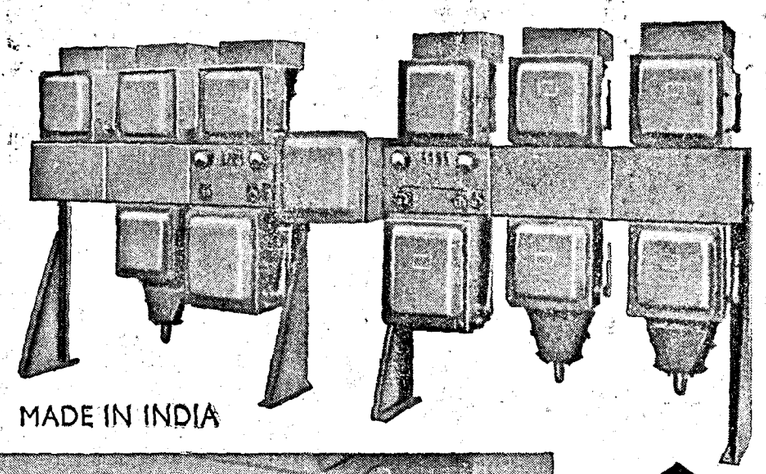
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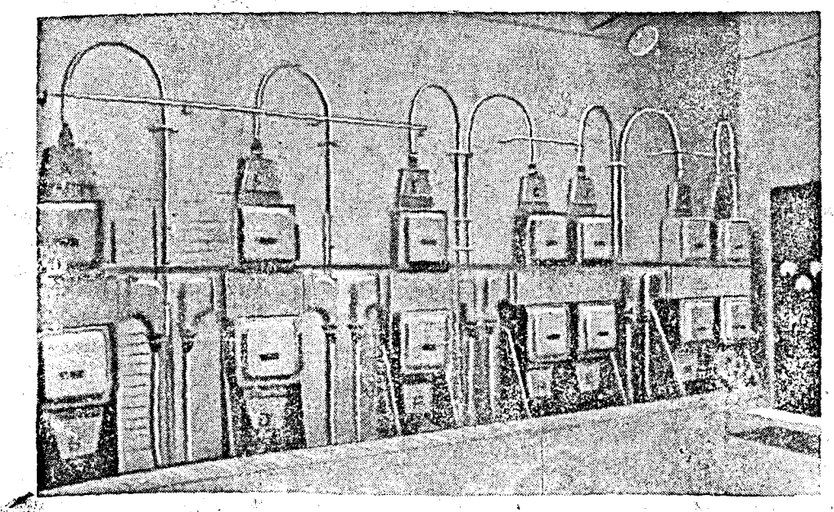
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THE ECONOMIC WEEKLY
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India's Risk in Congo

THE Security Council resolution sanctioning the use of force in the Congo "in the last resort" is now more than a month old, but the situation in that unfortunate country remains as chaotic as ever, and no signs of any improvement are visible on the horizon. Active Belgian participation in Congolese affairs at all levels has not ceased; Shri Dayal has again reported that other "foreign embassies" are directly interfering in the situation; the local leaders of the various factions and provinces have been pulling the country further apart; arms pacts have been signed between pairs of them; law and order is still in a state of *near-collapse; the people face a famine which is now said to be spread*ing to the U N personnel as well; and — most important of all — the United Nations *itself has suffered a serious* set-back as a result of its defeat at the port of Matadi. So what use, after all, was the much-boosted "Use of Force" resolution?

The moral is simple. A mere mandate is not enough; those who have to carry it out must be enabled to do so. It is all very well to decide, belatedly, that the use of force by the U N would be justified *in certain circumstances in the Congo*, but unless that force is made available, how is it to be used? The defeat of the Sudanese contingent at Matadi shows that the U N is not even strong enough to hold its own *at the moment*, let alone to undertake the major operation of disarming the *Force Publique* and all its subsidiary bands. India is so far the only country which has shown some realism in the matter, by sending a large, combat unit to strengthen the hands of Mr Hammarskjoeld and Shri Dayal. Since then, however, the Sudanese — *chagrined by the* Matadi incident — have been recalled by their Government, and no further troops have arrived. This is clearly a dangerous situation. Not only will it neutralise the gain resulting from the Indian contribution, but unless the other Afro-Asian States quickly follow our example, we ourselves might get involved in a hopeless wrangle from which extrication will not be easy.

India, therefore, has particular reason to be concerned at the stagnation which seems to have overtaken the United Nations operation in the Congo since the resolution of February 21. The decision to send the troops was a bold one, which means among other things, that it involved considerable risks to ourselves, politically speaking. No doubt, New Delhi must have taken the elementary precaution of consulting the leading African States on its proposed action; but in spite of that, if India remains for any further length of time, the only country to augment the U N force at this stage, there is no doubt whatever that its presence in Leopoldville will be vilified by the political propagandists who have their own reasons for seeing that the U N operation fails. Consequently, it is important to us in our own interests as well as in the interests of the U N mandate that the Government of India should go all out to whip up interest in the February resolution and quickly persuade other sympathetic countries, preferably in Africa, to give Mr Hammarskjoeld the troops he needs to discipline the armed bands which are making all political solution impossible.

One of the reasons for the continuing chaos in the Congo must surely be that while the members of the Cold War camps do not for a moment relax their intrigues in that country, the non-aligned countries are apparently content to let things proceed at their own leisurely pace for at least most of the time. They spur themselves into action only when the issue re-appears for debate on the U N agenda. This attitude was never very sensible; but now, for India at least, it can be most dangerous. Since we have taken the plunge and involved ourselves actively in the Congo operations, it should be our constant concern to see that the mandate is as effectively strengthened and as swiftly executed as possible, or else our involvement will lead us to disaster.

The bogey of the Tananarive conference and its so-called decisions should be actively exploded by Indian spokesmen on every available occasion, specially as it is being so sedulously built up by some of the Western diplomats. The African countries, who are being subjected to an unending barrage of propaganda on the subject, need to be assured that the purpose of the Indian move is precisely what the achievement of the Tananarive talks pretends to be. We want nothing more than that all the representative spokesmen of the Congolese people should have an opportunity of making up their mind in joint consultation, free from physical fear, about the future of their country. But these conditions will not be created as long as the vagrant armed bands (whom the politicians themselves are unable to control, even when they claim to act in their own support) are neutralised as a political factor in the country. It may be that the Congo is destined eventually to emerge as a federation, or perhaps even as a confederation, but the decision to that effect must be that of the people as a whole, as reflected through all of their elected representatives; it cannot be left privately for Messrs Kasavubu and Tshombe to take.

Wanted: A Central Sugar Board

SUGAR-CRUSHING this season has been sufficiently encouraging to warrant the confident expectation that production this year will reach the record figure of 26 to 27 lakh tons, and if consumption is kept down by the continuation of controlled prices at the current level, it may not exceed 20 to 21 lakh tons, which will leave a surplus of 6 lakh tons from this year's production. Taking into account the stock of nearly 5 lakh tons carried over from November 1 last year, the anticipated stock at the end of the current season may well be about 10 lakh tons, less any exports that may materialise during the year. Export possibilities being limited, the question has been raised whether control over price and distribution of sugar is any longer necessary.

A lakh tons has been released for export in two instalments, in September and January, of which the bulk has been contracted for. Though, according to a statement made in Rajya Sabha earlier in the month, actual shipments up to February 26 were only 37,906 metric tons, it is believed the quantity released for export will be shipped in due course and that another couple of lakh tons may be exported during the rest of the year. Making allowances for all these, a substantial surplus will remain.

Under the present system of control, the Central Government issues release orders to each factory, permitting the factory to sell up to a certain quantity of sugar in that month. The total of such releases varies between 1½ to 2 lakh tons. The factory then advises the State Government that it has obtained a release order and the State Government instructs the factory to sell the sugar at the controlled price to a number of traders and co-operative societies nominated by it. Frequently, these nominees fail to lift the quantities allocated to them and with increasing production and stocks, the factories are likely to find the problem of storage increasingly difficult. It will not be surprising, therefore, if the pressure grows for bringing down prices and increasing the consumption of sugar, thereby relieving the sugar mills of the burden of carrying unduly large stocks.

The case for easing restriction on sugar despatches and movements must be fairly strong. On the other hand, there is the overriding necessity for increasing export earnings from any source, and at any cost. The case for sugar exports has never stood on the basis of costs. In fact, sugar, as things stand today, is one of the last to be thought of which can possibly be developed into an export industry. It is not one of those infants which, duly nurtured, may some day grow into a sturdy exporter. True, if the industry were to be freed from its present involvements such as minimum price for cane and its location were to be shifted from north to south, perhaps its comparative disadvantages could be considerably reduced. But that calls for vast changes over time, none of which—even the simpler one of de-controlling price of sugarcane—are immediately practicable possibilities. Yet, we have a heavy stake in this industry. It has been given a very high priority over the years in the allocation of scarce foreign exchange for plant and machinery. By now, the country has also developed, at a substantial foreign exchange cost, the manufacturing capacity for production of some of the sugar mills machinery; and, since sugar exports in most countries of the world are never quite an economic proposition and are heavily subsidised, there is no reason why, with growing surplus in the country, sugar exports should not be stepped up.

There is, however, a catch in that word 'surplus'. To what extent should the consumer of sugar be made to suffer for the country's foreign exchange requirements and, if sugar exports assume substantial proportions, how much of the loss should be borne by and can fairly be imposed upon the sugar industry?

There are a number of complex problems which need to be resolved in order that the country may derive the best advantage from the investment it has made in sugar. The claims of the consumer have to be balanced against the country's overriding need of foreign exchange and those of the sugarcane grower against those of the sugar mills and the system of pricing and cess has to be operated in such a manner that both the yield of sugarcane and its quality or sucrose content be steadily improved and recovery of sugar from cane can be maximised. These are matters which cannot be satisfactorily settled by an occasional reference to the Tariff Commission or some other body and if control over price and distribution is to be continued, the problems created for the sugar mills by the failure of nominated distributors to life their stocks or by the persistence of pockets of shortage either due to defects in the system of distribution or transport bottlenecks have also to be continuously looked into. All these call for continuous study and timely decision. There are so many committees, commissions and administrative bodies already in existence that one hates to suggest the creation of one more. But the problems of the sugar industry do call for adequate treatment at the expert level. The formation of a Central Sugar Board is therefore obviously called for; in fact, it is overdue.

Mismanagement in Sindri

THE management of industrial undertakings in the public sector and the accountability of the Minister in Parliament in respect of such undertakings are delicate questions that come up time and again. The case for complete autonomy for such undertakings has often been accepted in principle; in practice, however, none of these undertakings runs as autonomous bodies, whatever may be the form of their organisation

The obscurity of the relationship between the actual management, the board of directors or advisers and the Ministry concerned, it is widely believed, is largely responsible for mismanagement and inefficiency. Publicity given to the actual operations of the industry, however, is a dangerous thing in that it cuts both ways. On the one hand, the glare of publicity is the final insurance against mismanagement and inefficiency; on the other, initiative and bold execution are liable to suffer, if not completely inhibited, if the people in charge have constantly to think of attracting embarrassing attention from others. As larger and larger investments go into the public sector of industries, the nation's stake in the efficiency of management of these industries increases and the Government has to do something to ensure the public that all is well on this particular front. The Committee of Parliament whose business it is to look into these undertakings are an ever present thorn on the side of the Government and whenever there is talk of something being done, the suspicion is aroused that it may end up with sheltering these public sector undertakings from the public eye rather than stepping up the efficiency of their management.

The controversy raised in Parliament over the operation of the Sindri Fertiliser Factory pinpoints the sort of difficulty which arises when the relationship between the management, the board of directors or advisers and the Ministry is obscure. Not so long ago, Sindri used to be the show-piece of the public sector. It had a bad start; but, once it got going and attained capacity production, its performance was exemplary; but that was until a couple of years ago. Then, something went wrong; a new plant was set up, but production from the old plant, which had been the show-piece earlier, dropped and dropped very sharply. The setback in production, it was given out in Parliament, was due to certain repairs and overhauls which had been put off for years in order to maximise production in view of the fertiliser shortage in the country. The explanation given hardly makes sense. It was stated that, 8 generators were being overhauled and that it took 2 to 2½ months for each, and hence it will take 18 months before production can be restored to normal. But obviously, the failure was of maintenance.

When such facts come to light, the public has a right to know what went wrong and why, and who was responsible for the decision which led to such drastic fall in production—was it the Managing Director, the Board of Directors, or Advisers or the Ministry concerned? That the Speaker should intervene in the debate and want the Estimates Committee to look into the matter instead of supporting the Minister concerned, goes to show how lame the defence was. When a specific question of management comes to light, it is curious that, instead of the Minister answering for it, the Parliament should have to wait for its own Estimates Committee to explain what had happened!



Weekly Notes

Interest Rate Differential

COMMENTING on the money market situation in this country, Mr Grantham, Chairman of the Chartered Bank, detects a rift between the Reserve Bank and the Government. Failing to lay hands on India's hidden gold, the authorities have directed their endeavours to the prevention of further hoarding by making savings more popular and curtailing the money supply. This is one of the factors which, according to Mr Grantham, has enabled the Reserve Bank to go contrary to the Government's desire for cheap money. The other is the endeavour to contain inflation due to speculation. Mr Grantham finds that, by its restrictive monetary policy and its selective credit control, the Reserve Bank has succeeded in introducing a dearer money policy without *on paper* increasing the cost of Government borrowing. This, however, may not continue, unless banks maintain a reasonable interest differential between their borrowing and lending rates.

The situation can be met in either of the two ways—by raising the rates on advances further, while holding deposit rates at about their current level, or by pushing up rates on advances sufficiently high so that an adequate differential may still be maintained while competition is allowed to push up deposit rates. Mr Grantham, however, rejects the second alternative on the ground that to allow deposit rates to go up beyond a point will lead to a switch from Government securities to bank deposits. The implication is that bankers in their own interest should, therefore, restore the ceiling on deposit rates which they have recently removed. To restore the differential by pushing up advance rates any further might be all right for the internal economics of the banking system—this was obviously the aim of the Reserve Bank in fixing minimum lending rates—but it will go against Government's borrowing programme and undermine the structure of security prices.

The solution that the situation calls for is the one which Mr Grantham has recommended for Pakistan. Pakistan which otherwise gets a good chit from Mr Grantham for its sound leadership, political stability and the pragmatic approach to its problem, nevertheless, draws the following observation from him :

"An official restrictive credit policy is difficult to administer in an expanding economy with exceptional seasonal demands and perhaps a little more flexibility is required in the monetary management".

This general observation applies to this country also. A little more flexibility in monetary management is a sound advice, provided excess demand is taken care of much more adequately than has been done so far by fiscal measures.

Moving Coal

THE inadvertent use of the word 'decision' to move one million tons of coal by sea in these columns last week to describe the outcome of the conference of coastal shipping lines in New Delhi has brought forth a violent protest from an angry young shipowner. Decision reached? Nothing of the sort. There was only discussion leading to nothing specific. The correspondent writes :

Recently, an Eastern Railway official received a telegram from Delhi to the effect "HAVE ARRANGED FOR AN ADDITIONAL MILLION TONS BY SEA THROUGH CALCUTTA FROM RANIGUNGE COALFIELDS STOP WIRE ACTION TAKEN". The telegram is characteristic of the entire scheme for moving more coal by sea. Everyone is under the impression that, once the Railway Minister has announced his intentions, the coal will automatically move.

In order to move a million tons of coal *into* Calcutta, the daily wagon arrivals would have to increase by an average of 150 wagons per day. Last year, the daily arrival was an average of 170; so almost double the number of wagons would have to move in, and the area into which they would have to move in is highly congested. Secondly, if full use is to be made of the existing port facilities in Calcutta, the majority of the wagons would have to be open wagons which could be tipped so as to take advantage of the mechanical loading berth at 18 Kidderpore Docks.

Then there is the problem of unloading at the discharging ports. The Railways wish to receive 50,000 to 70,000 tons of coal at Madras per month. There are only two coal berths at Madras one of which has a wooden jetty. This jetty is unable to hold more than 10 tons of coal at a time. There are no cranes at this berth. All discharging is done by ship's gear and moved into wagons by manual labour. If Railways intend to receive 60,000 tons of coal per month at Madras, they will have to discharge 2,000 tons a day which means discharging continuously at 1,000 tons per collier. Recent experience suggests that even an average rate of 600 tons would be an achievement.

Finally, there has been no satisfactory assessment of the ability of the present coastal fleet to carry an additional million tons of coal. Shipping circles have become so inured to the promises by Railways to improve performance that they are sceptical of any all-out effort on the part of the Railways.

Unfortunately, no efforts were made in the past by the Railways to ensure that coastal shipping is adequately developed as a partial solution to the transport crisis of the country. After all the crisis is only for a marginal amount of coal of perhaps four or five million tons; if coastal shipping had been expanded by transporting more coal by sea, as recommended by the Rail-Sea Co-ordination Committee, then, by now, coastal shipping would have been in a position to move two million tons and more.

The argument of the Railways has always been the untenable one that they pay a higher freight-rate for coal moving by sea. The point is not the higher rate paid by Railways, but the fact that they subsidise the movement of coal by rail. It is totally beyond anyone's comprehension why the subsidy for the movement of coal should not be reflected in the Railways budget. The correct procedure would be for the Railways to charge the same freight rate for coal as they do for other low-freighted commodities. The subsidy for coal should come from the general budget. The advantage of this system of accounting would be to give a clear comparison of the freight differential between carrying coal by rail and by sea. After such a change is made, it may show that it is, in fact, cheaper for long distances to carry coal by sea than by rail.

Meanwhile, it is unlikely and doubtful that one million tons of coal will move by sea. Unless the Railways are prepared to move this large quantity of coal quickly and efficiently, and unless there is adequate co-operation between Railways and shipowners, no solution is possible. The alternative is for the Railways to take over coastal shipping. There is no point in allowing this chronic discord to continue and risk India's industrial future.

Expansion of Power Programme

THE power programme in the Draft Third Plan was based on estimates of potential demand for power made from a preliminary power load survey carried out by the Central Water and Power Commission. In the course of a more detailed survey which followed the preliminary one, the estimates of demand are known to have been raised by almost 40 to 50 per cent. The results of the latter survey were not made public but overmuch reliance on either the preliminary or the comprehensive survey is ruled out by the very narrow basis of the estimates. For example, while assessing the demand of small and medium industries, the demand of the new units that may be started was not taken into account; only the conversion to electric drive of the units now driven by diesel or steam engines was considered. In the case of large and heavy industries, similarly, the demand of only those new units was taken into account whose plans for expansion or installation were complete, or nearly so, at the time of the survey. The bulk provision for unseen loans included in the estimates cannot be expected to adequately make up for these omissions.

Basing themselves on the results of the detailed survey, the Irrigation and Power Ministry had suggested a target of 14 million kW of installed capacity in the Third Plan which was substantially higher than the target set in the Draft Plan of 11.8 million kW. With power shortage appearing manifesting with increasing severity in the main industrial centres, especially in the eastern industrial belt, and the World Bank Mission's warning of an early aggravation of the position, the Planning Commission has been compelled to move nearer the Power Ministry's estimate of demand. At the last meeting of the National Development Council the allocation for power was consequently increased by Rs 75 crores. It is proposed to increase it by another Rs 30 crores so that the aggregate outlay on power will now be Rs 1,030 crores compared to Rs 925 crores in the Draft Outline. Corresponding to the increased financial outlay, the target of installed capacity has been raised to 13.5 million kWs. With regard to implementation also, power schemes will be accorded a much higher priority than originally proposed. The execution of the power programme will be immensely facilitated by the fact that almost two thirds of the projects included in the Third Plan are assured of foreign assistance.

While the increase in the allocation for power was inevitable, the estimates of the States call for further scrutiny. In the light of past experience it needs to be particularly emphasised that the large programme for expansion of rural electrification which is proposed to be undertaken will yield the expected benefit only if attention is given to the industrial and agricultural programmes for utilising the power which will become available and raising the load through effective and coordinated development at the district and block level.

The enormous investment in power generation may also be frustrated by the inadequacy of distribution facilities. It is not often adequately realised that an increase in power generating capacity does not guarantee a proportionate expansion in power supply. Power projects involving more than one State will require arrangements for inter-State exchange of power and the development of regional grids. The decision to earmark special funds for inter-linking State power systems and developing regional grids in the Third Plan is therefore timely. It is also proposed to set up a cell in the Central Water and Power Commission to study planning of zonal super-grids, the ultimate objective being to develop an all-India grid system. Power development transcending State boundaries is essential to correct the tendency of State Governments to conceive of power projects as isolated projects, concentrating on installing power stations within their own boundaries.

Congress Differences Settled?

CONGRESSMEN and others in Andhra are gratified that the ten-month old feud in the State Congress has been settled — permanently, it is hoped. The feud began with the dismissal of Shri A C Subba Reddi from the State Ministry for contesting a seat on the Pradesh Congress Election Committee disregarding the Chief Minister's injunction. A 'Unity Front' of dissidents was then formed which claimed a majority in the Pradesh Congress Committee and the Legislature Congress Party. The Front demanded that the Pradesh Congress President should quit office and that the State Ministry should be reconstituted.

The first demand was satisfied with the resignation of Shri Narottam Reddi but the second one was successfully resisted till now. In fact, angry with the Unity Front's demand, the Chief Minister had dissolved the Party Executive and nominated one of his own choice, deliberately excluding all representatives of the rebel group. This became the focus of fresh and even more furious squabbling and, for the first time, the Chief Minister himself began to be accused of partisanship and of abetting the ministerialist group.

The settlement now arrived at provides for equal representation of the two groups in the Party Executive. The new Executive was constituted unanimously from an agreed list of candidates. The other part of the agreement was that four new ministers, three from the Unity Front and one from among the ministerialists, should be appointed to the State Cabinet.

The settlement has been welcomed for what it is worth. But in so far as its basic condition is that the rival groups should have equal representation in the Party executive and the Ministry, it does not remove the group spirit in the Congress Party, but in fact keeps it very much alive. The facade of unity may survive till the elections are over, but no longer.

An aspect of the settlement which has not received public attention is

that the appointment of additional ministers, designed to overcome the Congress Party's private organisational problems, is foisted upon the public without so much as a 'by your leave'. The public exchequer is to be burdened with extra expenditure to preserve the unity of the Congress Party. This is illustrative of the ruling party's tendency to identify its good with the good of the country as a whole.

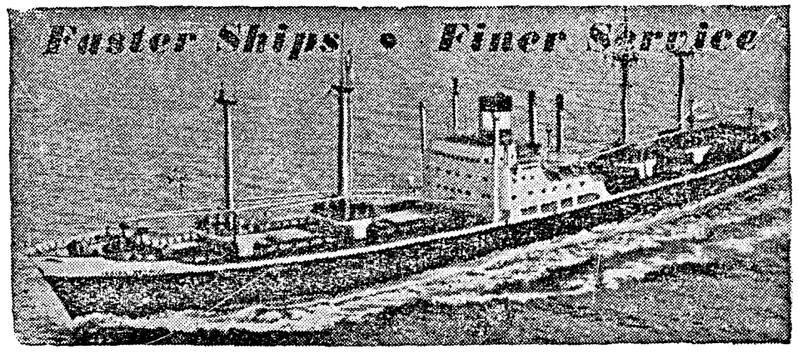
Now that the quarrels of the Congress Party have been settled, the Unity Front has begun to soft-pedal its demand for sacking the Minister against whose conduct the High Court had passed severe strictures on the issue of permits for bus routes. It must be said to the credit of Shri Pattabhiramarao, the Minister concerned, that immediately the verdict of the Court was pronounced, he tendered his resignation. The Chief Minister has kept his resignation in abeyance, pending 'advice' from the Prime Minister, though what the latter has to do with a matter which is clearly within the sole discretion of the Chief Minister, is difficult to understand. It is not known whether the Unity Front, which till a few days back had attacked the Chief Minister for propping up this Minister and thereby compromising the prestige of the Congress Party, still regards his lapse from constitutional propriety in the same light as it did until the Party differences were patched up.

Pattom's Discomfiture

THE uneasy bickering between the P S P and the Congress which was mentioned in these columns last week has now been overshadowed by the dramatic charges of corruption against the Chief Minister, Pattom Thanu Pillai, pressed by a member of his own party on the floor of the Assembly. The resultant situation is undoubtedly one of considerable delicacy for the entire Ministry, but it is difficult to be convinced by the Congress Ministers' air of injured innocence. The Congress Party has let it be known that it is "seriously perturbed" over the allegations against the Chief Minister since they affect the Congress also, it being the major partner in the coalition.

It appears far more likely that the Congress members of the coalition, labouring under the Chief Minister's domineering personality, have heaved a sigh of relief. The Congress Party itself appears to be trying to get into position to drive home the advantage of Pattom Thanu Pillai's discomfiture to raise the question of return of the education portfolio, at present in the Chief Minister's charge, to a Congress member and to consolidate its position in the coalition. The Party's intentions are implicitly set out in the latest issue of its *Bulletin* in which it is pontifically held out that there can be no democracy in Kerala without the Congress. Therefore, it is pointed out, those who "raised their eyebrows" and displayed intolerence "in the name of democratic unity" whenever the Congress attempted to consolidate its position, did no service to the cause of democracy. A broad hint to the P S P indeed!

While the immediate effect of the whole episode is thus to strengthen the Congress in the coalition by creating a breach within the P S P and weakening the position of the Chief Minister personally, in the long run it will make it more difficult than ever for the Ministry to work smoothly.



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Our Delhi Letter

Dismal Export Outlook for ECAFE

162481

FOR about a fortnight New Delhi witnessed a collective fight of the developing Asian countries to expand exports to industrialised Western countries. The trade deficit of the ECAFE countries—whose representatives met in New Delhi—amounted to about 1,600 million dollars in the first nine months of 1960 as against less than 1,000 million dollars during the same period in 1959. The industrialised countries are increasing their imports annually by 16 per cent, but they are doing it by importing from other industrial countries rather than from primary-producing countries.

The seriousness of the situation was pinpointed by Mr Phillipe de Seynes, United Nations Under-Secretary for Economic Affairs, who said: "The contraction of demand in the United States of America, insufficiently offset the economic expansion in Europe, where the rate of acceleration is now tending to decline, is being felt in the underdeveloped countries, where the index of average prices of primary commodities has again started to fall and the terms of trade are again deteriorating."

Assurance Sought

It was under this threat that the ECAFE session met in New Delhi and assurance was sought that the formation of the European Economic Community and the European Free Trade Association would not jeopardise their interests. Serious misgivings were expressed at the session by those adversely affected by the discriminatory trade practices of these economic groupings. Among the aggrieved countries were Afghanistan, Burma, Ceylon, Indonesia, Thailand, the Philippines, Malaya, Australia, New Zealand, Pakistan and India.

Suspicions of the developing countries remained undispelled at the end of the session despite assurances given by a British delegate on behalf of EFTA and a French delegate on behalf of EEC.

A natural reaction of the delegates was, as Mr. U Nyun, Executive Secretary of ECAFE, put it, to take "some action for self-defence and self-protection." Taking advantage of this feeling Malaya, the Philippines and Thailand co-sponsored a move to form Association of South-East Asian States. Broadly it is on the lines of economic grouping in Europe and ostensibly "it has no political implications whatsoever." In informal meetings of the delegates, this was the most talked about subject. However, this move did not evoke much support from other delegates for a variety of reasons.

On economic ground it was opposed because trade with the rest of the world is of vital importance for this region. Only one-third of the trade is intra-regional. Thus integration among the underdeveloped countries, as Dr Katz-Suchy of Poland pointed out, "will lead only to further stagnation." The move is doomed to failure for another reason. The co-sponsors are not interested to include India and Japan for they fear that these two big countries will "grab" them. Also deep mutual mistrust between some of the members of the ECAFE makes the formation of an Asian common market difficult.

Two of the sponsors of the move—Thailand and Philippines — are members of the SEATO. Some countries wedded to the policy on non-alignment, particularly Indonesia and Ceylon, suspected that there was politics behind the move. This suspicion has been further strengthened by a reported statement by President Garcia of the Philippines that "the new pool will supplement the SEATO alliance."

As the formation of the proposed Association did not come up formally before the session, there was no occasion for the Indian delegation to express its view point. But it is learnt that the Indian delegation was officially briefed not to favour the move in off-the-session talks and to oppose it if the proposal came up before the session. Official Indian thinking favours bilateral long-term agreements for pushing up exports. India has a happy experience in this respect with Communist-bloc countries, Japan and Australia.

The Indian delegation, however, could not succeed in enlisting support from other Asian delegations to bring pressure on West Germany to increase imports from India and rectify the glaring imbalance in trade between the two countries.

Prospects for Steel

WITH the inauguration of the Strip Mill of the Rourkela Steel Works by the Prime Minister next week, the two new steel plants in the public sector will be practically completed just before the end of the Second Five-Year Plan. The third State-owned Steel Works at Durgapur is also well on its way to completion.

All the three steel works have some distinctive features of their own. Rourkela, which is the most complex of the three, is designed to produce one million tons of steel ingots to be rolled into 720,000 tons of finished products like plate, strips and sheets. Bhilai will produce one million tons of ingots to be rolled into 770,000 tons of finished products like rails, railway sleepers, beams and other heavy structural sections, round and flat billets. Durgapur has a capacity of one million tons of ingots to be rolled into 880,000 tons of blooms and merchant sections. The indigenous production of steel has already meant foreign exchange saving to the tune of Rs. 100 crores.

The Third Plan providing Rs. 569 crores, envisages the expansion of steel production to 10 million tons by the end of the Plan period. The programme includes setting up of a new one-million-ton steel works at Bokaro (Rs. 235 crores); expansion of Bhilai to 2.5 million ton (Rs. 138 crores); of Rourkela to 1.9 million tons (Rs. 90 crores); of Durgapur to 1.6 million tons (Rs. 56 crores); and expansion of the Mysore Iron and Steel Works (Rs. 4 crores).

A study of the progress of expansion programme and pace of construction and production at the three State-owned steel works suggests that the country would be faced with a serious shortage of steel during the Third Plan for the production in the last year of the Plan would be only 7 million to 8 million tons of ingot.

Letters to the Editor

A Clearer View of Growth

IN his article, "The Long View of Growth" (*The Economic Weekly*, March 4, 1961), Shri Vinode Dubey has taken a misconception and expanded on it. The original presentation of Shri Dubey's idea is found in the article by Leibenstein and Galenson entitled, "Investment Criteria, Productivity and Economic Development" (*Quarterly Journal of Economics*, August, 1955). A fundamental correction of the Leibenstein-Galenson thesis is given in A O Hirschman and Gerald Sirkin, "Investment Criteria Once Again" (*Quarterly Journal of Economics*, August, 1958).

The Leibenstein-Galenson position stated as briefly as possible is the following. Given the rate of investment the growth of national income will be greatest if investment is allocated to the uses in which it is most productive. But it is possible that the *rate of investment* can be increased if investment is allocated to uses which are not the most productive. That possibilty occurs if the enterprises with the lower productivity of capital tend to save ("reinvest") a larger proportion of their incremental output than do the enterprises with the higher productivity of capital and if the higher rate of reinvestment outweighs the effect of the lower productivity of capital, and if fiscal and other measures are too weak to raise the rate of saving, then a case can be made for allocating investment to uses which are not the most productive ones available.

The Leibenstein-Galenson article holds that the rate of reinvestment will be greater in the more capital-intensive enterprises than in the less capital-intensive enterprises. It concludes that even if the productivity of capital is lower when more capital-intensive techniques are used, the greater rate of reinvestment may compensate sufficiently so that the most rapid growth of income can be achieved by allocating investment to more capital-intensive projects.

The belief in the higher rate of reinvestment in capital-intensive enterprises arises from the following sort of reasoning: the more capital and the less labour that is used in production, the greater will be the share of output going to capital and the less the share going to labour. Since saving occurs mainly out of the return to capital and only to a small extent out of wages, the proportion of the incremental output saved will be higher the greater the capital-intensity of the production technique.

The fallacy of this reasoning is easy to see. *The return to capital is maximized by allocating to its most productive ues.* If the amount of reinvestment depends on the return to capital, investment can be maximized by allocat*ting investment to its most* productive uses. There is no conflict between the "productivity" criterion and the "reinvestment" criterion. The optimal degree of capital-i tensity can be said to depend sol ly on productivity considerations.

The only possibility for establisl ing rate of reinvestment as an i dependent criterion in choosing th degree of capital-intensity is t show that enterpreneurs tend t save a higher proportion c their return the greater the capita intensity of their production me hods. Some *a priori* reasons migl be offered for expecting such pattern in the saving propensitie but I know of no statistical evidenc to show that such is the case.

GERALD SIRKI

University of Bombay,
Bombay
March 10

Government Accounting

IN the last para of the second editorial "Time for Change" in your issue of March 11, it is stated that public appreciation of questions in the field of development financing would be greatly enhanced if the form of the budget were adopted in such a way as to mirror clearly emerging changes in the economic functions of the State, but you have pointed out that this "depends on our revolutionising the accounting procedures in Government". It is not clear how you come to the conclusion that amplification and revision of the budget can be done only after the accounting procedures in the Government are completely changed, or in other words, that, unless the Government accounting procedures are changed radically, it would not be possible to furnish the required details in the budget. I think it is common knowledge that the expenditure and receipts of the Government are classified and recorded in great detail in the Government system of classification of receipts and expenditure. Indeed, it would appear that the classification of receipts and expenditure in the Indian Government accounting scheme is in much greater detail than in other countries including Great Britain and America. Whatever details are required for amplification of the budget in the manner suggested can, therefore, l easily provided by the *existing* a *counting* procedures of our Gover ment, without any radical (or eve minor) change thereof.

B G BALAKRISHNA
Dy Chief, Finance Divisio

Hindustan Steel Ltd,
Ranchi
March 16

[The point is not whether ever rupee received or spent by the Go ernment is recorded, nor whethe this is done in great detail. Th complaint is about obfuscation the *manner* of recording, whic makes it virtually impossible f the non-expert to appreciate, for i stance, the extent of the Gover ment's production and trading act vities. In many of these, the gro magnitudes are often more impor ant from the viewpoint of plannir than the net figures recorded the budget statement. But one ca not get at such information witho a careful re-classification of th "Demands for Grants". And agai how does one figure out "budgeta receipts corresponding to extentern assistance" from the statement There is, of course, a way of doir this — provided one has spent lifetime in the company of the hoa "heads of account" of the Indi Budget. —Ed]

Letter from Moscow

Election Day

Samar Sen

ACCORDING to newspaper commentators, Sunday, March 5, was a festive day. When dawn broke after a quiet, cold night, a fresh wind blew from the fields on the outskirts of Moscow and houses bedecked with red flags and buntings came into view amidst glittering snow. Soon the streets filled with people, their faces glowing with joy. What for? They were going to the polls to elect deputies to the local Soviets. We wish we could be so lyrical on election day. But that is another matter.

Elections took place in nine Republics. The inhabitants of Moscow voted for 1,066 candidates, both party and non-party. One could see their portraits everywhere. Among them are 455 workers, 212 active participators in science, education, culture and public health, 169 engineers and technicians and also men with and without party affiliations, trade unionists and members of the Young Communist League.

One commentator said, Muscovites, as they went to the polling booths, thought with pride of the many changes that had taken place in their great city since the last election two years ago. In the South-Western District alone, 350 thousand people have moved into new quarters; 507 new magazines have been published and over 450 cheap eating places are serving Muscovites whose appetite is encouraged and satisfied. New subways and tunnels, built with an eye to beauty and without consideration of cost, adorn the city.

As dusk descended on this historic city, the commentator continued, the voters strolled along the river, and in other, perhaps less romantic places, and remembered the great slogan of their time: Forward to Communism, to a bright future for mankind!

Electors were told that theirs is the most democratic system, that they are the makers of their destiny; that they will continue to build the present and the future under the guidance of the Communist Party which represents the State as well as the people. They were told that the Soviets have worked well in spite of certain lapses but they have to be vigilant against slackers.

Election day, however, is more or less a formality. The candidates had been nominated earlier after widespread, keen discussion and debate.

* * *

Agriculture occupies a large portion of newspaper space and is the principal theme of the many speeches with which the wandering Prime Minister is now shaking up the people. This preoccupation and preparations for the coming plenary session of the Communist Party have almost crowded out the Congo, if not Cuba. Perhaps this stillness precedes the storm that is likely to break at the United Nations over Hammarskjoeld. The new operation 'Hammarskjoeld in the Congo', says one report, does not solve but deepens the crisis. To prove this point, it refers to the clashes between Mobutu gangs and U N troops. Had the troops stood by, the same point would have been made with greater sarcasm. Though we all understand that sometimes logic does not pay, these ill-written reports detract from the Soviet case against the present structure of the U N.

Every Kopek Counts

Though Moscow laid out a snow carpet for the jet plane to land on when we returned after a longish holiday, the city did not look quite cheerful in the dreary afternoon light. Rickety wooden cottages flanking the road from Sheremetyevo made us feel lousy. But I brightened up when I paid the taxi-fare: One rouble (now ten kopeks) a kilometer instead of 1½. On a stretch of 38 kilometers this means a lot saved. In fact, ever since our return this time the savings spirit is much too obvious. Thanks to the monetary reform, every kopek now counts — it is equivalent to ten old kopeks. Prices have been readjusted so that people do not lose. One can now buy a pair of good shoes for 20 roubles 50 kopeks, that is, 250 old roubles. But the illusion that one is paying much less is quite fortifying. In a few cases, one spends more than before. Motor-bus fare and telephone calls from public booths have gone up by five kopeks.

Paper money has undergone a revolution in size. The notes are so small that money bags will have to be used. I am looking for the one which I tucked away somewhere as something useless a few days after my arrival four years ago. The notes were so big until 31st December that on pay day one carried a portfolio.

* * *

In his memoirs being published in a Soviet journal, Ehrenburg says of Pasternak that he never intended to harm his country. His love for Russia was unquestioned. But the major point to remember about Pasternak as a person is that he lived, if not for himself, in himself. Even when he appeared very cheerful and fond of company, he was conversing not with others but with himself. He was indrawn. As for Dr Zhivago, Ehrenburg thinks that though it contains passages of great lyrical beauty, it disappoints because at many places Pasternak writes about persons and things from hearsay, not from experience and the intuition of reality. Ehrenburg regrets that people who had not heard of or cared for Pasternak until Zhivago appeared are trying to use him as a pawn in the cold war.

About the cold war that the Russians launched against him, most of them without reading his novel, Ehrenburg is silent.

Low Cost Houses

SIXTEEN selected designs of low-cost houses for middle and low income groups, to suit hot-arid and hot-humid climates, have been printed in a booklet, produced by the National Buildings Organisation of the Union Ministry of Works, Housing and Supply.

The designs, were selected out of 59 entries received for All-India Competition, organised by N B O sometime ago. The booklet provides detailed specifications of the houses the approximate cost, and the material to be used.

Letter from Japan

Socialist Dilemma

THE Socialist Party of Japan has just completed its three-day convention at the Kudan Kaikan in Tokyo. A solid phalanx of police, looking conspicuous though somewhat bored, surrounded the venue of the convention. As one approached the main entrance to the hall, one was moved into one of the different queues for guests, delegates and general public, according to on's status, and one's credentials were thoroughly examined. Police were not allowed inside the hall, but the fear that the rightists' attempts at political assassination had not ended with the murder of Asanuma, the late Chairman of the Party, was at the back of everyone's mind. Inside the hall, at the bookstall, one could buy a 35-minute-long tape recording of Asanuma's last words before he was stabbed to death.

Inside the hall, at the back of the platform, on a large banner with the Party's large three-hafted red arrow were inscribed the three slogans of the Party: "Protect the Constitution", "Democracy" and "Neutralism". The convention itself was much less active compared with some previous party conferences. Jotaro Kawakami was elected new Chairman for one year. Kawakami stands for a somewhat middle-of-the-road policy. He was Asanuma's principal opponent at the last election. He is 72 and a Christian. He once taught at the mission university of Kwansei Gakuin. The Secretary of the Party, Saburo Eda, was re-elected for another term. He had been acting Chairman since Asanuma's death.

The main interest in the Party convention this year centred on the Party's theory of "structural reform", especially in its new assessment of foreign policy. At the time of the Mutual Security Treaty demonstrations, the Socialist Party tended to associate itself with the Communist Party in "opposing American imperialism" as the real enemy of the Japanese people. The new analysis rests on a recognition of the fact that there are two large power blocs and that the threat of world war will arise from a struggle between them. Japan should, therefore, adopt a policy of neutralism and friendliness towards both blocs and not merely towards the "peace-loving" nations of the Communist bloc. Consistent with this stand, the Socialist Party hopes to send a goodwill mission to the United States this year to counterbalance the missions to China during the past year.

Extreme Opinions Prevail

In Japan, both the Socialist and Liberal Democratic parties have very few individual members. Most of their support comes from collective organisation, either Trade Unions or various employers' organisations. Thus, to some extent, discussions in conventions such as this are somewhat formal for the main decisions have already been taken elsewhere. This year for the first time, the speakers at the Convention were chosen in such a way as to represent all factions. Their views were, therefore, well known already. Japanese feel that it is wrong to air differences in public as that affects unity. Most important decisions are consequently made privately earlier. One must confess that this may not be unwise when one considers the extreme opinions that prevail in the Socialist Party. On the one side is the group which so completely accepts Marxist thinking that it considers itself to the left of the Communist Party. For example, they subscribe to the Chinese-Marxist point of view that war is inevitable in a capitalistic system and that everything should, therefore, be done to precipitate the revolution. On the other extreme are people who believe in liberal humanism to such an extent as to regard wars and civil disorder as simply the result of misunderstanding. The Social Democratic Party of Nishio which broke away last year is by no means as right-wing in its views as many others who remained in the Party. At the other extreme there are members who are Communists under cover and who completely tow the Communist line. Under these conditions, it is extremely difficult for the Socialist Party to follow a completely coherent policy.

As one listened to speech after speech, one came to regret the stereotyped thinking of the various speakers. Such questions as whether the biggest enemy of the Japanese working class were American imperialists or Japanese monopoly capitalists were continually debated but there were none of the deeply human speeches which are characteristic of British Labour Conferences. During the last year, Sohyo and the Socialist Party have been engaged in the abortive strike over the Miike coal mines, yet not a single delegate rose to describe from personal experience the hardships of the Fukuoka coal miners.

At present the membership of the Socialist Party is between 50,000 and 60,000 persons. Last year 15,000 members defected to Nishio's Social Democratic Party but during the year 7,000 new members have been recruited. Known communists and Communist Party members are not allowed to become members. Communists have also been excluded from the executive committee of the National Council against the revision of the Japan-U S Security Treaty, the struggle against which will continue during the coming year. Most criticisms against the Party's official policy for the coming year originated from the left wing group, the Heiwa Doshikai, of whom only one was elected to the 15-member executive committee.

The Socialist Party will follow a predominantly middle of the road policy during the coming year. But it is believed that this will be only temporary. As Sohyo, the largest Trade Union movement, embarks on a policy of strikes and other activities against low wages during the coming year, the Socialist Party is likely to be forced into a more and more left-wing position. It is unfortunate that the Party does not try to come closer to other socialist movements — in India, Burma and other countries of S E Asia — to form a solid socialist group rather than try to balance uneasily between China and the United States. But even the most ardent neutralists in the Socialist Party do not regard neutralism as an active force. They look upon it as a temporary policy to be pursued till it is possible to see clearly whether the East or West is likely to emerge the more powerful in the cold war.

Second Agricultural Labour Enquiry

A Futile and Misleading Investigation

K N Raj

The mistakes of the First Agricultural Labour Enquiry may be regarded as the mistakes of a first effort, but what can be the justification for repeating these mistakes in the Second Enquiry and making matters worse by suggesting that the data from the two Enquiries could, with some qualifications, be regarded as comparable?

One of the major findings of the Second Enquiry is that the total income of agricultural labour families has fallen by about 11 per cent between 1950-51 and 1956-57.

The differences in concepts and definitions used in the two Enquiries and the neglect of changes in wholesale and retail prices over the intervening period render a comparison of the results untenable.

It is not impossible that, when the necessary corrections are made (if they can be made) for ensuring comparability, these same data may reveal an increase rather than a decrease in the income of agricultural labourers.

It is a pity that so much money is wasted on investigations conducted on this scale and which are designed in such a way as to produce no useful results at all.

It would be unfortunate if, in addition to the waste already incurred, anyone were tempted to utilise these data for arriving at any kind of conclusions at all, for they can be highly misleading.

THE first paragraph of the Report on the Second Agricultural Labour Enquiry runs as follows :

> "The First All-India Agricultural Labour Enquiry was conducted by the Ministry of Labour in 1950-51 when the First Five Year Plan was yet to be launched. There were controls on food and cloth at the time. They have since been lifted. The First Plan has to a large extent been successfully implemented and the Second Five Year Plan embarked upon. It was decided, in consultation with the Planning Commission, that a Second All-India Agricultural Labour Enquiry, more or less on the same lines as the First Enquiry, should be conducted during 1956-57 with a view to having broadly a *comparative picture of the conditions of agricultural labourers in the country* as between 1950-51 and 1956-57". (Italics mine).

For presenting such a comparative picture, a great deal of trouble has been taken. For the Second Enquiry, the rural area was demarcated into 39 primary strata in such a way as not to cut across the boundaries of the 75 zones into which it was divided for purposes of stratification during the previous Enquiry. Moreover, in view of the Reorganisation of States in 1956, the data collected from the First Enquiry have been re-compiled so as to make them comparable with those from the Second. And, last but not the least, the whole Report on the Second Enquiry runs in terms of the *changes* between 1950-51 and 1956-57.

The one use, however, to which the data from the Second Enquiry should *not* be put is for comparing the position in 1956-57 with that revealed for 1950-51 from the First Enquiry. The Report itself refers to some of the differences in the concepts and methods used in the two enquiries but no one, who has not the required background knowledge, would suspect from the qualfications interspersed in the text of the Report how serious these differences are from the point of view of the interpretation of the data.

Paper prepared for a Seminar on the Second Agricultural Labour Enquiry held at the Institute of Economic Growth on February 17, 1961.

II

Defining Agricultural Labour

Conceptual Differences

The first difference in the concepts used concerns the definition of agricultural labour. In the First Enquiry, the definition was confined to those employed for wages in the processes of *crop production*, and an agricultural labour family was then defined as one in which either the head of the family or 50 per cent or more of the earners reported agricultural labour as their *main occupation*. The *main occupation* of a person was, in turn, identified with the one in which he was engaged for 50 per cent or more of the total number of *days worked* by him during the previous year. It must also be pointed out that an earner was defined as one who had earned some income, however meagre it might be, over the year, so that to be classified as an earner it was enough if a person earned income for even one day during the year. (Daniel and Alice Thorner, 'Agricultural Manpower in India: Labourers', *The Economic Weekly*, November 9, 1957.)

In the Second Enquiry, agricultural labour has been defined to include not only labour employed in crop production but also hired employment in other agricultural occupations like dairy farming, horticulture, raising of livestock, bees or poultry, etc. Moreover, "the criterion adopted for demarcation of agricultural labour families was income and not employment"; an agricultural labour family was defined as one for which the major source of *income* during the previous year was agricultural wages. (*Report on the Second Enquiry*, p. 37.)

What would one expect from these changes in concept? It is obvious that, if there was any agricultural labour engaged in dairy farming, horticulture, raising of livestock, etc, but not also engaged in the "processes of crop production", it would have been left out in the First Enquiry but included in the Second. Since, however, only

a negligible proportion of agricultural labour is in fact likely to have been employed solely for dairy farming or horticulture—except in some regions where there is considerable specialization in these activities—this difference in concept has probably not made a great deal of difference to the *number* of agricultural labour families covered by the two enquiries.

The same cannot, however, be said of the difference made by applying the *income* criterion (instead of the *work* criterion) in the Second Enquiry, for distinguishing agricultural labour families. Several small peasant families, having some land, but not enough to make ends meet, have members offering themselves for wage labour for a few weeks or a few months in the year. On the *work* criterion adopted in the First Enquiry, many of them are likely to have been regarded as agricultural labour families, particularly because, as was admitted in the Report on the First Enquiry, it was difficult to estimate correctly the number of days of 'self employment'. On the *income* criterion adopted in the Second Enquiry, however, these may not have been included as agricultural labour families.

This possibility has, in turn, another implication. One should expect that agricultural labour families with some land of their own are likely to have a higher total income than those without[1]; so, if a high percentage of the former are excluded by definition, one should expect that the data from the Second Enquiry will show a fall in the average income of agricultural labour families, without there having been any such fall in reality.

To what extent are all these mere theoretical possibilities, and to what extent are they borne out by the data from the Second Enquiry? It will be seen from Table 1 that the total number of agricultural labour families identified in the Second Enquiry was about 9 per cent lower than in the First Enquiry, though the total number of rural households is estimated to have gone up during this period by over 13 per cent.

It will also be noticed that the percentage decreases in the number of agricultural labour households have been sharpest in Kerala, Madras, Andhra Pradesh, Mysore and Orissa. These were precisely the areas in which, according to the Report on the First Enquiry, a large proportion of small cultivators were regarded as agricultural labour in 1950-51 (and were apparently not regarded as such in the Second Enquiry). The following is an extract from the Report on the First Enquiry :

> ".....the agricultural labour families included not only the landless ones but also those cultivating land for whom, however, agricultural labour was the chief activity. In East and South India agricultural labourers with land generally outnumbered those without land. In Bihar and Orissa in the Eastern Zone and Madras and Travancore-Cochin in the Southern Zone, there were relatively larger proportion of small-sized holdings with the result that there were numerous marginal cultivators whose principal activity was agricultural labour." (*Report on Intensive Survey of Agricultural Labour, Vol. I* p. 20.)

Table 1 : Percentage Increase (or Decrease) in the Number of Rural and Agricultural Labour Households

	Total Number of Rural Households *			Total Number of Agricultural Labour Households		
	1950-51 (in millions)	1956-57	%in-crease or decrease	1950-51 (in millions)	1956-57	%in-crease or decrease
Andhra Pradesh	5.5	5.9	+ 7.3	2.8	2.1	— 25.0
Assam	1.9	2.2	+15.8	0.2	0.4	+100.0
Bihar	6.4	8.8	+37.5	2.6	2.6	—
Bombay	6.9	7.3	+ 5.8	2.0	1.9	— 5.0
Kerala	2.1	2.2	+ 4.8	0.8	0.5	— 37.5
Madhya Pradesh	4.6	5.3	+15.2	1.3	1.3	—
Madras	4.9	5.2	+ 6.1	2.7	1.9	— 29.6
Mysore	2.9	3.3	+13.8	1.1	0.9	— 18.3
Orissa	2.8	3.4	+21.4	1.2	1.0	— 16.7
Punjab	2.6	3.2	+23.1	0.3	0.3	—
Rajasthan	2.6	2.9	+11.5	0.2	0.2	—
Uttar Pradesh	11.1	11.6	+ 4.5	1.6	2.0	+ 25.0
West Bengal	4.3	4.8	+11.6	1.1	1.2	+ 9.1
India—Total	58.9	66.1	+13.1	17.9	16.3	— 8.9

*[A point of some incidental interest is how far the estimate of the total number of households in 1956-57 is comparable with that for 1950-51. The First Enquiry was conducted by the Ministry of Labour, while the field part of the Second Enquiry has been done by the National Sample Survey Directorate. The size of the sample also differs very considerably. One specific reason for doubting the comparability of the results is that while the size of a rural household in 1950-51 was, according to the First Enquiry, 5.01 (as compared to the Census estimate of 4.91 for 1951), it was, according to the First Round of the National Sample Survey (also conducted in 1950-51)' as high as 5.21. The NSS Report on the First Round made the following observation in this connection : "It is interesting to note that according to the 1941 census the average size of household in rural areas (now included in the Republic of India) was 5.0 in 1941. The definition of the term 'household', however, differed in the present survey from that adopted in the 1941 census. The 1941 census counted all persons living in a household on a given day whereas in the present survey all persons living in a household for more than one month during the year July 1949 to June 1950 were included as members. The size of a household is, therefore, likely to be a little higher in the present survey and this seems to have been reflected in the figure. The result of the 1951 census was not available at the time of writing this report" (p. 13). No reference, however, appears to have been made to this problem after the results of the 1951 census became available. If, for some reasons, connected with differences in the nature of the sample, the NSS data for 1950-51 are not comparable with the data from the First Agricultural Labour Enquiry, may the same not be true of the data from the subsequent surveys conducted by the NSS? This is an open question, to which an answer can perhaps be provided only by the National Sample Survey Directorate.]

[1]According to the *Report on the Second Enquiry*, the over-all income of 'attached' labour households without land was higher than that of those with land. The explanation offered for this somewhat curious result runs as follows: "This was mainly due to relatively higher income from agricultural labour in the case of households without land, since members of such households were perhaps relatively more free to seek wage-paid employment" (p. 158). It is far from clear why the 'attached' labour chooses to remain 'attached' if income from casual labour is higher, or otherwise whether the element of bondage in 'attached' labour is as great now as would be the implication of this statement.

That it is the exclusion of some of those with land which accounts for the greater part of the difference is suggested also by the data brought together in Table 2, which shows the number of agricultural labour families *with land* as estimated from the two enquiries and the percentage difference. It will be noticed that the percentage fall, in the number of families with land, in the States of Kerala, Madras, Andhra Pradesh, Mysore and Orissa are as high as 40.9, 55.3, 44.2, 50.0 and 30.3 respectively.

III

Classification of Workers

The second major difference between the First and Second Enquiries relates to the distinction between 'casual' and 'attached' labour. Here, however, there is no apparent difference in the definitions as such. In the First Enquiry, 'casual' labourers were defined in one place as those who were paid at market rates, and 'attached' labourers as those "who, whenever required by their master, have to work for him and are not ordinarily free to seek employment elsewhere"; this was supplemented elsewhere by another definition that 'attached' workers were those who were "more or less in continuous employment and are under some sort of contract with employers during the period of employment", while casual workers were those "other than attached" and "employed from time to time according to exigencies of work"; in still other places, in the Report on the First Enquiry, the difference between 'casual' and 'attached' labour was stated in terms of the period for which a man was engaged and whether or not he received daily wages. (Daniel Thorner, The Agricultural Labour Enquiry: Reflections on Concepts and Methods, *The Economic Weekly*, June 23, 1956.) In the Report on the Second Enquiry, all these different criteria are lumped together in the following statement :

> "The classification of workers is..... on the basis of exigencies of farm work. Two types of labourers are required for farm operations—those who are employed for rush work to cope with Nature's time-schedule for completing agricultural operations well within the season and those who attend to routine farm operations all the year round. The first category of workers is broadly known as 'casual' workers and the second category as 'attached' workers. Casual workers are employed on daily wages for specific operations which last only for a short duration, while attached workers are often employed on contract, oral or written, extending over a period of a quarter, half-year or year as the case may be. The terms and conditions of employment of attached labourers show considerable diversity as they vary from region to region according to local tradition and custom". (Report on the Second Enquiry, p. 38.)

Where the difference arises is in the interpretation of these definitions. That the criteria set out in the *First Enquiry left open the possibility* of a variety of interpretations, and that they were in fact differently interpreted in different States, was shown nearly five years ago by Professor Daniel Thorner :

> "Certainly no single test such as liberty to take up another job, steady employment or the existence of a contract will suffice to separate out the genuinely 'attached' workers. When a labourer is described as not 'free to seek employment elsewhere', it may simply be the case that he has freely agreed to remain in a particular job. On the other hand a labourer committed to a particular employer by reason of debt or land-allotment may be employed only 'from time to time according to exigencies of work'. Thus an attached worker may be employed on a casual basis while a completely free worker may be employed continuously on a long-term contract.....Rather than abandon the terms 'attached' and 'casual' after they had proved in practice to be mutually non-exclusive catch-alls for non-homogeneous groups, the Enquiry adopted a somewhat disingenuous expedient. The terms have remained unalterable, while the specific content and meaning have been left vague, to be filled in at the State and local level". (Ibid Daniel Thorner.)

In consequence, as Professor Thorner pointed out, in South India, where 'attached' farm servants are a familiar feature, the First Enquiry showed much less than 2 per cent of agricultural labourers as 'attached' workers, while, in North-West India, many crop-sharers were classified as such and, therefore, high percentages of 'attached' workers were shown for States like Punjab and PEPSU.

In fact, the criteria set out could, presumably, be so differently interpreted that the data collected at different points of time, in the course of the First Enquiry, for the *same* villages, in the *same* States, on the basis of the *same* 'Instructions', and under the *same* 'Supervisor' revealed widely divergent results. (This may also be due to differences in the sample.) Reproduced below, in Table 3, is a statement compiled by Professor Thorner, of the data concerning 'attached' labour from the First Enquiry. (Ibid Daniel Thorner.)

Table 2 : Number of Agricultural Labour Families with Land

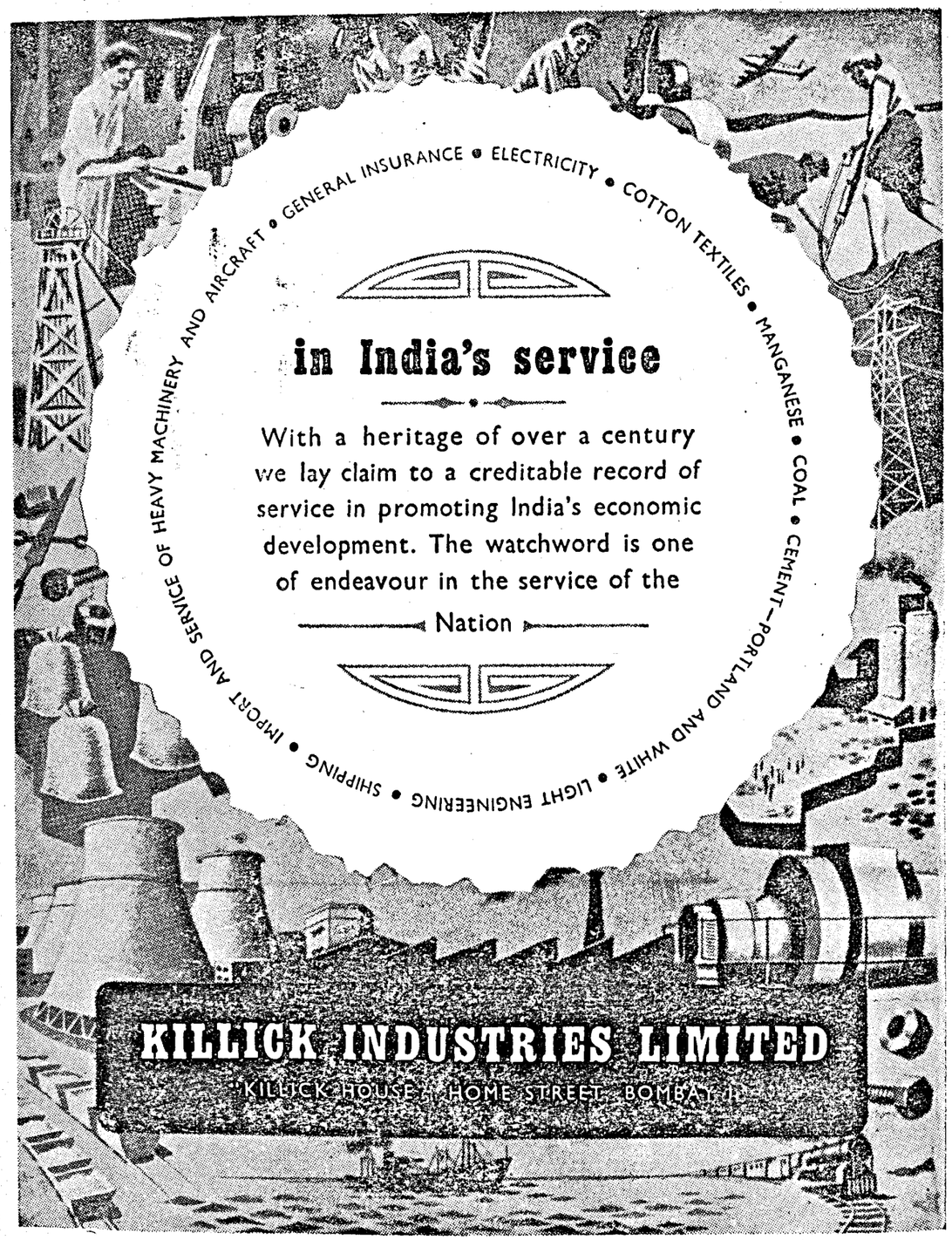
	Number of families with land (in million)		Percentage difference compared to level in
	1950-51	1956-57	1950-51
Andhra Pradesh	1.29	0.72	—44.2
Assam	0.11	0.15	+36.4
Bihar	1.67	1.59	— 4.8
Bombay	0.73	0.63	—13.7
Kerala	0.44	0.26	—40.9
Madhya Pradesh	0.48	0.53	+10.4
Madras	1.59	0.71	—55.3
Mysore	0.66	0.33	—50.0
Orissa	0.66	0.46	—30.3
Punjab	0.05	0.03	—40.0
Rajasthan	0.08	0.07	—12.5
Uttar Pradesh	0.64	1.11	+73.4
West Bengal	0.51	0.44	—13.7
India—Total	8.93	6.99	—21.7

Table 3 : Proportion of "Attached" Labour to all Agricultural Labour Families, 1950-51

(Data collected for the First Enquiry)

	According to 'General Village Survey'	According to 'Intensive Family Survey'
Assam	25.2	11.2
Bihar	28.8	1.3
Madhya Pradesh	18.0	26.5
Madras	5.7	1.4
Punjab	34.7	52.7

It should, therefore, cause no surprise if, on the basis of the same (or, at any rate, similar) criteria, the Second Enquiry shows sharp differ-



ences in the proportion of "attached" to total agricultural labour families. Table 4 shows the extent of the difference, particularly in some of the States, as indicated by the data given in the *Report on the Second Enquiry*.[2]

While this explanation contains, no doubt, an important element of truth, it would seem that it is only a part of the explanation.

IV

Fall in Income — Statistical

Wages of Attached Labour

Whatever the reason, the difference in the proportion of 'attached' to total agricultural labour families, as between the First and Second Enquiries, has a very important implication when one goes on to interpret the data regarding the income of agricultural labour families. The First Enquiry arrived at the following conclusion regarding the wages of 'attached' labour :

> "The computed daily wage of the attached labour was less than that of the casual labourer in all the zones and States of the Indian Union. This was perhaps the price which the attached labourer had to pay for the security of employment and stability of income during all agricultural seasons".

But this conclusion was based on a method of estimation which was described as follows :

> "The methods of remuneration and employment contracts for attached workers were of such a bewildering variety that the wage rates could not be suitably tabulated ..... The computed daily wage of attached adult male labourers has been obtained by deducting the wages earned by adult male casual workers from those earned by all adult male agricultural labourers and dividing the figure so obtained by the man days worked by attached adult male labourers".

The sharp comment which this method of estimation evoked from Professor Thorner was certainly not undeserved :

> "One is reminded of the old story about a shepherd who was asked how he would get the number of sheep in a particular pasture. 'It's easy', he replied, 'you takes the number of feet and you divides by four'" !! (Ibid Daniel Thorner.)

That the estimates in the *Report on the Second Enquiry* have not escaped these same pitfalls will be evident from the following extract :

> "In the case of attached workers the wage structure is so inextricably connected with the contract of employment, conditions of service, grant of tie-in allotments, loan advances, and systems of crop sharing that it is difficult to deal exclusively with wages as in the case of casual workers ..... The total wage-bill in agriculture may be estimated on the basis of the average annual income per household accruing from wage-paid employment in agriculture..... ..... The estimated total number of agricultural labour households in the country during 1956-57 was 16.3 millions and the estimated wage-bill in agriculture for the total number of agricultural labour households worked out to roughly Rs 520 crores as against Rs 500 crores in 1950-51. The increase was mainly due to the fact that the proportion of attached labour households was considerably higher (about 27 per cent) in 1956-57 as compared with 1950-51 (about 10 per cent) and the average annual income per attached labour household as also of all households taken together from agricultural wage employment in 1956-57 was higher than in 1950-51". (p 126)

Valuation of Payments in Kind

How, in spite of the difficulty of dealing *exclusively with wages* in the case of 'attached' labour, the income of this labour from *agricultural wage employment* has been estimated will certainly perplex anyone who is not familiar with the earlier literature on the subject! Taken along with the vagueness surrounding the identification of 'attached' labour in the First Enquiry, it is difficult to see what can be made of the estimated difference in the income of agricultural labour families between 1950-51 and 1956-57, or of the explanation quoted above for this difference.

But this is not all. The *Report on the Second Enquiry* says that me-

[2] It will be noticed, incidentally, that the percentages shown, in the *Report on the Second Enquiry*, for the reorganised States of Madras, Punjab, Bihar and Assam, for the year 1950-51, are based on the data collected from the 'Intensive Family Survey' (which showed lower percentages), and *not* on the data collected from the 'General Village Survey' in the First Enquiry.

Table 4: "Attached" Labour Households 1950-51 and 1956-57

	"Attached" labour households as % of total number of agrl. labour households		Number of "Attached" labour households + (in million)		Difference as % of the number in
	1950-51	1956-57	1950-51	1956-57	1950-51
Andhra Pradesh	12.5	17.1	0.35	0.36	+ 2.9
Assam	11.9	70.1	0.02	0.28	+ 1300.0
Bihar	1.0	41.5	0.03	1.08	+ 3500.0
Bombay	17.7	16.9	0.35	0.32	— 8.6
Kerala	0.3	12.5	—	0.06	—
Madhya Pradesh	24.5	38.3	0.32	0.50	+ 56.3
Madras	1.4	15.7	0.04	0.30	+ 650.0
Mysore	5.2	10.2	0.06	0.09	+ 50.0
Orissa	14.2	15.7	0.17	0.16	— 5.9
Punjab	54.3	46.6	0.16	0.14	— 12.5
Rajasthan	17.8	22.6	0.04	0.05	+ 25.0
Uttar Pradesh	10.2	36.0	0.16	0.72	+ 350.0
West Bengal	8.7	21.3	0.10	0.26	+ 160.0
India — Total	9.7	26.6	1.74	4.34	+ 149.4

+ These are derived from the percentages given in the first two columns and the data regarding the total number of agricultural labour households in each State.

The explanation given in the Report for these differences is as follows :

> "The increase in the proportion of attached labour households from 10 per cent in 1950-51 to 27 per cent in 1956-57 of the total agricultural labour households might, to some extent, be due to resumption of personal estates for self-cultivation by the erstwhile intermediaries like *Zamindars, Jagirdars, Talukdars*, etc with the help of agents, and permanent farm hands, the latter constituting attached labourers. The enactment of tenancy laws which provided for conferment of occupancy rights and prohibited arbitrary eviction of tenants also led, in different States, to resumption by big land-holders of lands previously leased out by them to share croppers (whether they were deemed as tenants or as farm hands) for personal cultivation with the help of permanent farm hands who could be deemed only as wage-paid labour and not as tenants". (p. 62)



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thods of wage payment of casual labour have also changed during this period.

> "In the First Enquiry (1950-51) it was found that at the all-India level 56 per cent of man-days worked by casual workers were paid for in cash, 31 per cent in kind, and about 10 per cent partly in cash and partly in kind. But during the Second Enquiry (1956-57) it would appear that methods of wage payment had undergone a marked change in that payments in kind had substantially increased. At the all-India level, about 49 per cent of man-days worked by adult casual workers were remunerated in cash, 41 per cent in kind and 11 per cent partly in cash and partly in kind." (p. 107)[3]

The question naturally arises how the payments in kind to casual labour, as also to attached labour, have been valued in the two Enquiries. The answer is readily available :

> "Wages are often paid to agricultural labourers in kind and in addition they are occasionally supplemented by customary perquisites. Moreover, consumption of home-grown products is also common among agricultural labour households. All these items received in kind were evaluated in cash at ruling *wholesale* prices during the 1956-57 Enquiry (as against the ruling *retail* prices in the 1950-51 Enquiry) and the amount was included both on the income and expenditure sides of the family budget. Available information on evaluation procedure indicates that different methods are followed in different countries. While in some countries the retail prices are taken, in others imputation is done at the wholesale prices and in some others at the average of wholesale and retail prices" (p. 137) (Italics mine).

The only thing one is left wondering is whether, in any country, two *different types* of prices have been used for valuing receipts in kind at two points of time in a study designed to make possible a *comparative* analysis of the conditions of labour at these two points of time !

It will be obvious that, if a large part of the income of agricultural labour households were received in kind, and if the wholesale prices of 1956-57 were lower than the retail prices of 1950-51, the income of agricultural labour computed as above would show a fall in money terms even if there was, in fact, no fall. Similarly, if the wholesale prices in 1956-57 were higher than the retail prices of 1950-51, income in money terms would show a rise. Keeping this in mind, it would be interesting to take a look at the data regarding wage-rates presented in the Report, and analyse them with reference to such data as are available regarding wholesale and retail prices of relevant commodities in 1956-57 and 1950-51 respectively.

It will be seen from Table 5 that money wage-rates have fallen in all the States of India, except in three, and that, in some States like Bihar, they have fallen by over one-quarter. This would be extra-ordinary and most alarming if it is true. Equally surprising is that, of the three States in which money wage-rates have risen, one is Orissa—a State in which one would least expect it, in view of the very insignificant increase in agricultural production registered in it during this period.

Price Movements

The explanation for these curious results becomes a little more evident when we look at some of the available data regarding wholesale and retail prices in the two years concerned. The ruling *local* prices in rural areas, at which income in kind has been valued in the two years, have unfortunately not been published in the Report, and so we have to go by the price data available from the Ministry of Food and Agriculture for certain market centres. A few selected price quotations for certain cereals are given in Table 6 to indicate the nature of the possible explanation for the apparent changes in money wage-rates.

This is, by no means, an exhaustive list and, in other centres, price movements may have been different, but one can guess from the figures in Table 6 that a major reason for the money wage-rate appearing to be higher in Orissa in 1956-57 than in 1950-51 is likely to have been the rise in the prices of cereals over this period, and that for its being so much lower in Bihar in 1956-57 com-

Table 5 : Wage-rates of Male Casual Labourers in Agricultural Operations

	1950-51 (in rupees)	1956-57	Percentage increase or decrease over the level in 1950-51
Andhra Pradesh	0.97	0.87	— 10.3
Assam	1.90	1.54	— 18.9
Bihar	1.26	0.91	— 27.8
Bombay	1.01	0.87	— 13.9
Kerala	1.26	1.28	+ 1.6
Madhya Pradesh	0.79	0.76	— 3.8
Madras	0.97	0.84	— 13.4
Mysore	0.90	0.84	— 6.7
Orissa	0.72	0.80	+ 11.1
Punjab	1.84	1.98	+ 7.6
Rajasthan	1.23	0.98	— 20.3
Uttar Pradesh	1.18	0.92	— 22.0
West Bengal	1.66	1.43	— 13.9
India — Total	1.09	0.96	— 11.9

Table 6: Retail and Wholesale Prices of Selected Cereals in a Few Market Centres

State	Centre	Cereal	Retail price 1950	Wholesale price 1956 (in rupees per maund)	Change compared to 1951 (Rs)
Andhra	Kakinada	Rice	18.6	18.3	— 0.3
Assam	Goalpara	Rice	20.0	18.5	— 1.5
Bihar	Patna	Rice	29.1	17.0	— 12.1
Bombay	Akola	Jowar	17.3	13.4	— 3.9
Madhya Pradesh	Raipur	Rice	17.5	16.0	— 1.5
Orissa	Cuttack	Rice	15.2	16.4	+ 1.2
Punjab	Ludhiana	Maize	8.7	11.5	+ 2.8
Uttar Pradesh	Bahraich	Rice	22.8	17.6	— 5.2

[3] One cannot resist quoting the explanation given in the *Report* for the shift in favour of kind payments. "The paucity of cash resources with the farmers, general tendency to wait for better prices for marketing their produce in the context of rise in wholesale prices of agricultural commodities and higher production might have led farmers to disburse wages more frequently in kind rather than in cash" !! (p 108)

pared to 1950-51 is also probably, in part, the sharp fall in the prices of cereals in this State.

If this analysis is correct, some of the States in which, according to the Second Enquiry, the workers received higher money wage-rates in 1956-57 are likely to be precisely the States in which they were actually worse off.[4] For, if the true money wage-rates had remained unchanged, a rise in the prices of wage-goods must have reduced the real wage-rate, while a fall in the prices of wage-goods would have raised it. We have now reached a stage in our analysis where the only possible comment is one made long ago by the late Lord Keynes in a more edifying context:

> "The wild duck has dived down to the bottom—as deep as she can get—and bitten fast hold of the weed and tangle and all the rubbish that is down there, and it would need an extraordinarily clever dog to dive after and fish her up again"

V

Futile Investigation

One of the major findings of the Second Enquiry is that the total income of agricultural labour families has fallen by about 11 per cent between 1950-51 and 1956-57. In the light of a quotation given earlier from the Report, regarding the estimated increase in income from agricultural wage employment over the period, one may wonder how this was possible. It will be seen, however, from Table 7 which has been compiled from the data given in the Report regarding the average annual income of agricultural labour households according to source (pp 140-141), that the main declines have presumably taken place in the income from 'cultivation' and from 'non-agricultural labour.'

From our analysis of the factors likely to have been responsible for this decline in income from cultivation, and for the decline in wage-rates, and considering also the dubious nature of the estimates regarding the income of 'attached' labour, it will be obvious that no conclusions can really be drawn from these data.

[4] Incidentally, all this indicates once again how very important it is to know the prices at which the National Sample Survey data regarding rural consumption are valued in the different Rounds. No information regarding these have been published so far.

Table 7 : Total Income of Agricultural Labour Families

	1950-51	1956-57	Percentage change compared to 1950-51
	(Rs crores)		
Agricultural labour	513.7	520.9	+ 1.4
Cultivation	107.2	49.0	— 54.3
Non-agricultural labour	95.2	57.0	— 40.1
Others	84.0	86.2	+ 2.6
Total income	800.1	713.1	— 10.9

It is not impossible that, when the necessary corrections are made (if they *can* be made) for ensuring comparability, these same data may reveal an increase rather than a decrease in the total income of agricultural labour families.

This is not to say that the real wages of agricultural labour could not have fallen in several regions during this period; in some depressed areas, they may even have fallen sharply. On deductive reasoning, one can think of many reasons why all this *could* have happened during the period covered by the two Enquiries. But whether they *did* happen, and, if so, where and by how much, are questions to which the data furnished in the Report on the Second Enquiry cannot give even a clue. It is a pity that so much money is wasted on investigations conducted on this scale and which are designed in such a way as to produce no useful results at all. The mistakes of the First Enquiry can be regarded as the mistakes of a first effort, but what can be the justification for repeating these mistakes in the Second, and making matters even worse by suggesting that the data from the two Enquiries could, with some qualifications, be regarded as comparable? It would be unfortunate if, in addition to the waste already incurred, anyone were tempted to utilize these data for arriving at any kind of conclusions at all, for they can be highly misleading.

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Free Trade Area in Asia

Rajendra Kumar

The formation of trade groupings in Europe has created serious problems for the foreign trade of third countries, particularly under-developed countries.

A proposal to establish an Asian trade bloc was made at the sixteenth session of the ECAFE in March last.

As a defensive step the case for an Asian free trade area can be established if it improves the countries' bargaining strength vis-a-vis the EEC preferential system.

While the enventual formation of a regional trading system in Asia may take a long time, redress of the adverse trade impact of the EEC may be sought through negotiations under the GATT.

PROPOSALS for a customs union or a slight variants of it have been discussed of late in several countries as a policy measure against economic stagnation, especially after the establishment of the European Economic Community in 1958. These proposals have been made with a view to avail of the advantages of free trade — in terms of competition and, hence, the efficient use of resources — over an enlarged market as a result of the widening of 'economic boundaries'. This approach concedes generally the principle of locating industry on the basis of comparative costs. In practice, however, the majority of the schemes now being mooted for regional free trade have emerged from the primary consideration of safeguarding the countries' trading interests *vis-a-vis* the European Economic Community. So much so, the regional trade arrangements are discussed now as an acceptable mode of policy; trade negotiations of tomorrow, therefore, may not be merely between two countries but between two organised sets of countries. Let us, to begin with, review some of the current trade groupings. It is suggested that possibilities should be explored of a free trade area in South-East Asia comprising Burma, Ceylon, India, Indonesia, Malaya, Nepal and Thailand.

European Trade Groupings

The European Economic Community (the EEC) became effective on January 1, 1958. It consists of six countries, namely, Belgium, France, West Germany, Italy, Luxembourg and Netherlands. It aims to achieve (a) intra-regional free trade, (b) uniform external tariff and (c) a common agricultural policy. The first stage of trade liberalisation began on January 1, 1959. Most notable, the EEC is a preferential trading bloc insofar as it has extended mutual trade preference to its overseas Associated Territories; this feature of the Community perhaps needs further spelling out since it affects the so-called 'third' countries. The Overseas Territories of the Community fall under two types: (a) those with a colonial status and (b) independent territories; it is the former that are especially associated with the E E C. With the latter the 'Six' are ready to negotiate on the extent of association. A few Asian countries namely Indonesia, Vietnam, Laos and Cambodia are also included in the 'independent' group. The Associated Territories are made up of French Africa, Oceania, Togo and Cameroon, Belgian Congo, Ruanda-Urundi, Italian Somaliland and Netherland New Guinea. One of the important EEC institutions is the Development Fund, 88 per cent of whose resources are to be invested in the social and economic development of the Associated Territories. These Territories, moreover, enjoy special treatment in the application of the EEC external tariff inasmuch as (a) the uniform external tariff of the Community provides them with a preferential market within the region and (b) the associated partners are free to vary their individual tariffs in their trade with third countries.

The European Free Trade Association (EFTA) was formed after the breakdown of negotiations for setting up a Europe-wide free trade area with E E C at the core. It became effective on May 3, 1960. It comprises seven countries, namely, Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom. It aims at free trade within the region for industrial products only, to be achieved through elimination by stages of tariffs and quotas. The first cuts were announced on July 1, 1960. The Association permits its members to retain their own external tariffs. It provides for separate agreements to cover agricultural and fishery products; this is how Britain reconciled her Commonwealth obligations with a trade association with Europe. The EFTA is a preferential bloc insofar as the United Kingdom retains her Commonwealth preferences; the question of origin has been overcome by the '50 per cent rule'. (For instance, in the case of products involving the use of raw materials or other elements originating in a third country, the rule would be that any product in whose case the value added by the national industry or commerce represents 50 per cent of the total value would be considered as produced by the member country.)

The "Six" and the "Seven"

Of the two preferential trade blocs in Europe, only the Community is a customs union in the true sense of the word in that it enjoins internal free trade and uniform external tariffs. It, however, marks an improvement over the pre-World War II variety of customs union in Europe which in the words of a League of Nations study, "tended to abolish internal trade barriers in order to erect on the boundary of the whole community a stiffer barrier, that is to say, in order to create, in practice, a weapon against (trade with) the outside States". That is why the phrase 'common market' has been adopted; 'customs union' had a bad odour about it. Common market does not aim at regional autarky by raising external tariff; the E E C regulation, for example, complies with the GATT principle that the new tariff does not exceed the average of those it replaces. The first steps towards the introduction of the reduced common external tariff for the Community were taken on January 1, 1961. To recall the beginning of the common market movement in

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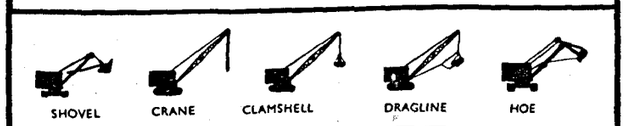


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Europe, it was in May 1930 that the then French Prime Minister M Briand suggested the establishment of a common market since customs unions in the past were "not good". This proposal, however, did not catch on since the United Kingdom was not keen on it. After the Second World War France insisted on pressing its common market scheme without waiting for Britain to fall in. This became clear from the abortive negotiations through 1958 for setting up a European free trade area, as proposed by Britain, covering all countries of the Organisation for European Economic Co-operation (OEEC). It was as a retaliatory move that Britain in the following year organised the European Free Trade Association.

Along with the first round of tariff and quota reductions on January 1, 1959 for intra-regional trade, the EEC decided to extend to the other eleven members of the OEEC and to all other participants in the General Agreement on Tariffs and Trade (GATT) an important share of the trade liberalisation on a reciprocal basis. This was conceded by the EEC with a view to preventing serious trade discrimination within the OEEC. As a result it appeared likely that on the failure of the Eurpean Free Trade Area talks, some OEEC country might enter into negotiations with the EEC. In the hope of forestalling such a situation and with a view to avoiding the adverse effects on their economies of the gradual implementation of the Common Market programme and eventually with a view to reopening negotiations on a free trade area with the Six, Britain along with six Continental countries, namely, Austria, Denmark, Norway, Portugal, Sweden and Switzerland formed the so-called Stockholm Group. In June-July 1959 this group produced a draft convention for a European Free Trade Association which was ratified in January 1960 and came into force from May 3, 1960.

Traders' Mutual Defence Society

One of the aims of the EFTA, in common with the EEC, is to establish free trade within the region by eliminating tariffs and quotas, though this is limited to industrial products only in order to reconcile the conflicting interests of the members. A point of basic difference between the two is regarding the external tariff: unlike the EEC, the EFTA members retain their individual tariffs against non-member countries. The EFTA is not a customs union; it is only a partial free trade area. It is an association with open membership. Moreover, the EFTA, again unlike the EEC, is purely economic in character; it does not aim at harmonising or integrating social and economic policies of the countries of the region. Although the stipulated object of the Association is similar to that of the ECM, namely "to strengthen the economies of its members by promoting expansion of economic activity, full employment, a rising standard of living and financial stability", its basic purpose is to act as an "effective counterweight" to the EEC and thereby to keep the balance in negotiations with the EEC, aiming at the removal of trade barriers in Europe and ultimately, at the establishment of a free trade association including all the OEEC members. Appropriately the EFTA was described by *The Economist* as a "traders' mutual defence society".

Another consideration that should have prompted the United Kingdom to make haste with its trade association plans in Europe was the imminent Nordic Union which, in the event of materialization, would have left Britain out in the cold. As a matter of fact, discussions regarding the formation of a Nordic Customs Union consisting of Denmark, Finland, Iceland, Norway and Sweden had manifested much disagreement. The Nordic countries had backed Britain during the 1958 negotiations for a European free trade area. After the failure of these negotiations and in the absence of any attractive alternative proposal from the United Kingdom, it was likely that they would readily patch up their differences and launch a customs union in some modified form. Britain lost no time and acted judiciously in setting up the EFTA.

The formation of these trading groups in Europe has created serious problems for the foreign trade of third countries. We discuss these from India's point of view. Insofar as the ECM external tariff does not show preference of entry to products from the Associated Territories, thereby keeping out the products from India and other third countries and insofar as the Commonwealth preferential arrangements remain unaffected due to United Kingdom joining the EFTA, the European movement towards regionalisation is of little material concern to India's trade problems. What has actually disturbed or is likely to disturb India's trade pattern and economic development is the EEC system of extending preference to the Associated Territories in trade and the supply of capital. It is feared that this would injure India's export prospects both in the six Common Market countries and their Associated Territories and would also impede the provision of foreign capital for India's economic development. India is faced with the problem of exploring new export markets other than the EEC preferential area and new sources of development finance. We do not consider the problem of development finance here; we confine ourselves to the trade problem. It is in order to ensure a secure market for our products that we suggest an examination of the possibilities of forming a free trade area in South-East Asia consisting of Burma, Ceylon, India, Indonesia, Malaya, Nepal and Thailand. (In case Indonesia, in view of its 'independent' status with respect to the EEC, signs a trade treaty with the European Community, she will not participate in an Asian free trade area arrangement).

Threat to Third Countries

The threat to the export trade of third countries, especially the underdeveloped ones was confirmed by the report early in 1959 of a working party which was appointed by the GATT to investigate the likely effects of the establishment of the EEC, as a new preferential area, on the export trade of third countries. The majority view, supported by Brazil, Ceylon, Chile, the Dominican Republic, Ghana, India, Indonesia, Pakistan, Rhodesia and Nyasaland and the United Kingdom, stated that since importers in the member States of the EEC would give priority in their purchases to the products of the Associated Territories, it would divert trade from third-country suppliers, and disrupt traditional trade patterns, so that third countries would be forced to seek markets elsewhere for a considerable part of their present exports

to the six Common Market countries and their Associated Territories. The minority view, representing the members of the EEC who were also members of the GATT working party, maintained that the fears expressed by the majority were exaggerated. Expanding production within the ECM would result in increased demand for the goods and commodities of third countries as well.

Important commodities whose export prospects are likely to be affected adversely due to the emergence of the EEC preferential system are cocoa, coffee, tea, bananas, sugar jute, tobacco, oilseeds and vegetable oils and cotton. India's export trade especially in tea, coffee, tobacco, oilseeds and vegetable oils will be hit by the EEC's trade preference to its African territories.

Basically, these were considerations that led to the emergence of similar trade groupings in other parts of the world. Let us describe briefly the events in the Middle East and South America.

In January 1959, the Arab League Economic Council decided to establish the Arab Financial Institution for Economic Development and the Temporary Arab Economic Unity Council, the latter to study an agreement for economic unity among the Arab countries and to make recommendations for the establishment of the Arab common market consisting of the following countries: United Arab Republic, Iraq, Saudi Arabia, the Lebanon, Sudan and the Persian Gulf Kingdoms.

In the distant central and south America, there is, first, the Central American common market formed in 1959 with the tiny States of Nicaragua, Costa Rica, El Salvador, Guatemala and Honduras and associating Panama, and second, there is the Latin American Free Trade Area set up in January 1960 comprising Argentina, Bolivia, Brazil, Chile, Paraguay, Peru ann Uruguay and associating Mexico. The organisation both of the LAFTA and CACM has been inspired, essentially by defensive motives, by the emergence of another preferential trade area on the European Continent besides the Commonwealth.

Proposal for Asian Bloc

A proposal for the establishment of an Asian bloc to consist initially of Malaya, the Philippines, Thailand and Vietnam and, possibly, Indonesia (but subsequently to cover the other countries of South-East Asia) was made by Dr Perfecto E Laguio, head of the Philippine delegation at the sixteenth session of the Economic Commission for Asia and the Far East in March 1960. Although it excluded India to begin with, it did manifest the trend of thinking towards trade grouping on this continent. The ECAFE did not set up a study group to examine the desirability and scope of this scheme. Such examination is, however, contained in a study submitted to the ninth session of the Commission on Asian and Far Eastern Affairs of the International Chamber of Commerce held in Karachi, December 1960 (*Implications of the European Common Market and the European Free Trade Association on Trade and Economies of Asian Countries*, Rapporteurs: P Chentsal Rao and H L Gupta, Federation House, New Delhi: September 1960). Discussing the difficulties in the way of organizing an Asian free trade area, the study concludes, "It is not inconceivable that some selected countries of the region may enter into arrangement on the lines of EFTA". As alternatives, the study discusses other steps that Asian countries may co-operatively take with a view to safeguarding their economic interests *vis-a-vis* the EEC. These include intra-regional trade promotion arrangements, mutual exchange of tariff and quota concessioins between underdeveloped countries of the region and corrective action through the GATT forum. The study abstains from suggesting a definite scheme for a regional free trade arrangement.

A factor that any Asian free trade area proposal must take note of is the form that a likely rapprochement between the EEC and the EFTA might assume. To the extent this leads to a substantial modification of the EEC's preferential character, the case for organizing a free trade area in Asia purely on defensive grounds is lost. In the event it becomes worthwhile examining how far an Asian free trade area is feasible for other economic reasons. From his survey of the customs union theory, Dr R G Lipsey lays down the conditions under which countries ought to form a customs union. (*Economic Journal*, September 1960.) Either the union partners should be doing a high proportion of their foreign trade with one another; or, foreign trade should form a low proportion of the participating countries' total expenditure. Stated in the negative form, it implies that a country should not join a free trade arrangement if its foreign trade constitutes a high proportion of its national income, and especially not if the participating countries account for only a small proportion of its foreign trade.

Proceeding on the basis of these theoretical principles, one can support the case for a free trade area between those Asian countries who either do not trade much abroad, or trade mostly with countries within the area. India's foreign trade as per cent of her national income is low: it is only 7 per cent. Having satisfied one of the two conditions, India should look about for neighbour countries whose foreign trade is only a low proportion of their national incomes or whose trade is mostly confined within the region. Looking to the desirability of having a geographically well-knit region, a free trade area covering Burma, Ceylon, India, Indonesia, Malaya, Nepal and Thailand deserves consideration.

As a defensive step the case for an Asian free trade area can be supported if the union improves the countries' bargaining strength *vis-a-vis* the EEC preferential system either because the group is one of the chief buyers from or sellers to the EEC. But its defensive function is satisfied only if no member country is free to enter into an individual arrangement with the opposing group. If the members are willing to surrender questions of extra-regional trade also for consideration by a single governing authority, the proposed free trade group of South-East Asia will become the monopoly seller of tea, tin and rubber and a big buyer — for this group will account almost for one-fifth of the world population.

The eventual formation of a regional trading system in Asia would take a long time. Meanwhile, regress of the adverse trade impact of the EEC preferential system should be sought generally through GATT negotiations. The impending rapprochement between the United Kingdom and the EEC is also a hopeful sign in this respect.

Social Attitudes and Education

Sureshchandra Shukla

Elementary education can mean one of two things.

It can lead to higher education and, possibly, a job outside the traditional family occupation.

On the other hand, it can open out the mind and impart manual and social skills and foster new ways of life in the traditional rural (or other) locale.

The former type of education is essentially an article of consumption which has to be strictly rationed, if produced at all.

A change over to the latter kind of education involves a change in social attitudes in general and in the mode of recruitment to the elite in particular.

EDUCATION takes quite a high place in the draft Third Plan if you look at the summary of contents. For the rest, it is more accurate to point out that the outlay on education is proposed to be 5 per cent of the total. More important, education takes its place with social services even though the planners condescend to caption Chapter VI of the Plan as 'Human Resources and Social Services' implying almost that education is considered as development of human resources for the Plan and not as a mere social service. All the same, the basic attitude persists. With the exception of technical education, which is considered separately in Chapter VII the rest is treated as pure consumption. This brief note attempts to point out the basis and implications of this approach and to examine an alternative approach particularly in reference to the scheme for universal elementary education.

Elementary education for the large majority of us can mean one of two things. It can lead to high school and even higher education and possibly a job outside the traditional family occupations. It can, on the other hand, open out the mind and impart manual and social skills which would make it possible for a peasant or an artisan to make use of new technique in his trade and make for new ways of living in the traditional rural (or other) *locale*. In terms of attitudes, the former possibility carries with it averseness to primary production and, in all probability, to the locality of origin. Essentially this kind of elementary education is decidedly in the nature of a social service and is an article of consumption which will have to be strictly rationed, if produced at all. Indeed, this is largely what has happened. The Constitutional directive of putting every child between the ages of 6 and 14 in school by 1960 has been replaced by a Plan promise of sending 80 per cent of the children between 6 and 11 years to school for an average of 3½ years by 1965-66. The direct cost of this type of education is itself high. But that is not all.

Cost of White Collar Education

Between independence and 1951-52 primary school enrolment had risen by 63 per cent and that in high schools by 100 per cent. Between the beginning of the First Plan and the end of the Second Plan enrolment in the 6–11 age group had risen by 71 per cent, in the 11-14 age group by 97 per cent and by 150 per cent in the 14–17 age group. Thus the percentage increase in enrolment rises, the higher we go up in the educational scale. The tendency is likely to get accentuated in the future. A large proportion of pupils entering the first class of a primary school drop off before reaching the fourth or fifth class. This accounts for the fact that provision is made only for 3½ years of schooling on an average, for even when all children of 6 years of age enter the first class, only 70 per cent children between 6 and 11 years are at school. This means that as primary schools retain more of their pupils upto the end of the primary stage, the proportion of them going on to middle and high school grades can be expected to rise. Thus expansion of elementary education means more than proportionate expansion at the middle, high school and college levels. The cost of this may perhaps be only a fraction of the other costs involved, viz., the cost in terms of the non-availability of the individuals for productive work. (Under existing conditions of under-employment and unemployment this might be negligible but it is potentially great). The cost of providing more employment in secondary and tertiary occupations to prevent the discontent of educated people from boiling over as well as that of accelerated urbanisation have to be reckoned.

It comes about, thus, that whatever be the merits of universal elementary education from the point of view of equalising opportunity and promoting better citizenship, it operates, to the extent that it works efficiently, in the direction of increased social costs.

It was suggested above that elementary education can be reoriented so that the mass of peasants and artisans and also industrial workers can improve the working of their hands and eyes, develop more open minds and scientific attitudes, acquire better social skills for living and working together. If it did not develop an attitude averse to the occupations of their milieu of origin almost any kind of elementary education will contribute to the achievement of these objectives. Certain types of education will, naturally, do it a little better than some others. But the key factor is alienation. Numerous influences operate towards this end. The teachers might or might not influence their pupils in any other way, but they most certainly hold up to them the middle class white-collar way of life as the one to be looked up to. The school removes children away from a life of work for a number of years just when the white-collar influence of the teacher is operative. Habits and attitudes averse to work are also formed. Add to this the social fact that in an underdeveloped country with bureaucracy at the top of the social scale, elite groups tend to belong almost exclusively to bureaucratic and professional groups to the virtual exclusion of industrial or technical personnel. This is reinforced by the caste tradition.

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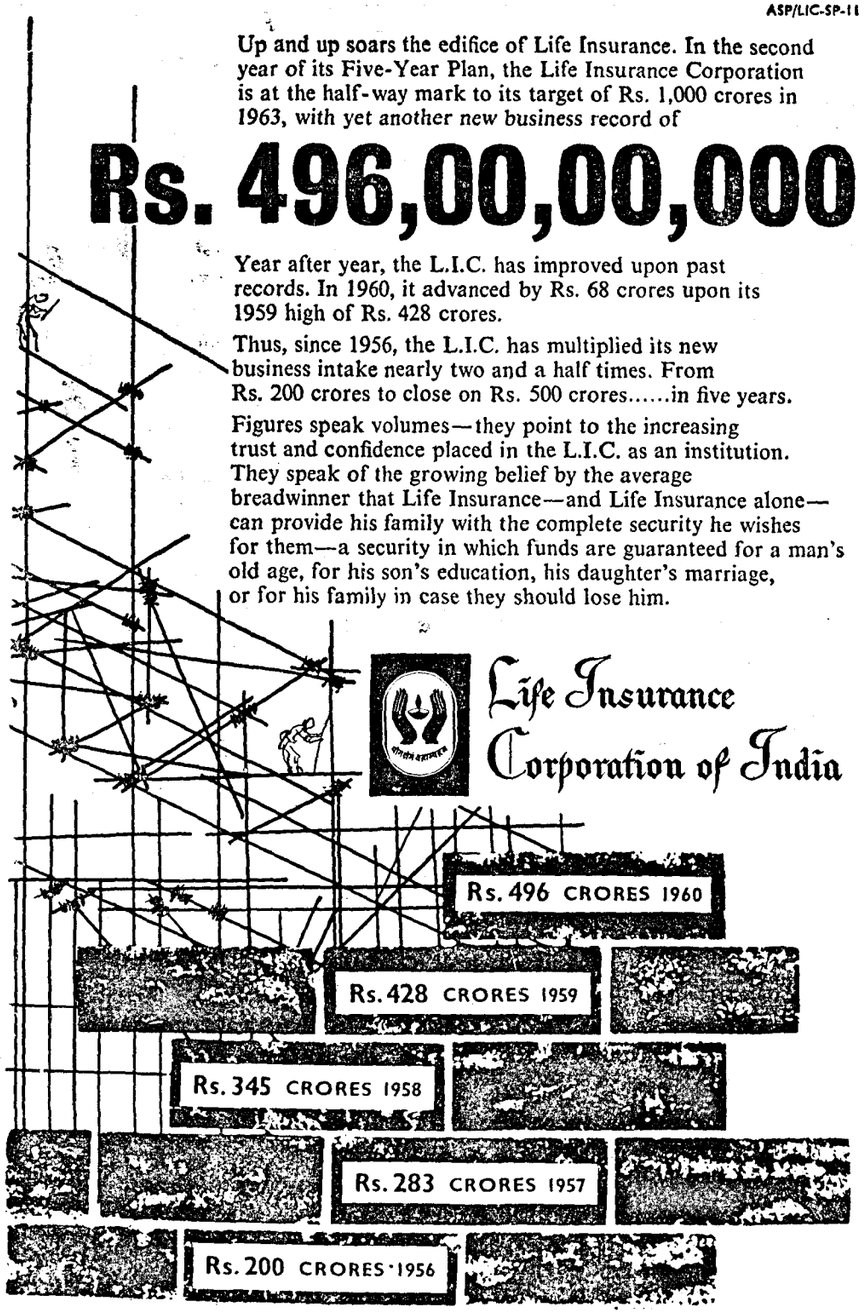
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Life Insurance Corporation of India

Chairman's Statement

The Chartered Bank

Statement by the Chairman, Vincent Alpe Grantham, Esq.

THE following are extracts from the text of the Statement by the Chairman, Vincent Alpe Grantham, Esq., to be presented at the One Hundred-and-Seventh 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 29th day of March 1961 :

During the accounting period to which this statement relates the bank has continued to make steady progress and our subsidiary, The Eastern Bank Limited, has contributed to the favourable results which have been achieved by the group. Later in this statement I have reviewed recent economic and political developments which have influenced the operations conducted by both banks in the numerous countries to which the two branch organisations extend, but before doing so I must make a reference to the extent to which we are indebted to our staff everywhere for the favourable picture I am able to present to the stockholders. Success in banking ventures finally depends upon service to the public and the quality of that service depends largely upon professional competence at the executive centre sustained by the devotion and skill of a numerous and widely diffused establishment and the Chartered Bank group is indeed fortunate that it can rely so fully on the ability, integrity and zeal of those by whom it is served.

Mr. John Shewan, an Assistant General Manager, has been promoted to the rank of Joint General Manager in anticipation of the impending retirement of Mr. G. A. Leiper, whose services we shall be very sorry to lose. The Court of Directors have appointed Mr. R. A. S. Lane to be an Assistant General Manager. Mr. Lane has served in our Eastern branches in a succession of executive appointments and has recently undertaken an extensive tour of inspection of the oversea establishment.

Throughout its history the bank has maintained intimate business relations with the Australian banks and last spring the Chief General Manager, Mr. W. G. Pullen, visited these institutions, from whom he received a warm welcome. During the autumn also Mr. Pullen undertook an extensive tour of North America and he was enabled to discuss with leaders of American and Canadian finance and industry many international economic problems in which Great Britain, the United States and Canada have a common concern. Early in 1960 Mr. G. A. Leiper undertook a tour of the Far Eastern branches and resumed his acquaintance with customers of the bank in Japan, Hong Kong and the Philippine Republic. Mr. David Beath, who was accompanied by Mr. Goldsmith, General Manager of The Eastern Bank Limited, has lately returned from a tour of the Middle East.

The Irano British Bank

For our associate in Iran the year under review has been a period of consolidation rather than expansion, but the proposed branch at Ahwaz, to which I referred in my last address, is now functioning successfully and a small sub-office, for the convenience of private customers, has been opened in the northern part of Tehran. Trading conditions during most of the year were difficult and the general tightness of money in the bazar was reflected in a shortage of working funds available. However, the accounts at the end of the Iranian half-year disclosed an all round increase in business and the trading result was not unsatisfactory. A report on Iran is included in the Oversea Survey.

The Bank's Balance Sheet

The record figure of £270,390,101 set up in last year's balance sheet total has soon been outstripped, for the accounts now placed before you reflect the further expansion of the Bank's business by an increase of £45,813,097, producing a new record total of £316,203,198. We have also been able to maintain a high degree of liquidity as evidenced by a slight increase of 1.47 per cent. in the ratio of cash to our demand and time liabilities, which now stands at 19.55 per cent.

The fall of £2,200,280 in Current and Other Accounts is small in relation to the increase of £48,723,430 in our Fixed Deposits. Bills Payable are higher by £569,466 but there has been a reduction in our Acceptances of £2,872,556.

Our assets are all higher, with increases of £12,795,970, £5,609,575, £1,035,300 and £27,848,337 in our Cash in Hand at Call and at Bankers, Government and Other Securities, Bills of Exchange and Advances to Customers and Other Accounts respectively.

The Consolidated Balance Sheet total of £362,759,636 shows an increase of £45,737,927 over that of last year.

Consolidated Profit and Loss Account

Stockholders will have noticed that we have adopted the practice of the leading banks in the City of London by making all allocations to Premises Account, Pensions and other Staff Funds, before arriving at our published profits and last year's figure has been adjusted accordingly.

In the current year our profit of £761,916 is arrived at after deducting £155,000 (1959 - £145,000) on account of Pension Fund and Widows' and Orphans' Fund and £250,000 (1959 - £250,000) on account of Bank Premises so that in comparison with 1959 the profit shown has been increased by £142,220.

Next year our published profit should be compared with the published figure for 1960, viz., £761,916. In September last we paid an interim dividend of 8 per cent. less income tax absorbing £245,000 and it is now proposed that out of the balance available a final dividend of 7½ per cent. less income tax, on a capital which has been increased during the year to £5,500,000 be now paid at a net cost £252,656.

We have transferred £250,000 to Reserve Funds, bringing the total of those Funds up to £5,750,000, and there remains to be carried forward a balance of profit of £506,254, an

increase of £14,260 over that for last year.

Oversea Survey

During 1960 international trade continued on a substantial scale. A rising standard of living in the world, an ever-increasing population and increased industrial development everywhere, would appear to point to continued trade expansion, but certain signs are appearing which indicate a possible halt in this trend and perhaps the most important immediate factor is the likelihood that business turnover in the United States may not increase as quickly as anticipated. Unless conditions in the American market improve in the coming year and stimulate demand for industrial raw materials, the export earnings of the primary producing Asian countries, in which the Chartered Bank group is established, must be adversely affected. Another deterrent to the growth of international trade is the chronic shortage of foreign exchange in many countries, particularly in the East, which, with a desire to protect new manufacturing industries, has led to the imposition of far-reaching import restrictions. Often these restrictive measures are imposed by force of circumstances but one cannot view with equanimity efforts to protect local manufacturing units which have little hope of ever becoming economic propositions able to complete on equal terms in international markets. In fact, for some years it has seemed likely that the emphasis placed on industrialisation by the younger countries in particular, and often at the expense of agriculture on which their economies depend, designed primarily to have the effect of reducing imports, may in these coming days of balanced trade, make it increasingly difficult for them to find buyers for their own export products.

It is within this involved situation that our government, like that of the United States and many other highly-industrialised countries, is now launching an export drive but we find that the growing awareness in this country of the necessity to export is not, so far, being translated into efforts to find new markets. It is a common complaint by officials and businessmen in a number of Eastern countries that the United Kingdom shows little interest in their markets, which they point out is in marked contrast to the attitude of the Germans, the Japanese and others. There is undoubtedly some truth in what is said for it often seems that either our good and usual exporters have already sufficient buyers for their products, and cannot devote the time to smaller and less known markets, or there is an instinctive feeling that too much risk is involved. Sometimes there is risk but usually, with competitive prices and a willing buyer, means can be found to arrange shipments on a satisfactory basis and by its advice on this, and with the knowledge of markets gained from one-hundred and ninety branches in twenty-six countries, it is felt that the Chartered Bank group should be able to do much to aid materially the efforts of our exporters.

India

India is now on the threshold of the third five-year plan, which starts in April. It is no exaggeration to say that the critical phase has been reached in the enormous task of raising within the constitutional framework of parliamentary democracy the living standards of a population now estimated to number approximately four-hundred-and-thirty millions. It is generally agreed that the first and second five-year plans have successfully laid the foundations necessary for further economic advance, and the various criticisms so often voiced of this or that aspect of Indian planning policy must not be allowed to obscure the magnitude of what has already been achieved. Perhaps industrial development has been allowed to outrun the supply of power and the provision of transport and is, therefore, partially nullified and no doubt undue emphasis has so far been placed on the development of heavy industry rather than increasing agricultural output, but agriculture is to receive a more prominent place in the new plan. The target for food grains has been raised by twenty-five million tons and a further twenty million acres is to be brought under irrigation. Soil conservation and an increased use of fertilisers are important planning features and, provided the practical work required to implement the plan is carried out, it is hoped that there will be a sufficient production of food grains for the country within the next five years. The central government will have to obtain the co-operation of the individual states in its plans as agriculture is a state subject under the constitution. The success of the third five-year plan, not only in agricultural but in all aspects covering industrial development, transport, power and communications can only be relative to India's ability to raise the necessary foreign exchange for the point has now been reached where future development is dependent upon external credits and aid funds. The comfortable cushion of foreign exchange reserves available at the beginning of the second plan has been spent and the sterling balances are now only adequate for current needs. So far, official visits abroad have resulted in pledges covering approximately one-quarter of the external costs of the projects in the plan, but no doubt considerably larger grants will be forthcoming as it seems clear that the governments of the West will have to help India for many years to come. Encouraging too is the noticeable increase in enthusiasm, particularly from America for investment of private capital although Britain, privately and as country, continues to make valuable contributions to India's development. Private investment from the United Kingdom, which in 1958 was estimated to be about £300 millions, is probably much higher now, while since that date official loans amount to £110 millions.

India can itself contribute to the success of its ambitious plan by increasing exports but can save little on imports which are now no more than sufficient to keep industry going. In time the manufacturing industries developed under previous plans can be expected to make useful contribution to export earnings providing costs can be kept down, but for some time to come reliance for help in this direction will have to be placed on the traditional exports, tea and jute. With the country's future development dependent upon exchange earnings it is all the more surprising that there should be increased interference by officialdom in commercial trading, particularly as experienced government servants are so badly needed in the ordinary administrative duties for which their training suits them. Their handling of commercial undertakings which can only suffer from lack of commercial

training and knowledge, must prove costly to the country at a time when it can least afford it and the tendency to increase their activities is a further manifestation of the see-saw between public management and private enterprise. The private sector, which still accounts for ninety per cent. of the total output of the economy, is, in the third five-year plan, once again to play a smaller part and only forty-two per cent. of the total investment is allotted to it.

The only other source of foreign exchange lies in India's hidden gold, but the authorities must by now despair of getting this into official hands and their endeavours seem more directed to the prevention of further hoarding by making savings more popular and curtailing the money supply. This is no doubt one of the factors enabling the Reserve Bank to go contrary to the government's desire for cheap money; the other is an endeavour to contain inflation due to speculation, and to achieve this the Reserve Bank called on banks for special statutory deposits and has put considerable limitations on the amounts that banks may borrow from the central authority at bank rate against government securities or under the bill market scheme. By bringing into effect a system of selective credit control the Reserve Bank seems to have succeeded in introducing a dearer money policy without, on paper, increasing the cost of government borrowing. This position may not continue unless banks keep a reasonable interest differential between borrowing and lending, for if unrealistic rates continue to be quoted for bank deposits investors will be inclined to switch from government securities. The quotation of unduly high deposit rates by indigenous banks nullifies the aim of the Reserve Bank, shown in its fixing of minimum lending rates, to enable those banks to make reasonable profits in order to build up their reserves. This concern of the Reserve Bank over the economic state of the indigenous banks, particularly the relation of capital and reserves both published and undisclosed, can be well understood after the banking failures in India in the current year and so can the Reserve Bank's desire that the smaller banks merge into stronger units.

Pakistan

Sound leadership, political stability and a pragmatic approach to its problems made 1960 a good year for Pakistan. The government continues to have the firm support of the mass of the people and progress has been made in establishing a system of semi-elective local government designed to inculcate a sense of civic responsibility in a population previously unaccustomed to participating in local administration. This essay in what is termed basic democracy is seen as a move towards the restoration of some form of representative government, but power for some time to come is likely to remain fundamentally with the central government. Martial law is still in force but the government wields its considerable powers with benevolence.

The authorities have shown a welcome flexibility in meeting current economic problems. Foreign aid is still required but generally the situation is favourable. Agricultural production has increased partly due to weather conditions favouring crop production, but for some years to come the country's export earnings will continue to depend on raw jute and, to a lesser extent, cotton. It is, therefore, a little disquieting that during 1959/60 foreign exchange receipts in respect of both these commodities showed a reduction. The recent sharp rise in world prices for jute, due to reduced crop, is of doubtful benefit as further impetus will be given to the efforts in the U.S.A. and elsewhere to find substitutes.

An improvement in the level of exchange reserves has enabled the government to liberalise imports in furtherance of its policy of reducing the price of consumer goods and of providing raw materials sufficient to keep industry operating on the basis of a one shift capacity. There has been continued expansion in industrial production and the demands made on the banks for advances in this connection, and the increased seasonal advances required for financing higher priced crops of jute and wheat, have placed all banks under strain and resulted in high rates in the inter-bank money market. An official restrictive credit policy is difficult to administer in an expanding economy with exceptional seasonal demands and perhaps a little more flexibility is required in the monetary management.

In the long run the future living standards of the population are going to depend very much on the success or otherwise of the second five-year plan, to which I referred last year and which came into effect last July. Laying the emphasis as it does on agricultural development, the plan is a realistic effort to meet present needs in the light of the domestic financial resources available and of the foreign aid that is likely to be forthcoming. The emphasis in the plan on raising agricultural production should help to avoid in future the strain imposed on the exchange reserves by continued importations of large quantities of food grains to meet deficiencies in home production. The official encouragement given to foreign investment and the wide scope being given to the private sector of the economy should have the effect of accelerating the already rapid industrial expansion. The reductions in company taxation announced during the past two years will also encourage enterprise. A most heartening feature of the past year has been the improvement in relations with India, the most important result of which, so far, has been the signing of the canal waters agreement.

Last May our Lyallpur branch moved into new office premises constructed for the bank to give improved accommodation for our expanding business there.

Conclusion

This review emphasises the extent to which most of the countries of the East are dependent upon foreign aid and investment for the success of their development plans. It indicates, too, the tendency of these countries to hem themselves in with trade and other restrictions but what it does not show is the repercussion of these policies on the ordinary trading activities of foreign business. The Chartered Bank, which has operated in many of these countries for nearly one-hundred years and has always identified itself with the local economy, is prepared, as I am sure other British enterprises are, to co-operate with the authorities and assist in their national aspirations and it is all the more disappointing, therefore, to find increasing discrimination against our participation in trade and commerce. On the sanctity of existing capital and the treatment of existing commercial under-

takings must largely depend the advent of new capital, for new capital can be expected mainly from those who know the territory and have confidence in it, i.e., existing investors and traders. To add to the difficulties encountered through governmental action is the excessive competition arising from the over-banking of many cities in the area. In not all places is this as chronic as in Hong Kong, where there are now over eighty banks, but the general tendency of international banks to open branches in our territory and of small local banks to spring up overnight, often with the encouragement of large banking interests in this country, means a regrettable lowering of banking standards. This trend must finally be to the disadvantage of the country concerned for, not only is encouragement given to the under-capitalised and often inefficient to set up industries, usually to become poor shippers and bring the country a bad name in oversea markets, but the general lowering of commercial standards may unfortunately mean losses on the part of the public.

Progress of Village Housing

OVER 9,300 rural houses have been completed or are under construction under the Village Housing Projects Scheme. In addition, the selection and survey of villages, drawing up of lay-out plans, and preparation of model designs and specifications for houses have been taken in hand. Of 3,560 villages, selected out of 5,000 scheduled to be covered during the Second Five Year Plan socio-economic surveys have been completed in 1,770 and physical surveys in 1,630. Lay-out plans have been drawn up for 1,400 villages.

Rural housing cells, with necessary engineering personnel have also been set up in Andhra Pradesh, Bihar, Kerala, Madras, Maharashtra, Mysore, Madhya Pradesh, Orissa, Punjab, Rajasthan, Uttar Pradesh, West Bengal and Assam.

The Central allocation for the rural housing programme during the Second Five Year Plan amounts to Rs 48.5 million, of which about Rs 46 million is likely to be spent by the States by March, 1961. The Village Housing Scheme provides for the grant of house-building loans to villagers up to 66⅔ per cent of the cost of the house, subject to a minimum loan of Rs 2,000 per house.

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DARWIN LONDON ZURICH
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AT NO EXTRA FARE
*EFFECTIVE 1ST APRIL 1961

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BRITISH OVERSEAS AIRWAYS CORPORATION
IN ASSOCIATION WITH AIR-INDIA AND QANTAS

Around Bombay Markets

Dalal Street near 1960 Peak

Thursday, Morning

DALAL STREET last week had only three sessions—six-and-a-half hours of official trading. But the volume of business was quite large, both in cleared and non-cleared securities. The market displayed considerable buoyancy most of the time and it was only on Wednesday (22nd March) that the market developed a reactionary sentiment under pressure of substantial corrective profit-realising.

The market was at its best on Monday and it came quite close to its 1960 peak. Nearly all the popular counters recorded new high levels in the current major bull phase, which began early in January, though the gains were inflated by the heavy carryforward charges at the end of the previous settlement on 16th March. Individually, quite a few shares crossed their 1960 highs. Equities rose despite exorbitant 'budla' charges. This was due as much to the flow of good corporate news as to the magic of fluctuations which has been fully at work for quite some time. Nothing really matters as long as purchases bring money.

Last week's rise took 'Vyapar's' equity share index for Bombay to 148.11 which compares with the July 1960 high of 150.39. Wednesday's closing of 145.76, however, showed only a small net gain of 0.83 over the week. The Reserve Bank's all-India index for variable dividend securities which had declined from 182 in July 1960 to around 165 in January had recovered to 179.1 by March 11 and because prices have improved further since then the index should be very close to its 1960 high.

Reaction Likely

The market has had an almost non-stop rise since January. There has been nothing in the nature of a minor reaction so far. But since the market is back again very near its 1960 high—technical analysts call it an intermediate top—it is quite likely that the market will pause here for some time to allow technical forces have their full play before making any further important headway. A technical reaction in a rising market occurs in much the same manner as the safety valve of a steam boiler pops and relieves the pressure before the factor of safety has been exceeded.

Wednesday's trading patter, though quite indecisive, seems to suggest that the market would perhaps like to 'digest' its recent gains before pushing its way further up. But it is risky to venture a guess on the minor trend. It is really unpredictable. But one can confidently look forward to much higher prices once the process of technical adjustment has been completed. About the major trend in equities there can be little doubt.

Oilseeds

Prices Rise, React

AFTER a further early rise oilseeds prices suffered a sharp setback and showed all-round losses over the week. Earlier in the week, linseed and cottonseed recorded new high levels for the season and castor too was up at its previous high of Rs 182.50. Groundnut continued to display remarkable strength with business limited only by the size of offerings. Near the week-end, however, prices suffered an all-round decline on heavy corrective profit-taking and some renewed bear pressure. Linseed May and cottonseed May which had been done up to Rs. 38.50 (per 50 kilos) and Rs 100 (per 250 kilos) reacted sharply to Rs 36.75 and Rs 97 respectively and the closing prices of Rs 37.19 and Rs 97.25 compared with Rs 38.25 and Rs 98 a week ago. Castor May which had risen from Rs 179.50 to Rs 182.50 were sold down to Rs 176.12 and wound up the week a little higher at Rs 176.87. Groundnut ready Saurashtra quality were down by about a rupee per 50 kilos and ready oil declined by about 80 nP per 10 kilos.

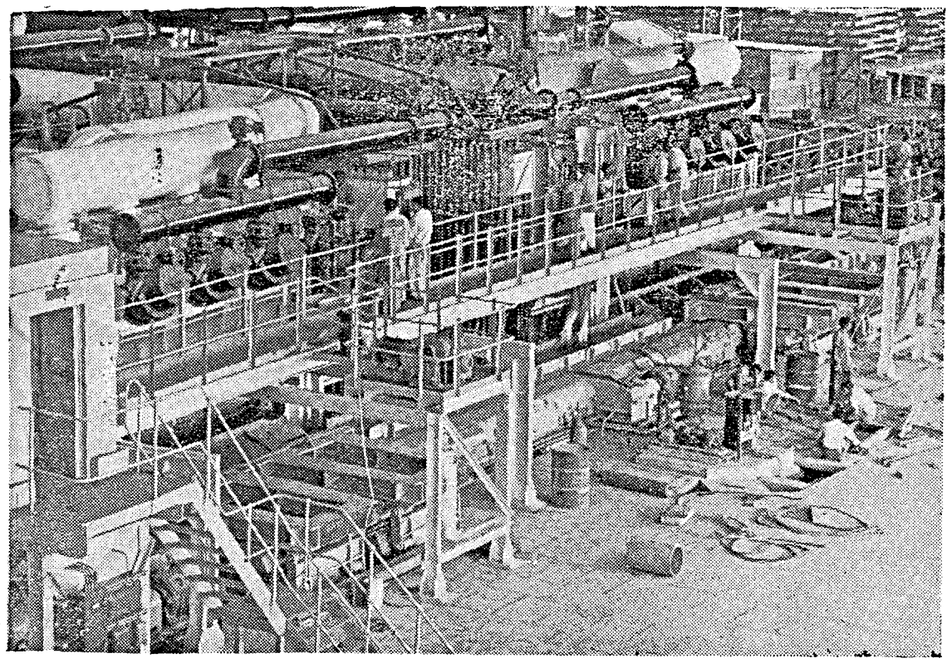
In view of the preceding steep rise technical considerations alone could have produced a sizable setback. But sentiment was also affected by the marked weakness in rapeseed prices. Some of the experienced traders said that for the first time in many years had rapeseed oil in Calcutta been quoted lower than groundnut oil. Against the quotation of Rs 87 per Bengali maund for groundnut, rapeseed oil was available at around Rs 85.50. The rapeseed crop is fairly good and it is now beginning to move into the market. Groundnut oil is quoted at an all-time high and it is quite possible that consumers might resist any further big rise in prices. The movement of the kardiseed crop in the Moglai area had also a softening effect on groundnut and groundnut oil prices last week. The kardiseed crop is estimated around 2.5 lakh tons against a normal crop of about 1.5 lakh tons. The increase is welcome in that it improves the supply of edible oils. Last week's setback in linseed and linseed oil also was attributed to the easier tendency in rapeseed prices which caused considerable bull liquidation in linseed futures.

Castor Oil Export

Trading in castor futures was quite an exciting affair. Early rise was caused both by nervous short

Rise in Leading Speculative Counters since January 1961

Shares	January Low	March High	%Rise
Bombay Dyeing	58.50	67.20	14
Century	446.00	568.00	27
Kohinoor	259.50	318.00	20
Standard	957.00	1475.00	57
Svadeshi	218.00	264.50	20
Indian Iron	23.00	27.25	18
Mukand Iron	20.24	27.50	35
Tata Steel	138.00	156.25	13
Alcock	234.00	322.00	35
Bombay Burmah	543.00	637	17
Larsen Toubro	33.75	46.50	32
National Rayon	460.50	560.00	22
Tata Chemicals	16.56	21.00	26
Voltas	248.50	301.00	22
Tata Oil	72.00	86.80	20
Wimco	251	314	25
Hindustan Motors	18.68	22.32	20



AHEAD OF SCHEDULE ONCE MORE

Durgapur's 24" Medium Section Mill has beaten the target date and has now commenced rolling. It will produce a range of products required for structural work and for the railways.

This is the fourth unit of the Rolling Mill plant at Durgapur Steelworks and the fifth and final unit—the Merchant Mill—is also well on the way to completion.

ISCON

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BRITISH COMPANIES WORKING FOR INDIA

covering and some bull manipulation. Buying was said to have been provoked by reports that a prominent international export house with large interests in Brazil was a keen buyer of castor oil and had also taken a lively interest in the futures market. But in the absence of any confirmation of fresh large business in castor oil castor futures suffered a sharp decline. Sentiment was also affected by the easier tendency in other seeds. Export business put through during the week did not exceed a few hundred tons taken by the U K and that too was in the form of afloat parcels.

Optimism continues that the U K and the Communist countries will, as usual, lift substantial quantities of Indian castor oil. The lack of U S buying might not matter much because the castorseed crop is nearly 35,000 tons less than last year and there is hardly any carryover from the previous season. But the recent strength in castor is due perhaps less to a favourable assessment of the export outlook for oil than to the remarkable strength in other seeds, particularly groundnut. Most shippers are sceptical about the revival of U S inquiry for Indian castor oil even though Brazil is said to have very little oil to offer for prompt shipment. The U S importers are reported to be carrying normal stocks to last them for nearly 3 months and Brazil continues to be a seller for July/August shipment and onwards.

While export business in oils is confined to the sale of a few odd lots of castor oil sold now and then, activity in oilcakes also has been rather slack. The trade reported revival of Communist inquiries in groundnut extractions but hardly any important business seemed to have materialised. The U K was believed to have purchased about 2,000 tons of extractions at around £ 27 but the recovery in the quotations from £ 26-15 to £ 27-5 held out the prospect of further business. Sales of linseed cake put through last week were estimated around 600 tons, mostly to the U K at around £ 29 to £ 29-10 per ton.

Incentive for Vanaspati

New Delhi has announced the revised incentive scheme for the export of vanaspati. Exporters will be permitted to import one ton of copra against each ton of vanaspati exported by them during the January-June period. Licences will also be given to the extent of 5 per cent of the f.o.b. value of exports for the import of chemicals and machinery spare parts required for use in the manufacture of vanaspati.

The revised incentive scheme has evoked considerable comment and for different reasons. The industry is dissatisfied with the incentive which is considered to be quite inadequate for making good the loss on exports. The earlier incentive scheme introduced in October 1959 permitted exporters to import nearly 1.7 tons of copra for each ton of vanaspati at the rate of 109 per cent of f.o.b. value of vanaspati exported and even that incentive did not yield good results. Exports in 1960 were valued at no more than Rs 58 lakhs against Rs 55 lakhs in 1958. Export prospects have worsened with the marked increase in domestic prices of groundnut oil. But the trade in general is opposed to the export of vanaspati because of the acute scarcity of edible oils in the country which has sent prices skyrocketing.

Cotton

Prices Continue to Rise

COTTON prices, ready as well as forward, recorded further improvement last week. The rise was more pronounced in ready than in futures. Mills continued to evince good interest in C02, 197/3, L 147 and Surti. All these varieties are now quoted at or around the ceiling rates and few need be surprised if mills are obliged to seek the Textile Commissioner's help in securing their supplies at the ceiling rates in the not-distant futures. Strangely enough, not many weeks ago the East India Cotton Association made a representation to the Government to take timely measures to check the declining trend in cotton prices.

Since about the middle of February ready cotton prices have risen by Rs 40 to Rs 65 per candy. The rise in C02, however, has been much larger around Rs 100. Prices have improved despite large imports. Out of the estimated crop of 52 lakh to 53 lakh bales, nearly 41 lakh bales would have been marketed by the end of this month. With the off-take of cloth continuing to be good and stocks with mills at the end of February down by 65,800 bales from the January-end figure of 371,400 bales, cotton prices can be expected to continue to hold distinctly firm despite import of large quantities of cotton stapling 4-1/16" and below from the U S.

The April hedge contract which had been marked down to a low of Rs 554 on 14th February and had recovered to Rs 592.25 in the preceding week improved further to Rs 599.25 on 22nd March. And with Moglai fine 25/32" ready quoted at around 680 nobody need be surprised if the hedge contract crossed its previous high of Rs 614 recorded on 22nd December. While the volume of tenders will be influenced considerably by the tendering differences which will be fixed on 23rd March, the tenders are unlikely to be heavy in view of the prevailing high prices in the spot market.

Export Quota

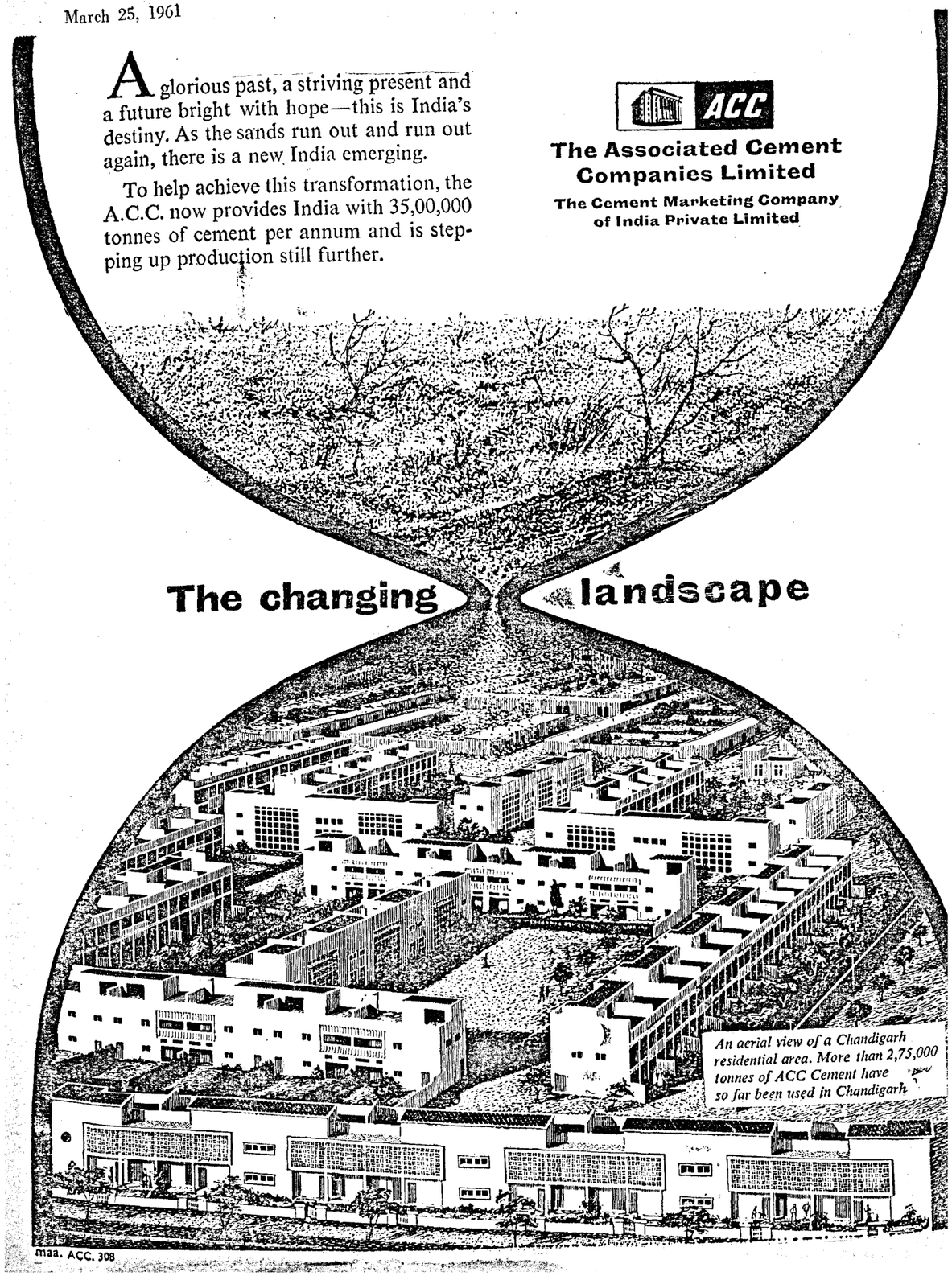
The prices of Bengal Deshi cotton which had been rather subdued—of course they have all along been quoted substantially above the ceiling rates—developed considerable strength last week on hopes of an early release of a further export quota for about 75,000 bales. Indeed, there is little sense in delaying the announcement of an export quota for Deshi. There exists a substantial surplus and the need for earning foreign exchange is pressing. Japan is willing to take up almost any quantity that India can spare and is ready to offer about 20.5 to 21 d a pound for fine quality at which price business is quite remunerative. Notwithstanding the marked strength in prices, informed sources continue to indicate the possibility of an export quota for Kalagin and Wagad.

The January figures of cotton consumption by the mills are placed at 3.64 lakh bales of Indian cotton and 86,000 bales of foreign cotton. The respective figures for December were 3.52 lakh bales and 1.07 lakh bales. The January figures raise the consumption for the first five months of the season — September to January — to 16.40 lakh bales of Indian and 5.45 lakh bales of foreign cotton. The corresponding figures for the previous season were 19.76 lakh bales and 2.03 lakh bales. Stocks of raw cotton with mills at the end of January consisted of 9.88 lakh bales of Indian cotton and 3.28 lakh bales of foreign cotton, the corresponding figures for January 1960 being 9.93 lakh bales and 1.68 lakh bales.

A glorious past, a striving present and a future bright with hope—this is India's destiny. As the sands run out and run out again, there is a new India emerging.

To help achieve this transformation, the A.C.C. now provides India with 35,00,000 tonnes of cement per annum and is stepping up production still further.

ACC
The Associated Cement Companies Limited
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maa. ACC. 308

Company Notes

Bank of India

THE effects of monetary stringency and the general rise in interest rates are reflected in the accounts of the Bank of India, one of the Big Five, and perhaps the most conservative bank in India. Deposits increased by only Rs 9 crores to Rs 109 crores in 1960, while the credit ratio went up from 67 to as high as 77 per cent. The investment ratio, on the other hand, declined from 26 to 15 per cent. Interest and commission earned covered interest paid 2.4 times against 2.2 times in the previous year. Interest paid on deposits and borrowings went up by 8.5 per cent and the salary and wage bill by 1.1 per cent. Interest and commission earned increased by 11.5 per cent. Net profit, after payment of bonus and tax, has increased from Rs 48 lakhs to Rs 60 lakhs.

Among the other interesting items in the accounts for 1960 is the increase in "guarantees given on behalf of customers" from Rs 12 crores to Rs 18 crores and increase in "outstanding foreign exchange contracts" from Rs 13 crores to Rs 18 crores. An idea of the greater interest taken by the Bank in investment in shares is given by the near doubling of contingent liability on partly paid shares to Rs 35 lakhs. This figure may be compared with the amount of Rs 10 lakhs specified as the value of partly paid shares in the balance sheet. The amount of Rs 10 lakhs is clearly the result of under-valuation.

Premier Tyres

ACCORDING to the first annual report of Premier Tyres, the first enterprise under Indian management to venture into the manufacture of giant rubber tyres: production should commence by the end of the current year. Construction of the factory is proceeding according to schedule and the bulk of imported plant and machinery would be on site by the middle of this year. The company has applied to Government for approval of expansion plans, including the manufacture of V belts, fan belts and other industrial beltings. The technical collaborators, Dayco Corporation of the U S A, will assist in the expansion as well.

During the 14 1/2 months ended December 31, the company earned Rs 2.28 lakhs by way of interest. Of this amount, Rs 1 lakh has been provided for taxation and the balance retained. Almost the entire expenses for the year have been transferred to balance sheet presumably for capitalisation later. The expenses include Rs 40,000 as *minimum* remuneration to managing agents and nearly Rs 46,000 as Directors' fee and travelling. Fixed assets are valued at Rs 23 lakhs. The contingent liability of Rs 107 lakhs on account of contracts for machinery is adequately covered by fixed deposits at banks of Rs 65 lakhs and calls on shares of Rs 47 lakhs payable on January 19.

United Bank

THE accounts of the United Bank of India, formed by the amalgamation of four banks in Bengal in 1950, indicate that it has not been able to take full advantage of the changes in interest rates on deposits and advances last year. Interest and commission earned and interest paid on deposits both increased in 1960 by 10 per cent, and the former covered the latter 3.2 times as in the previous year. Salaries and wages are up by 8 per cent. Deposits, nevertheless, have increased from Rs 48 crores to Rs 52 crores and credit has expanded from Rs 28 crores to Rs 32 crores. The credit deposit ratio has, consequently, moved up from 57 to 61 per cent. The reduction of Rs 1 crore in investments has been utilised to increase call and short loans.

During the 10 years of its working, deposits have almost doubled while advances have more than doubled. The Bank has opened 24 new branches, many of them at places where modern banking facilities were either absent or inadequate.

Mysore Sugar

THE net sales of sugar and distillery products of Mysore Sugar, a Government Company, increased during the year ended June 30, 1960 from Rs 287 lakhs to Rs 325 lakhs. The net profit shown in the accounts has increased from Rs 8 lakhs to Rs 9 lakhs and allocation to reserve for rehabilitation of plant has been maintained at Rs 5 lakhs. The latter is in addition to depreciation, but no cumulative total for this reserve is mentioned in the balance sheet. The Company's net worth stands at Rs 127 lakhs while the equity is Rs 22 lakhs only. A dividend of 30 per cent gross has been declared, the same as in the previous year.

Sugarcane crushed and the average recovery of nearly 10 per cent were slightly lower than in the previous year. An industrial licence has been received for the establishment of plant in Mandya for the manufacture of 3,300 tons of cellulose acetate per annum. The securing of suitable technical collaboration and foreign exchange is under active consideration. A separate company will be sponsored to undertake the new project. Mysore Sugar will manufacture acetic acid from alcohol and supply it to the new company on a long term basis. The company has also taken up more than 39,000 equity shares of Rs 10 each in Mandya National Paper Mills.

Kil Kotagiri Tea and Coffee

SALES of tea and coffee of Kil Kotagiri of the Pierce Leslie Group fetched Rs 27 lakhs during the year ended October 31, 1960, against Rs 24 lakhs in the previous year. Net earnings have gone up from Rs 4.5 lakhs to 5.5 lakhs. The latter represents 17 per cent on net worth and 30 per cent on equity capital. Dividend is Rs 25 per cent. Equity capital was increased during the year from Rs 8.59 lakhs to Rs 17.17 lakhs by capitalisation of reserves and share premium account.

Average price realised per lb of tea during the year was Rs 2.44 against Rs 2.74 in the previous year, and all-in cost of production was Rs 1.49 against Rs 1.61.

Trombay Plant of Union Carbide

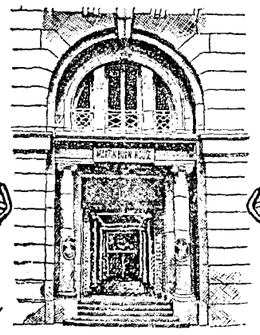
THE opening of the Trombay Plant of Union Carbide India recently is one of the most significant events in the development of the chemical industry in India. Built at a cost of Rs 4.5 crores, the plant will produce approximately 15 mn lbs of polyethylene resins and organic chemicals per annum valued at Rs 2.5 crores. All the products manufactured in this plant will be based almost exclusively on industrial alcohol. The plant's annual requirement of 3 mn gallons of industrial alcohol will be supplied by the Maharashtra Government's giant distillery at Chitali, situated about 200 miles from Trombay.

Although the manufacture of polyethylene resins and compounds

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ıe Trombay plant employs the modern machinery in an in-te, large scale process, the nu-ıus end products are actually ed out by thousands of small strial units all over the coun-most of which are located at bay. A Polyethylene Service ratory attached to the plant help these small units in pro-s of technology and engineering will also help train their techni-personnel. Customers and their ntage of observing and learning to use new processes and to e new products.

nion Carbide of the U S A is of the leading companies in the d in the manufacture of chemi-and plastics, and has 50 affilia-n 25 countries. Its 28 research ratories spend the equivalent of 5 crores a year on research in development of new products improved processes. According he Vice-President of the princi-company, who was present at inaugural function, Union Car-bide would like to play as impor-tant a role in India as it does in the U S.

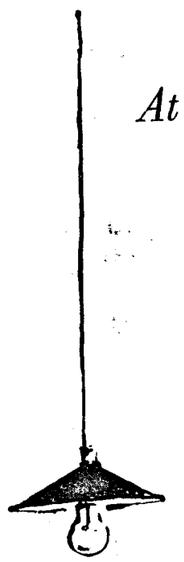
Investors' Encyclopaedia

THE Investors' Encyclopaedia published by Kotharis of Madras is by far the most comprehensive of its kind available in India. Over the last few years, the publishers have tried almost every method of compact presentation of information on the corporate sector, including thinner paper, closer type and separation of the publication into two volumes. With the 23rd edition pertaining to 1960 which should have been out in August last, the battle seems to have been given up. The result is a single, fat 3,000-page volume which would easily be the biggest published in 1961.

The latest issue includes a large number of new companies floated recently and also a few more old companies, details of which were not available formerly. In addition, it also contains a summary of the Third Plan, a list of companies which have received licenses under the Industries Act since 1959, a list of companies for which foreign collaboration has been approved by Government procedure for applying for industrial licenses, incentives for foreign investment, details of foreign capital participation, double taxation relief and particulars of Government companies. Two officers of the Export-Import Bank and the General Manager of the I C I C I have contributed an article each.

Since the corporate sector will keep on expanding and so will the lists of stock exchanges, the Encyclopaedia would in future have to be more selective and pay more attention to the analysis of balance sheets than it does at present. Otherwise, the sheer bulk of the volume would handicap the large number of persons who find it the most useful source of reference available on company affairs.

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CURRENT STATISTICS

BANKING RETURNS (Rs Crores)

Reserve Bank	Latest Week‡	Week Ago	Month Ago	Year Ago
1. Note Circulation	1971.97	1979.96	1940.66	1841.93
2. Rupee Coin	118.87	118.32	121.31	123.74
3. Deposits				
(a) Central Govt	72.70	55.42	72.77	52.62
(b) Other Govts	18.12	6.27	21.30	60.45
(c) Banks	71.76	73.87	71.39	85.84
(d) Others	90.10	88.95	91.88	97.27
4. Foreign Securities	128.01	128.01	128.01	163.01
5. Balances abroad	32.19	30.84	29.55	31.96
6. Rupee Securities	1627.22	1627.27	1592.28	1451.93
7. Investments	130.72	118.71	142.86	234.51
8. Loans and advances to Govts	51.00	48.71	37.71	20.64
9. Other Loans and Advances	168.81	158.24	150.70	155.12
Scheduled Banks				
1. Liabilities :				
2. Demand (net)	704.42	696.75	687.40	747.27*
3. Time (net)	1039.10	1038.92	1052.45	1136.53*
4. Total	1743.52	1735.67	1739.85	1883.80
5. Cash in hand	47.07	44.91	44.83	56.94
6. Balances with Reserve Bank	70.38	69.92	69.77	68.41
7. (5) + (6) as % of (4)	6.47	6.36	6.33	6.65
8. Borrowings from Reserve Bank	66.79	62.46	61.40	56.33
of which Usance Bills	29.30	27.55	24.26	7.49
9. Advances	1084.76	1071.42	1061.07	926.29
of which State Bank's	256.74	250.30	244.66	178.33
10. Bills Discounted:				
(a) Inland	144.12	142.27	133.26	117.84
(b) Foreign	48.35	49.49	47.69	45.04
(c) Total	192.47	191.76	180.95	162.88
of which State Bank's	17.83	17.24	17.58	16.94
11. Bank Credit (9+10c) as % of (4)	70.38	69.92	68.59	57.82
12. Invest in Govt Sec.	573.87	581.40	597.13	760.08
of which State Bank's	242.63	251.05	260.91	386.36
13. (12) as % of (4)	31.62	32.18	32.98	40.35
Cheque Clearance	219.00	199.04	210.15	163.67

‡For Reserve Bank week ended 17-3-61. For scheduled Banks and Cheque Clearance week ended 10-3-61.

* Includes deposits of banks and others.

Bombay Money Rates (% per annum)

(Selected Scheduled Banks other than State Bank)

Call Money	10-3-61	Week Ago	Month Ago	Year Ago
From Banks	5.26	5.26	5.27	3.50
Deposits:				
Seven Days	2.00	2.00	2.00	3.37
Three Months	3.50	3.50	3.50	3.50
Six Months	3.50	3.50	3.50	3.50

Bombay Bullion (Rs and nP)

	23-3-'61	Month Ago	Week Ago	Year Ago
Gold (per ten grams)				
Spot	120.65	122.45	121.20	112.28
Forward	121.15	123.00	121.30	110.56
Silver (per kilogram)				
Spot	202.70	205.05	205.90	186.87
Forward	202.50	204.90	205.70	186.53

CALCUTTA TEA AUCTIONS

		1960-61 June 1 to Feb. 15 Pack-ages (Nos)	1960-61 Avg Price* per kg (Rs)	1959-60 June 1 to Feb. 17 Pack-ages (Nos)	1959-60 Avg Price* per kg (Rs)
For Export					
Assam Zone	I	377,656	5.86	362,714	5.49
" "	II	206,951	5.57	258,473	5.49
" "	III	282,797	5.42	306,012	5.40
Cachar		125,122	4.66	170,474	4.43
Darjeeling		185,493	6.84	156,267	6.86
Dooars		500,831	4.89	515,000	4.63
Terai		86,346	4.85	96,121	4.61
Tripura		21,920	4.62	20,677	4.34
Total (incl others)		1787,116	5.42	1885,974	5.16
For Consumption in India					
Dusts		602,289	5.24	624,145	4.67
Assam Zone	I	221,227	5.51	229,430	4.76
" "	II	80,399	5.49	104,899	4.89
" "	III	74,039	5.20	79,010	4.65
Cachar		47,612	4.73	47,756	4.43
Darjeeling		7,955	5.03	6,603	4.81
Dooars		153,962	4.93	139,286	4.45
Other Grades		15,187	4.39	26,862	4.12
Assam Zone	I	3,970	4.44	9,302	4.21
" "	II	1,728	4.16	3,941	4.06
" "	III	2,871	4.22	5,788	4.01
Cachar		920	4.22	823	3.86
Darjeeling		291	5.22	389	4.87
Dooars		3,337	4.24	4,874	4.03

* Exclusive of Excise Duty

Source : DCIS, Calcutta

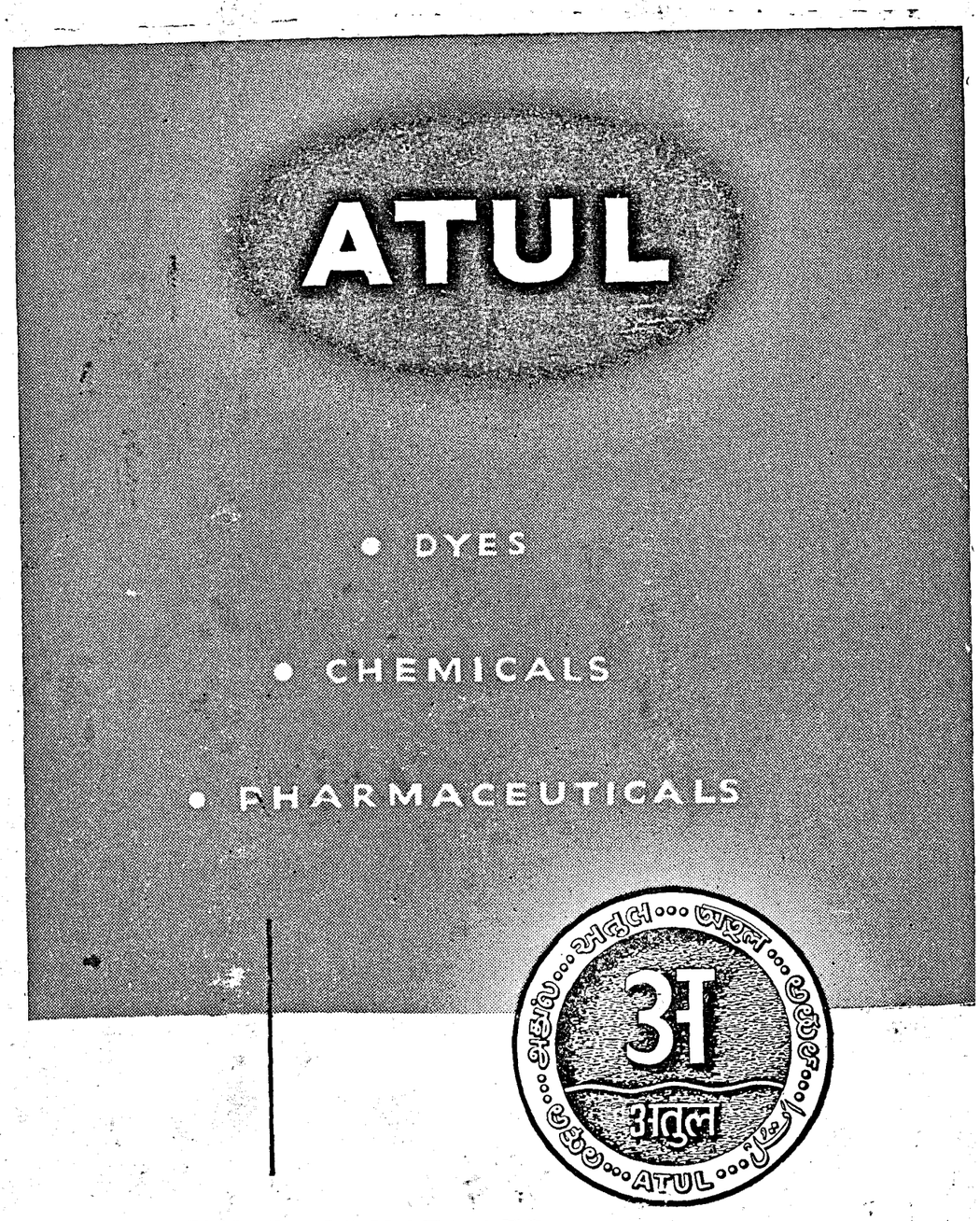
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(Base: 1952-53 = 100)

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Cereals	100.3	100.4	99.5	103.4
Pulses	92.8	92.9	93.9	92.0
Fruits & Vegetables	107.7	103.3	106.0	121.4
Milk & Ghee	111.5	107.8	108.8	109.7
Edible Oils	161.6	161.6	159.7	136.7
Fish, Eggs & Meat	121.3	121.7	118.6	110.6
Sugar & Gur	118.5	118.5	122.5	143.2
Others	165.7	166.9	173.0	164.2
Liquor & Tobacco	112.8	109.4	111.6	96.3
Tobacco	110.2	107.9	110.2	94.0
Fuel, Power, Light & Lubricants	120.3	120.0	119.9	117.9
Industrial Raw Materials	159.0	159.7	157.4	131.2
Fibres	178.4	179.4	173.9	123.4
Oilseeds	157.9	158.8	158.2	140.2
Minerals	95.2	95.2	95.2	95.2
Others	128.1	128.2	128.2	131.6
Manufactures	129.0	129.3	128.5	116.8
Intermediate Products	136.1	134.9	133.7	121.7
Finished Products	127.8	128.4	127.7	116.0
Textiles	133.7	134.4	133.3	115.0
Cotton	126.6	125.9	126.2	124.7
Jute	161.4	167.3	163.7	97.1
Woollen	110.1	110.1	110.1	104.2
Silk & Rayon	115.7	113.2	109.5	102.6
Metal products	146.9	146.9	146.9	146.0
Chemicals	104.2	103.9	104.4	104.9
Oil cakes	144.6	148.0	150.1	141.6
Machinery & Transport Equipment	112.6	112.6	112.6	111.0
Others	117.9	117.9	116.6	113.8
All Commodities	126.7	126.6	126.4	119.0

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The People of India

BY the time the Third Plan estimates got to be worked out, demographers in India had come round to the view that the growth-rate of the Indian population was, as so many demographers had suspected, in the neighbourhood of 2 per cent per annum. On this premise, the Population Expert Committee of the Planning Commission had considered it safe to base our calculations for the future on a population for 1961 of around 431 millions; and the confirmation of this total by the Census was anticipated with not a little confidence. But now, it transpires that there are in fact 7 million more people to be reckoned with. Not unnaturally, the planners and the optimists are shaken by this discovery.

Obviously, a difference of this order implies that we have to revise our views regarding the magnitude of effort needed to raise per capita income or consumption by a given margin every year, or to prevent an enlargement of the ranks of the unemployed as the years go by. Even without this unwelcome gift from the Census Commissioner, programming for adequate rates of growth in income and employment had been difficult enough. Now, not only 7 million more people but also their progeny have to be taken into account in setting our targets for the future. And like population itself, the required increases in them get compounded. *Prima facie*, therefore, there is every reason to feel depressed by our achievement in exceeding the "target" for 1961 in respect of population.

But there would be little point in brooding over what might have been. However unpalatable, the fact remains that India's population has increased by 21.5 per cent between 1951 and 1961—from 359 millions to 438 millions. The rate of growth has been officially described as 'unprecedented', and so it is; it is much larger than the increase of 13.34 per cent in the previous decade or of 14.23 per cent between 1931 and 1941. That does not make it any more an 'unexpected' increase—for the annual rate is, as was suspected earlier, not more than 2 per cent. The basis for this suspicion is, of course, the generally accepted decline in the mortality rate as a result of improved medical and public health facilities, rise in standards of consumption and so forth. The more rapid growth of population in India is, in other words, an evidence of success in combating epidemics and emasculating diseases and thereby lengthening life expectation. There ought, therefore, to be no tears shed because there are many more people now living than statistics warranted.

Two implications of differing significance follow from this. The first, and the more sobering one, is that in the next few decades—when mortality rates might fall further and birth rates remain stationary or decline only very slowly—the observed rate of growth will certainly be maintained if not enhanced. This is not any different from what has happened in other countries which have experienced development in the past. In all probability, the hump in the survival factor is yet to come in India; and the rate at which we approach this will, in a sense, constitute a measure of success in our efforts to raise the nutritional

standards and preventive or curative health facilities available to the people. It is also possible that any initial successes achieved in family-planning and better pre-natal or post-natal care will, by strengthening the suurvival factor amongst the new-born, intensify this trend. The moral of all this is the obvious one —that our efforts on the side of population planning have to be invested with a greater measure of urgency.

The second implication is that for some years now, we have had with us more people than we were prepared to believe. If we have not recognised this fact, it is only because of our inefficiency in the collection and interpretation of vital statistics. That apart, it seems more than likely that underestimation of population has led us to underestimate several other things, including the size of our gross national product. Clearly, if seven more million people are living at the standards of consumption estimated by the Planning Commission and everybody else, our national totals will have to be that much larger. There have been in recent years several indications of understatement in the magnitudes relevant for planning, such as income and saving—and the population disclosure further strengthens one's suspicions in this field.

The greatest impact of the Census disclosure will, of course, be on our thinking regarding employment targets and policy. A difference of 7 million people in total population will imply a difference of a couple of millions in the size of the 'working population'. Even with the lower figure, it was feared that the new opportunities for employment arising in the Third Plan period would not be adequate to provide for the *additions* to the labour force. We have now to allow for an increase in these additions, however small it might be. Here again, one may draw comfort from the under-estimation for the past—if, that is, the figures for the unemployed and the underemployed in the country taken by the Planning Commission are assumed to be correct.

The nature and extent of the revisions required in all these do not depend on the absolute magnitudes only. When one looks at the policy implications, the change that might have occurred in the characteristics of the population are perhaps even more important. We have as yet only the barest of information on these matters. The preliminary Census tables give us data on the population, percentage increase, density, sex ratio and literacy rate in each of the States as well as for all India. It is worthwhile pondering a little on some of these figures.

The first impression that one gets is of the wide disparity in the rate of population increase in the different States. Taking only the major States, the percentage increase between 1951 and 1961 varies from 9.73 for Kashmir to 32.94 for West Bengal and 34.30 for Assam. The increase is even higher in some of the Centrally administered areas like Delhi and Tripura. The data for Kashmir are admitted to be somewhat incomplete and a better indicator to take at the lower end is Madras, with an increase of 11.73 per cent over the ten years. This divergence has been explained largely in terms of inter-State migrations and the influx of refugees into the border States. This seems plausible in the case of West Bengal, for instance, which has witnessed a substantial increase in industrial activity. But so has Bihar in the past few years and yet the increase in that State at 19.78 per cent is less than the national average.

There is clearly no simple explanation of the inter-State variation in growth rates; but when more detailed data are available such as that of the natural growth of the population in the State and growth from in-migration, the pattern of movement of population would be clearer than it is today and it would be possible to speculate on the causes of the wide inter-State variations in growth rates. On general grounds, however, it does seem reasonable to allow now for greater movements of population within the country than before. What problems this will solve or create in the economic and social fields require to be analysed carefully and one hopes the Registrar General will resist the temptation to accept simplistic theories or explanations in this regard.

On the comparative rates of growth of urban and rural population, however, the Census results cannot be taken at their face value. The change made in the definition of urban population raises a host of problems about the comparability of the Census figures with those of past Censuses. This is rather a serious matter that will have to be looked into very carefully. Again, definitional change—the reason for which is not at all clear—is bound to cloud the issue of urbanisation which, by all counts, threatens to be *the* problem for the present and the next couple of decades. It was accepted as a principle by Census Superintendents that wherever agglomerations were noticeable, they should be defined in terms of area in 1961 population, so that the attention of Government may be attracted to the problem integral to such agglomerations. This has been done in regard to some cities, but not with regard to all. For example Calcutta and its industrial environ which had been defined and enumerated separately in the 1951 Census but not in the 1961 Census. In the present Census, however, the population given for Calcutta is only that of the area covered by the Corporation. Greater Bombay, according to the Registrar General, "with a recently enlarged notified area, has anticipated the need to view urban growth in this light." But why not Calcutta? The area defined in the 1951 Census as Calcutta Industrial Region as a compact metropolitan area has a population today of 5.6 million, which gives a growth rate of 19.9 over the last decade, in contrast to Calcutta Corporation's 8.4 during the same period, thus clearly indicating, according to the Registrar General, that the latter had not only reached the saturation point in density but had already begun to disperse shortly after 1951. Though purely definitional, the reason for this differential treatment is not at all clear.

Another matter which arrests attention is the deterioration in the sex ratio. Compared with a decade ago, when there were 946 females for every 1000 males, there are now only 940 females. This ratio has fallen steadily since 1901 and is less than unity now in all the States except Kerala and Orissa. The ratio is the lowest in Punjab (868) amongst the major States; it is even lower in Delhi, at 786 females per 1000 males. Here again, it is possible to argue that Kerala has always had an excess of females due to prevalence of matriarchy or whatever may be the reason for it and that more men than women have moved out, say, into Delhi—and this might well be all that there is to it. But, there is again no general pattern in this —just as there is no clear-cut pattern in the relation between growth rates and density.

To the question of the declining trend in the sex ratio, a great deal of thought will naturally be devoted by the demographers. But there is to the simpleminded a possible explanation. It is that the measures which have reduced the general death rate have perhaps had an unequal incidence as between the sexes. The male population is not susceptible to a major cause of death amongst women, viz, child-bearing. The number of births per thousand of population is probably no less now than it used to be in the past. The trend towards urbanisation, the growth of the middle-class, greater knowledge of contraceptive measures, etc might have caused some decline but not enough to be of any significance. It follows, therefore, that mortality connected with child-bearing remains more or less the same as in the past, and this vitally affects the sex ratio. That at least seems plausible and the position will become clear only when the relative death rate amongst women of child-bearing age is known.

Back from the Brink in Laos

FOLLOWING a critical few weeks during which the Laotian trouble threatened to assume a dangerously international character, the tide seems to have turned to a more hopeful direction. The final communique issued at the end of the SEATO conference in Bangkok shows that the United States has been successfully dissuaded from committing the member-countries of that alliance to an active war in Laos if Russian encouragement to the Pathet Lao forces did not cease at once. The decision of the conference, as now embodied in this communique, leaves the further course of action conveniently vague.

This is a good thing from everyone's point of view, since it leaves everyone a lot of room for manoeuvre and compromise. Had the conference insisted on a "firm" ultimatum to Russia, backed by a categorical threat of force, the Russians would have found it very difficult to compromise — as the French delegate pointed out; and a quite an impossible situation would have been created, for it has been evident for some time that the Soviet Union is not anxious to provoke a war over Laos. Gratification is now being expressed in western capitals at the fact that Moscow has given hints of accepting the main points of the British proposals; but that is not something which should ever have been doubted, for in essence the British proposals are very much the same as the Russian ones of an earlier stage.

The only serious point of contention that remains is about the personal position of Prince Souvanna Phouma, whom the Russians still regard as the lawful Prime Minister of Laos, and whom they wish to see restored to his full authority in that position. The United States, on the other hand, has recongnised Prince Boun Oum and his Government. But, given the intention to succeed, the solution here should not be impossible. It is true that Washington does not recognise Prince Souvanna Phouma's claim to premiership at present, but it should be true on Washington's own avowals that the United States wanted to ensure nothing more in Laos than the establishment of an independent and neutral government. If that is so, the U S will ultimately have no objection if, as a result of the intervention of the Control Commission and creation of the necessary conditions of peace in the country, Prince Souvanna Phouma emerges as the head of a new, neutralist government.

At present at least, there is no indication that any other personality in Laotion politics can fit that role. If there is going to be a neutral government in Vientianne, then it can be taken for granted that Prince Souvanna Phouma is going to head it. In effect, therefore, the Russian demand will have been met simply by letting events take their own course — once a ceasefire has been made effective and the Control Commission (accredited, preferably, to the King) is enabled to push ahead with its task.

Those are the realities of the situation; but if morality is to enter into the question at all, then it should be up to the United States rather than to the Soviet Union to make amends. The whole crisis as it exists now, and has developed over the months, is the direct outcome of American policies in the past. All this storm that is now being raised about the march of the Pathet Lao forces seems ridiculously self-rightous when one recalls how the rightwing forces under General Phoumi Nosavan were enabled by American assistance not only to challenge the Souvanna Phouma Government but to replace it. Russia was undoubtedly quick to come to the aid of Captain Kong Lae at that time, but this was, if anything, a demonstration of restraint on its part. Moscow did not threaten war as a reprisal for American policy -- as the United States has been doing with the reversal of the position.

But recriminations about the past are now pointless; and one must also make allowances for the fact that, as far as the Kennedy Government is concerned, the Laotian crisis was a bad legacy. The effort now should be to implement the British proposals as soon as they have been formally accepted by Moscow, and make a genuine attempt to give Laos the only type of Government which suits it — neutral and friendly to all its neighbours.

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As there is a demand from new subscribers for the following back issues of *The Economic Weekly*, it would be appreciated if readers would kindly mail back these copies to *The Economic Weekly*, 65 Apollo Street, Fort, Bombay - 1. They will be paid for.

Volume XII

Numbers 1,3,9,10,13,14 and 49, dated January 2, 16, February 27, March 5, 26, April 2 and December 3, 1960, respectively.

Volume XIII

Numbers 1, 2 and 3, dated January 7, 14 and 21, 1961, respectively.

Weekly Notes

Federation Meeting

THE annual meeting of the Federation of Indian Chambers of Commerce and Industry began with the usual homily from the Prime Minister on the need for socialism which was nearly out-done by the out-going President who, in his address, was all for not only a higher degree of productivity but also a better distribution of income. When it came to brass tacks, however, differences began to come out. They came out sharply in regard to tax policy, for example, and on the allocation of investment for industry, on the balance between food and commercial crops and so on. It was fuel, power and export promotion which, however, monopolised attention. Coal movements were a sore issue. The subject has been covered exhaustively in the annual meetings of all the associations which have to deal with coal. The Federation resolution on the subject ran on familiar lines and called for a co-ordinated transport policy with its major emphasis on wagon movements. It boils down in the end to the supply of wagons. That seems fairly obvious. A telegram from Delhi was quoted in these columns only last week which read: "Have arranged for an additional million tons by sea through Calcutta from Raniganj coal fields. Stop. Wire action taken". It was quoted in order to pin-point the obvious. Speaking at the annual meeting of the Indian Mining Association at Calcutta, Mr R H Wright quoted a telegram recieved by one of the members of his Association which ran along similar lines: "You say, send coal. I say, send more wagons". This was from the harassed representative at Raniganj and was dated 18th June 1857! Mr Wright went on to say, if a million tons more had to be carried to the Calcutta port, the capacity of the railways to supply the industries in the Calcutta belt would decline by just that million tons, and alternative arrangements would have to be made for transport by road, for example, which meant improvement of existing roads, construction of feeder roads and of the Durgapur express way and its extension to Assansol, etc.

It is good that export promotion has been engaging more attention. As the economy develops, it is on the cards that there will be a switch from import saving to export-promoting investments. Beyond that, one cannot see very far. It hardly helps to be told that, since Britain and Germany could do it, why not India? Since exports have to come from current production, export promotion cannot be unrelated to production programmes. Pressures have undoubtedly to be applied but at which points of the economy such pressures are likely to be most productive, today or in the long run, has to be determined first.

U S Aid — New Look

KENNEDY was not spoiling for a fight with Congress over foreign aid. In fact, his special message to the Congress on the subject was deliberately pitched at a low key. He did not ask for any larger appropriations than Eisenhower and it was only a minor adjustment that he wanted between military aid and economic assistance. The possible impact of such aid on the balance of payments was well taken care of, for 80 per cent of the aid would be spendable only in the U S; with more than 20 per cent of the U S industrial capacity idle and 7 per cent of the labour force unemployed, he did not miss the opportunity of stressing the good that the aid programme would do to the American economy.

This does not mean that the message does not herald a change; that it does, unmistakably. Going slow and cautious, Kennedy has taken up first what he can do without arousing opposition from the Congress—streamline the aid administration and put an end to its bureaucratic fragmentation straight-away; instead of being handled by 7 different official agencies which limit its effectiveness seriously, there would be unified control with a single Mission Chief in each aid receiving country. That alone, however, will not save aid programme from its piecemeal character. Here, Kennedy makes a cautious approach, and has asked for a modest long-term appropriation and also — what in effect amounts to the same thing — recommended that annual authorisations should be available until they are spent, in order to avoid rush at the end of the fiscal year to obligate funds, so that the aid programme may not have to "match the rhythm of the financial year". This is only the thin end of the wedge and all will depend on how far Kennedy is able to carry the Congress with him.

Among the detailed objectives of the aid programme listed by Kennedy are that special attention should be paid "to those nations most willing and able to mobilise their own resources, make necessary social and economic reforms, engage in long-range planning, and make the other efforts necessary if these are to reach the stage of self-sustaining growth". Some have read into it a definite break with the past and a determined turning away from propping up unpopular and reactionary Governments with U S aid. What it really means and how far Kennedy may go cannot, of course, be judged merely from the enunciation of objectives. The social and economic reforms mentioned above may well be those by which western capitalism swears. They may also mean a better appreciation than in the past of the social forces that make for change in under-developed economies. Kennedy has yet to show his hand.

The New Home Minister

THE acting Home Minister has carried with him a lot of goodwill to his new office. And behind all this goodwill, there is a great deal of expectation also. Shri Lal Bahadur Shastri has won the respect and confidence of the Parliament. Lacking a flair for business and affairs, Shri Lal Bahadur has so far held a portfolio for which, perhaps, temperamentally and by his background he was least fitted. Yet even as the Minister of Commerce and Industry, he has given a good account of himself.

In his new office, in addition to all these qualities, Shastriji brings something more which is essential for this particular assignment—his position in the Party, which will enable him to solve many problems, which can best be solved by appropriate political action rather than by legal or administrative means. In fact, for his many qualities, Shastriji is the obvious choice for the Home Ministry and it may be taken for granted that it is not a temporary assignment that he has taken up but a permanent one, with such permanence as the turmoil of politics can assure.

That is why his first major speech in Parliament as Home Minister deserves very careful attention. Press reports say that he took the Lok Sabha by storm when he rose to wind up the debate on the Home Ministry's Demands for Grants and delivered his maiden speech, so to say, as the incumbent of his new office. The main point of his speech was an enunciation of Government policy to meet the communal challenge. With the memories of Jabulpur still fresh in mind, and Madhya Pradesh very much in the air, Shastriji naturally focussed on this issue, but he also covered the wider question of the integration of India generally, of which the challenge of communalism is only one, though a very important, aspect. From the reported text of the speech, however, it is not possible to share the enthusiasm of the Parliamentary Correspondents nor can one see very well why the Lok Sabha should have been taken by storm by it and given him such an ovation.

But the Same Old Story

STARTING from Jabulpur, a series of incidents had occurred in Madhya Pradesh which had so disturbed the Congress Parliamentary Party that it had sent out a team to report on it. The team had submitted its report which was not published, but its main findings appeared in the press. A sharp edge had been given to these incidents by the reported offer of the Chief Minister of Madhya Pradesh to resign, if an investigation proved that the administration in that State had failed in taking the right steps to control the situation. All those who had been seriously perturbed by these reports had expected Shastriji to give a lead and to raise the Home Ministry from the lapses into which it had unfortunately fallen in the recent past. The supreme charge entrusted to its care was that of securing the integration of the Indian people and instilling life and meaning into the concept of Indian citizenship which had been guaranteed by the Constitution. In Assam, the Ministry had signally failed. Will it fail in Madhya Pradesh too?

Instead of rising to the occasion and grasping the nettle firmly by the hand, Shastriji trotted out the old, old theory of miscreants and anti-social characters being responsible for all that had happened. This has by now been thoroughly exposed as an excuse of every Administration that is found wanting and a screen to cover reluctance and unwillingness to face the situation, admit its failure and submit to remedial action which can only be taken, in the circumstances, by the outside agency of the Home Ministry.

If the integration of India could be made real by a freer application of preventive detention, the framers of the Constitution had then been building castles in the air. All the provisions they had put in empowering the Government at the Centre to maintain a Central Intelligence and also act, if need be, in matters normally left to the Government of the States, then need not have been put in there at all.

In these, as in other matters, there is something to be said for division of labour. Emotional integration should better be left to those who can move the minds of men—poets, artists and saints. The national consciousness is not in the keeping of the Home Minister, but the powers given by the Constitution and the administrative apparatus of this Ministry—these are his special preserve and his own responsibility. By all means, let him call a meeting of leaders of all the political parties and professions, to see how the forces which weaken the country can be checked. But the job that he can do and for which he has special charge cannot be left to a conference nor can it be done by exhortations. Shastriji has yet to give an earnest of his willingness and ability to do it.

Tensions within Tension

THE Seminar on "Socio-Economic Tensions Consequent upon Rapid Economic Development" talked itself out over three days in Bombay. The Indian contingent, it is reported, talked more than all the others put together. Indians are articulate (if nothing else); are experts in tension; and are the spokesmen for development in Asia. So it is nothing surprising that they had much to say. But what must have struck the visiting delegates as a little odd is that, in their articulateness and desire to share their experience with brother Asians, not a little tension was generated among themselves.

One of the contentious issues was the question of price policy: are price rises inevitable in rapid development, or should price stability at all costs be insisted upon? After all the hot words had been spoken, and the dust settled down, many must have wondered what it was about! Both parties to the dispute agreed that the prices of basic essentials must be maintained stable, and that if the prices of the less essential items rose, it was no matter for serious concern.

Why then was all the heat generated? Presumably because one group was understood to imply that, by and large, the prices of basic essentials had not gone up very much in India over the last ten years—and it looks as though they did. How much the prices had actually risen in India, of what commodities, whether the benefits of development outweighed the impact of price rises and for which sections of the community, were not issues that could be settled in the Seminar. Many general principles, which could mean nothing and everything, were, therefore, enunciated, leaving other fellow Asians with perhaps only one clear impression, that it was all a domestic squabble.

It is a pity that, in the midst of the Indian pre-occupation with Indian problems, not much was heard of the problems of the other countries of South Asia. The delegate from Phillipines expressed his admiration for Indian expertise in "extracting" foreign aid, and commented ruefully that it did not pay to be steady friends of the United States. He did not say much more.

But are tensions any less serious for their being latent rather than open? And, even if they are not always latent, is it the fault of Koreans and the Thais if they cannot quarrel fluently in English, and infect everyone else with tension, in seminars organised under august academic auspices?

Hold Up in Telephones

IN its original proposals for the Draft Third Plan, the Posts and Telegraphs had provided for an increase in the telephone capacity from 4 lakhs to 12 lakhs and for linking of all major cities by co-axial cables. In the final proposals that went to the Planning Commission, the target was only 5 lakhs instead of 12 lakhs originally proposed. That is to say that during the Third Five Year Plan period, only one lakh telephones would be added. The Estimates Committee of the Lok Sabha reporting on this described it as "unrealistic planning" in that at the end of the Second Plan, the outstanding demand was expected to be of the order of 2 lakh connections of which a little more than a lakh was a backlog carried over from the first Plan.

The Committee expressed its concern at this and said that the proposed two lakh telephone lines during the Third Plan would hardly be sufficient even to meet the outstanding demand at its commencement. It, therefore, called upon the Government to consider how best the additional demand could be met and suggested that the possibility of securing loans from the World Bank and the Life Insurance Corporation should be explored for augmenting the plan resources for development of telephones. Attention has to be drawn to the criticism of telephone planning being 'unrealistic'. What the Estimates Committee meant was that the target set was so much below requirements that the position at the end of the Third Plan would be infinitely worse compared to what it was expected to be at the end of the Second Plan. The demand for telephones in most important centres had far outstripped the expansion schemes taken up, with the result that there was a heavy backlog to be cleared in the Third Plan and if this was not done, the situation would be serious. As the Committee sees it, the drastic cut arose from the reduction in the expenditure proposed for the Posts and Telegraph from Rs 275 crores to Rs 175.5 crores which could only provide for 4 to 5 lakh telephones instead of the needed 12. The planning, in other words, is unrealistic because the financial provision made falls so grievously short of demand or requirements.

Let us look at the other side of the medal—the situation in regard to production and supply of telephone equipment. The latest Report of the Ministry of Transport and Communications (Deprtments of Communications and Civil Aviation) has a section on Indian Telephone Industries Limited, Bangalore which says that production of telephones has been going up ahead of the target set in the Second Plan and that by the end of the Third Plan, the annual production is likely to be of the order of 1.8 lakh telephones and 1.36 lakh exchange lines as against 1.2 lakh telephones and .89 lakh exchange lines at the end of the Second Plan. Now a telephone means not only the equipment, but also transmission lines, exchanges and a host of other things. It is not therefore, possible to compare straightaway what is happening at the production end with the provision of finance at the budgetary end. But the impression one gets from the progress made by the Indian Telephone Industries is that this particular undertaking in the public sector is more than able to meet all the demands made on it and that it is capable of considerable expansion of production, if need be. Why should then people have to go without so essential a public utility as telephones? Of course, equipment can be turned out only as fast as it can be utilised and in between, foreign exchange comes in somewhere, for inspite of the substantial progress Indian Telephones has made in manufacturing imported items, probably a minimum of imports would still be necessary if it were to expand production programme. From reading the Estimates Committee's complaint side by side with the progress report of Indian Telephones, one gets the uncomfortable feeling that there is a hold-up somewhere, which could probably be removed quite easily. The failure seems to be at the budgetary end, which confirms the popular suspicion that accounting procedures are unable to keep pace with the progress of production and are holding up the Plan.

A Difficult Choice

SHRI C B GUPTA'S reported decision to resign is certainly no act of renunciation. More probably it is one of blackmail. During the four months or so as Chief Minister he has spared no effort to consolidate his precarious victory of December last. As President of the Pradesh Congress Committee he was well placed for the task. He lost no time in weeding out suspected Sampurnanand sympathisers and the Union Minister for Oil, Shri K D Malaviya, and Shri Ajit Prasad Jain were among those who were deprived of their seats on the State Congress executive.

The disappointment of the Congress High Command which had striven hard to close the rift in the U P Congress was understandable. There was, besides, the question of election of a new President of the State Congress, as required by party etiquette. It was rumoured that it was a part of the bargain that the Congress High Command had struck with Gupta that he would accept the former's choice for Presidentship. It was no accident that the choice fell on Shri Ajit Prasad Jain for it was the Congress High Command's policy to maintain the parity between the contending groups in the State.

That Shri C B Gupta's intentions in resigning are far from honourable should be clear from the fact that he intends to continue as President of the State Congress. From this pivotal position it is obviously his intention to conspire and manoeuvre against any Government that may be formed. In effect his threat is this: prolonged instability or stability on his terms. It is a Hobson's choice for the High Command: and none knows this better than Shri C B Gupta.

OBTAIN FREE BROCHURE ON PATENTS & TRADE MARKS

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Letter to the Editor

Economic Growth of the Last Decade

A Reply

IN his comment in your issue of the 18th, Shri Maitra has a valid point, but could perhaps have made it in a fairer and briefer way by quoting, from my own article, the following extracts from a sub-section entitled 'The Bias in the Method':

> "It will be seen that, according to these estimates, the increase in income from services over the decade is quite high in all the States; in fact, the lowest is no less than 34.8 per cent. This result, it must be pointed out, is likely to be due to the bias implicit in the method of estimation adopted ....As pointed out earlier, our method of estimation of the increase in income from 'Mining, manufacturing and small enterprises' is also one which prevents the data registering some of the differences that there might have been, between States, in their rates of growth in this sector. It is important to bear these in mind when using and interpreting the estimates of the percentage increase in *total* income in different States".

Shri Maitra says that "any differences that there might have been in these rates due to differential rates of industrial growth — and we know that industries have a marked tendency to concentrate regionally—are removed by the very way the measurement is made". This is true. But the fact that industries have a marked tendency to concentrate regionally is what makes the assumption more plausible, and the use of the results arrived at a little less hazardous, particularly for the period covered by the analysis — because what is assumed, in effect, is that the degree of concentration remained unchanged.

The following table, based on the Census of Manufactures, shows the relative shares of Bombay, West Bengal, Bihar, Madras and Uttar Pradesh in the value added by manufacturing enterprises in 1949, 1950, 1955 and 1957:

(*Percentages of total*)

	1949	1950	1955	1957
Bombay	41.6	37.0	35.4	33.9
W. Bengal	24.4	27.0	24.2	23.7
Bihar	9.5	10.8	10.9	11.2
Madras	9.5	9.2	8.0	7.8
Uttar Pradesh	8.8	9.1	7.7	7.8

Over this period, the coverage of the Census was extended, and the territory of the States listed above also underwent some changes. This makes it difficult to make a straight comparison of the percentage share of different States, but Shri Maitra can satisfy himself that West Bengal, the territory of which was not very much affected by the Reorganization of States, maintained, by and large, its relative position. The changes, even in the case of the other States, will be seen to have been not of a major order — except in the case of Bombay.

As for the income from small enterprises and services, the weakness of the estimates is not so much in the assumptions made for distributing the totals between different States as in the information available to, and the methods adopted by the Central Statistical Organization for estimating the national totals. I have pointed out these deficiencies in some detail in the article. The reason why I nevertheless proceeded with the exercise was merely to indicate what would be the broad order of magnitude of the income of different States if one madé assumptions similar to, and not inconsistent with, those used in estimating the national totals.

Shri Maitra says that I have not explained how precisely one is to make "appropriate allowance" in "interpreting the data". This is what I had tried to indicate by referring to the *direction* in which the estimates for particular States may need revision and the reasons for my thinking so.

Shri Maitra has chosen for particular comment my observations regarding Rajasthan and West Bengal. The point of the sentence he has quoted in this connection was simply that since the income from agriculture appears to have increased by over 100 per cent in Rajasthan, and only about 16 per cent in West Bengal, the inclusion of the estimates relating to 'Mining, manufacturing and small enterprises' brings down significantly the percentage increase in commodity production as a whole in the case of Rajasthan and raises it in the case of West Bengal. This statement was made without prejudice to the observations I had myself made in this context regarding the bias in the method of estimation of the income from 'Mining, manufacturing and small enterprises'. I do not see, therefore, by what logic —unless it is by tearing the whole sentence out of its context — it could be construed as evidence of my non-awareness of the bias in the method of estimation. Is not the problem of analysing and discussing these issues difficult enough without mixing up issues in this way?

If Shri Maitra's main complaint is that, having noticed all the numerous deficiencies in national income data I should have used them for attempting a State wise breakdown, it is a tenable point of view, and one to which I was myself driven at various stages in my thinking. But I had indicated in some detail, in the article, why I chose to use these data in spite of their obvious limitations. I shall reproduce the relevant portion.

> "If one chose to be fastidious and critical, it would indeed not be difficult to argue that the official national income data, from which many conclusions are often unsuspectingly drawn, are not worth the paper on which they are printed. This would, however, be too negative an approach to the problem we are confronted with. It is one thing to point out the limitations of available data, caution against unwarranted inferences being drawn, and suggest areas where more detailed scrutiny and investigation are required; it is another to condemn

them outright and refuse to draw any conclusions at all pending the correction of all the deficiencies. Moreover, unless one puts forward some hypotheses on the basis of whatever is known, it will not be possible to frame meaningfully further investigations to test the available data and improve their usefulness. The rest of this paper is based on this approach and the hypotheses put forward must, therefore, be seen in this light".

K N RAJ
Delhi School of Economics,
Delhi 6.
March 28, 1961

Letter from Moscow

No Immediate Prospects, But ...

Samar Sen

THE steep rise in the number of unemployed in the U S A is a factor against disarmament, if internal and foreign policies continue as before. For disarmament will upset U S economy and precipitate a crisis that will not be seasonal. This is understood here, even though U S unemployment figures are played up in the Press to point out, by comparison, the immense stability of Soviet economy.

During a temporary depression in the Eisenhower days, Khrushchev once said that if more trade was allowed between the two countries, the U S depression would lessen and Russia, too, would benefit. As she has to build on a wide front, she will welcome foreign help in certain sectors, like the synthetic industry; in that case she could concentrate more on others. But if no help is forthcoming, she will go along. Her advance will not be impeded.

Those trade winds did not blow. The offer was turned down. Then changes occurred. Kennedy came in and for some time America seemed to have a new look, the look of a woman who has decided not to have too many lovers. The elation here, if there was any, died soon and the Russians began to complain of American unresponsiveness to their warm gestures. The Soviet Press says that Kennedy does not deviate from the basic Eisenhower pattern. Discrimination against Soviet journalists in the U S A continues. Fat allocations have again been made for the Voice of America, which, to the Russians, is an instrument of the cold war. America seems interested in the prolongation of the Berlin impasse and break-up of the Congo. She has not withdrawn her nose from Laos. New items and news items are added to the Soviet catalogue every day.

There are thus no immediate prospects of a Russo-American reconciliation. But the voting on Angola may be a pointer.

Over the Congo there is likelihood of some misunderstanding with India, so deep-rooted is the Russian suspicion of U N conduct. In attacking Hammarskjoeld as a lackey of the colonialists and the U N operation, the Russians do not yet mention that the Special Representative of the Secretary-General is an Indian. But there will be misunderstanding (or real understanding) if Indian combat troops are used against Gizenga, who is always referred to here as the head of the lawful Congo Government.

"Lumumba University"

The other day a Russian friend asked me if the Indian Government would have intervened in the selection of Indian students for the Friendship University if that university had been set up in Britain or the U S A. I did not quite know the facts, but there were at hand some Indian newspapers advertisements about foreign scholarships. In each case, candidates were asked to apply to the Government of India. My friend was not convinced. According to him, Indonesia and Ceylon did not intervene in the selection, whereas India did.

The Friendship University, now called the Lumumba University of Friendship, is functioning well. At first there was much too much friendship and too little study. But after the first fine careless rapture, serious work began. The students now have little time for extra-mural youthful or adult occupations. They have to take an examination in June. The Russians want to turn out such engineers and technicians as will out do those trained in the West. Indoctrination? There is none. On the other hand, some students from very backward countries have put on airs. They talk about the discomforts of living in Russia, about the inevitable queue, the lack of night clubs and the lack of freedom of movement. What free movement means, I do not presume to know.

* * *

Reading the newspapers, one feels now and then that agriculture has become a lyric. It may be, when the snows melt and spring is in the air and when Mr Khrushchev goes about state and collective farms. It is emphasised that the highest form of ideological activity for agitators and propagandists is to stir up the countryside to new production records. Young doctors, posted in towns after graduation, are offering to work in village hospitals and clinics. The eternal imbalance between city and village is being corrected.

Steel for Small Industries

THE Central Small Industries Organisation, in the Ministry of Commerce and Industry, rendered increased assistance to small scale industries in procuring scarce raw materials like steel, non-ferrous metals, some types of chemicals, etc in 1960.

A review of the Organisation's activities for 1960 states that as against the annual steel allocation of 2,75,500 tons during 1959-60, 3,31,712 tons of steel were allocated in 1960-61. The allocation made for 1960-61 is sufficient to meet in full the requirements of the small scale industries for all categories of steel, except sheets and wires of which shortage exists in the country.

In order to ease the supply position in respect of these categories, the import of about 50,000 tons of steel in the form sheets, strips, cold rolled rods, wire tin plates, etc, is being arranged from rupee-payment countries, through the State Trading Corporation. These will be distributed to the small scale industries through the Directors of Industries in the States. The supplies are expected to be received in India before the middle of 1961.

A total of 15,000 tons of billets has been placed at the disposal of various State Directorates of Industries for rerolling in the small scale sector and subsequent distribution to small industrialists.

Book Review

Charlatanism under State Auspices

History of the Freedom Movement in India—Vol I. by Dr Tara Chand. Publications Division, Government of India. Price Rs 10.50 nP. 400 Pp.

WHEN the average annual figure for book production in an academically underdeveloped country approaches the five figure mark, the number of trashy publications naturally tends to be rather high. Of course, short of strict regimentation there is nothing one can do about it, however one may regret the wastage of resources and man hours involved. But when the Government takes a hand in the matter and the tax-payer foots the not-too-light bill for some fresh contribution to the growing stream of unadulterated rubbish, it is time one took notice. Especially so, if the addition to the library of nonsense is ushered in with a lot of fanfare—presentations to the Prime Minister and the President on a national day and the like.

But for such non-academic considerations Dr Tara Chand's *History of the Freedom Movement in India* —Vol I, would not call for any review beyond the single statement that it is not a book worth wasting one's time on. For it reads more like a collection of howlers than like a serious work. Unfortunately we cannot afford to be amused. Even the fact that good public money has gone into its making is not the most deplorable aspect of the matter. Here ostensibly is the first comprehensive work setting out to survey the history of Indian nationalism, published under Government auspices and written by a historian who enjoys considerable reputation (one wonders why, after reading this book). There is no danger that it will 'corrupt or deprave' the professional academic's view of Indian history. But the danger that the lay man and the University student will treat this work as *the* standard history of the Indian nationalist movement is real and considerable. And if they do, the type of history they are likely to learn is illustrated below.

In his preface Dr Tara Chand distinguishes freedom from independence and defines the latter as "a negative concept". "Its implication is absence of dependence", we are informed, "it has no positive connotation". Armed with such a powerful semantic weapon, the young undergraduate may well look upon the American War of Independence as a pining for what is not. Incidentally, in the Shorter Oxford Dictionary 'independence' appears as one of the synonyms of freedom and is also explained as 'liberty of thought or action', not exactly a negative concept. This, however, would be a minor consideration for a person capable of producing sentences like, "The excuse of the Governor General was, and that of his apologists has been, the ancient maxim of *raison d'etre*" (*sic*) (p 280).

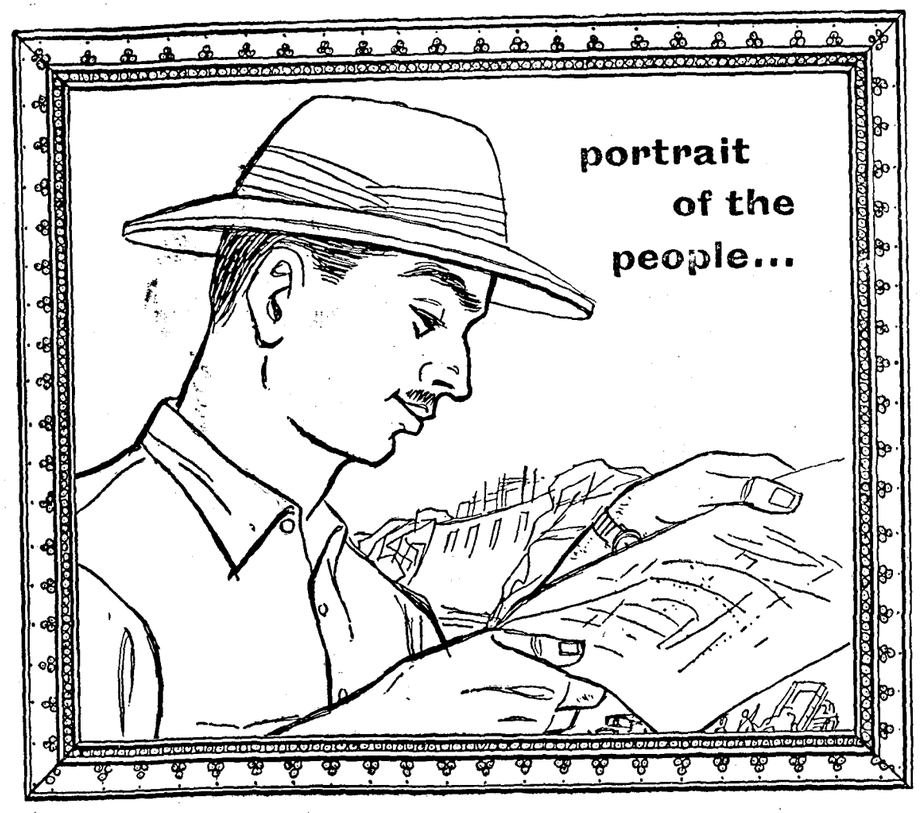
On p xii, the author describes the history of freedom as a dialectic process. "Its first step was antithetical in so far as it amounted to the destruction of the old order", he continues. He is of course entitled to his private philosophy or even to propound one. But if he must write of dialectics, the antithetical first step, followed by the thesis, will not quite do.

A Sampling of European History

In the introductory chapter, the author treats us to a sampling of European history, just to put things in the right perspective. This is how he goes about it: "The Spaniards and the Portuguese in their pursuit of the Muslims scoured the oceans, and endeavoured to join the Christian forces of the West with the legendary Kingdom of Prester John in Abyssinia, and thus by a princer movement to crush the Musalmans of North Africa and Western Asia. In the pursuit of their strategic aims they circumnavigated Africa,...and appeared on the Western coast of India" (p 5). The little matter of trade was only one of the "far-reaching consequences" of such strategic manoeuvre. On page 7, the author explains the decline of Spain: "Small and young but vigorous countries like the Netherlands, France and England, humbled her pride". When France is mentioned as a small country and both she and England as young ones, the comparison evidently is with the cosmos rather than with 17th century Spain. French history is indeed the author's speciality. To wit, "Her novel and bold policies made her influence paramount in the Deccan, but soon the shadow of the internal conflict, which burst out in the Revolution of 1789, stretched across the oceans and the agents of France in India were deprived of that steady support from the home Government without which ultimate victory was unattainable. The Seven Years' War administered a decisive check to French ambitions, and the field remained in the sole possession of the English" (p 7). Incredible, but true!

Two more of such quotable quotes—these on the subject of nationalism, the central theme of the volume under review: ". . In the West itself nationalism was a recent phenomenon. In the eighteenth century the phenomenon was confined to the western-most countries of Europe; thence it spread during the nineteenth century to central and eastern Europe, and afterwards to all the countries of the world" (p 8). "Europe started with feudalism, then in the sixteenth century moved into the mercantilist system, and after the middle of the eighteenth century advanced to industrial capitalism and nationalism" (p 8). This illuminating analysis reads to the conclusions that American War of Independence was either a post-18th century phenomena or had no connection with nationalism and that the Dutch Republic was established in the 18th century. The author's understanding of mercantilism,—a term which to him is apparently synonymous with mercantile capitalism,—is equally profound, and he quotes from Adam Smith ("It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest" etc p 7) to explain its ethics.

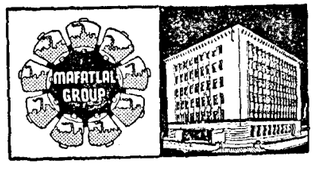
The author's forays nearer home ground are marked by the same scintillating brilliance. "The capitalist European society", we are told, "was urged by the logic of its own nature to seek expansion over the world to gather raw materials



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SHORROCK, Ahmedabad. NEW SHORROCK, Nadiad. STANDARD, Bombay. STANDARD, Dewas. NEW CHINA, Bombay. SASSOON, Bombay. NEW UNION, Bombay. SURAT COTTON, Surat. MAFATLAL FINE, Navsari. GAGALBHAI JUTE, Calcutta. INDIAN DYESTUFF, Bombay.

Alyars

for its industry and to find new markets for its manufactures. In this search it reached India". (p 43) To Dr Tara Chand, —who, according to Professor Kabir's Foreword "has adopted a wide and imaginative approach"—the difference between the motivations of mercantile capitalism and those of industrial capitalism are evidently of little significance. No wonder in his final summing up, he speaks of "the English Company in India" having "destroyed the trade and industry of the country" "by excluding the Indian products from the European markets" (p 391). "It oppressed the weavers and other artisans", he continues, "and perpetrated inhuman crimes to crush the rival producers: instances of thumbs of workmen being cut off to prevent them from winding raw silk or weaving fine cloth were not unknown" (p 391). If the author had any understanding of the implication of certain facts he himself mentions (pp 375 ff), he would have realised that the Company's interest did not lie in the direction of destroying India's industrial production. The East India Company was an enemy rather than an ally of industrial capitalism. Stoppage of export of Indian manufactured goods to Europe, desired by the English manufacturers, struck at the root of the Company's commerce based primarily on this export trade. The author's confusion obviously derives not from any simple factual error, but from a basic ignorance regarding the stages in the evolution of capitalism. He is naive enough to accept at its face value Wilson's statement to the effect that but for the heavy duties on Indian manufactures in England "the mills of Paisley and of Manchester would have been stopped in their outset" (p 365). He evidently believes that the unchanging mode of Indian handicrafts production could have effectively competed with the machine factory on the latter's own home ground. On such foundations he has erected the structure of an economic interpretation of an entire historical process, marked by some of the crudest applications of ill-understood Marxism.

Dr Tara Chand's final summing up of the character of the Indian national movement probably represents the last word in the vulgarisation of Marxist analysis: "The national movement in India was an expression of the conflict between the middle classes of the two countries, one aspiring for wealth and influence, the other already in possession of them" (p 352). This ultimate reduction of an anti-imperialist struggle to a simple conflict between two middle classes fighting for loaves and fishes would turn the stomach of the most callous Marxist.

Bit of Erudition

If economic interpretation, on which the author has leant heavily, is unfamiliar ground to him, one might at least expect that his book should be free from howlers regarding the facts of Indian history. Any such expectations would, however, be misplaced. The Brahmanas, "unlike the wardens of other faiths", Dr Tara Chand informs us, "looked upon themselves as the exclusive practitioners and professors of the religion" (p 97). Further, "they did not feel concerned if the other castes failed to conform" (p 97). Has the author of these statements really been living in India? Elsewhere, he writes, "Caste not only determined the status of a person but also influenced religious beliefs and practices. The Brahmanas were divided into Smartas, Shaivas and Shaktas, and the followers of the right—and of the left-hand path . . . . Among the non-Dwija castes, however, gods and godesses (like *gram devatas*) and rites and ceremonies were, more or less, specialised to the group. This diversity of worship accentuated differences between castes and their sub-divisions" (p 95). One would like to know what is the source of this remarkable bit of erudition.

Dr Tara Chand, we are told, is an authority on the history of Muslim rule in India. If this is true, then he has been rather sparing in the use of his expertise. Aurangzeb, he informs us on p 45, divided his empire among his three sons "in his lifetime". On page 3, he writes that "Bengali 'received the stimulus of royal favour' under the Mugual emperors". How and when? On p 371 we are informed that "the East India Company had obtained exemption from the payment of transit and customs duties since the times of Farrukh Siyar". It had not. The Farman of 1717 referred exclusively to articles of import and export and the Company was in fact specifically excluded from all participation in the inland trade.

One could extend the list of howlers very considerably, for mistakes, some much cruder than the ones cited above, occur on practically every other page. If any constructive criticism of the volume were possible, one would try and draw up a comprehensive list of errors and suggest that they should be rectified. The errors cited in the present review, however, point to only one conclusion, viz, that the author lacks the basic discipline needed to tackle the task entrusted to him. His mistakes derive not merely from defect in his knowledge of superficial facts but from a profound ignorance of history. It was suggested recently in the Lok Sabha that the book should be withdrawn from circulation. This would indeed be an act of kindness to the author as well as the lay reader. The Government can perhaps afford to look away when charlatanism flourishes under the name of academic scholarship, but surely they have no business to produce at public cost palpably injurious rubbish.

Reclamation of Wastelands

THE Uppal Committee on the location and utilisation of wastelands in India has submitted reports in respect of Punjab, West Bengal, Bihar, Mysore, Andhra Pradesh and Madhya Pradesh. The report in respect of Kerala has also been finalised.

The committee has already paid visits to Madras, Jammu and Kashmir, Uttar Pradesh and Gujarat and the reports in respect of these States are under preparation. The committee proposes to visit Maharashtra shortly.

The committee has reported availability of the following areas for reclamation:

State	*Area recommended for reclamation (acres)*
Punjab	3,16,650
West Bengal	1,13,640
Bihar	72,196
Mysore	68,820
Andhra Pradesh	1,37,710
Madhya Pradesh	2,01,625
Total	9,10,641

The recommendations of the committee are under examination by the State Governments concerned.

A Note on Pakistan Economy

(FROM A PAKISTANI CORRESPONDENT)

PROFESSOR M KALECKI, the famous architect of the Polish long-term plan leading upto 1975, recently did some research on the Indian economy at Indian Statistical Institute. He came out with a brief article in the *Economic Weekly*, July 9, 1960 in which he came to the conclusion that the sound financial policy for India to avoid inflation would be, among other things, to maintain a correct proportion between the rate of the growth of national income and that of the supply of necessities. He must have come to this conclusion by studying the conditions for balance between the aggregate social purchasing power and the supply of goods in the economy. The details of his study are not available to me. Presumably, he must be aware that even if a balance is struck between the two, there can be sectoral imbalances in the supply of specific goods and there can also be regional disparities. However, Professor Kalecki is on pretty safe ground when he claims that average price-level will not rise if the overall balance is maintained. A study of the consumption pattern based on sample surveys must have helped him to conclude that 5 per cent increase in the national income per annum requires a rise in agricultural production at an annual rate of 4 per cent. If there is no import of foodgrains, then agriculture must increase at 4.5 per cent.

We have no adequate basis to study the same problem in the case of Pakistan. It can reasonably be assumed, however, that the condition in Pakistan would not be much different from that of India. It may be worse in the sense that the percentage of income spent on necessities by an average Pakistani might be higher. But that will not make much difference in a macro-economic picture.

Mr Mohammad Shoab, the Finance Minister of Pakistan, (in a broadcast, reported in the *Pakistan News Digest*, Karachi, Jan, 1961) claims that Pakistan's economic position is much stronger and more stable than it was two years ago. Obviously, he must be in possession of detailed relevant data to warrant such claim than we have before us. But the statistics he uses are to say the least, irreconcilable and sadly needs corroborating evidence from supplementary sources. For the sake of argument, we shall place his statistics with that of the Soviet Russia and the Red China, since those are the only countries that possibly can keep pace with Pakistan in growth rates.

Annual Rate of Increase in Gross Production*

(in percentage)

PAKISTAN (1959-60)
Agriculture 12.9
Industry 11.6 (in the first quarter of 1960 it reached the new peak of 15.8)
U.S.S.R. (11 pre-war years—1930-40 and 12 post-war years, 1946-57. Average for 23 years)
Agriculture 4.3
Industry 16.2
RED CHINA (First Five Year Plan —1953-57) Average for 5 years.
Agriculture 4.5
Industry 18.0

A study of the above record of performances would make any Pakistani proud of his country. If such ratio is maintained in future, the future of Pakistan is really bright. The national income in the course of the same year went up by 4.7 percent. Mr Shoab attributes this rise largely to 12.9 per cent increase in the production of foodgrains. In the next paragraph, he laments that the prices of essential consumable goods, particularly wheat, have risen sharply. The explanation he cares to give is a little hard to follow. "This is due not to any aggravation of shortages, but rather in a delayed adjustment of pressures which had been building up over several years past". Obviously, the explanation is a bit metaphysical. According to Professor Kalecki's analysis, we should have expected a fall in the cost of living and average prices by about 6 to 8 per cent.

Again, the Pakistani Finance Minister claims that during 1959-60, the balance of payments surplus rose to almost Rs. 130 million. Obviously, in calculating the balance of payments, the State Bank must have taken into account the net increase in foreign debt during the same period. A study of Pakistan budgets made in *Pakistan To-day*, vol. 11, No. 5, Oct. 1959 reveals that during the same period the total increase in the foreign debt was as follows:

Rs. 12.8 million in 1957-58 (accounts)
Rs. 433.1 million in 1958-59 for 15 months (revised estimate)
Rs. 501.0 million in 1959-60 (July-June) Budget

If foreign debt is taken out, there is an adverse balance of Rs. 306 million in 1959-60 alone.

In this connection, the index numbers of industrial production prepared by the United Nations provide very interesting comparisons, the base being 1953 (after six years of national reconstructions under democratic set up).

	1954	1955	1956	1957	1958
Pakistan	128	161	182	192	215a
India	107	116	126	130	132
Ceylon	100	112	110	109	105
Taiwan b	107	119	125	142	149
Japan	108	117	144	167	168
South Korea	100	119	143	187	195
China c	117	126	165	183	—
China d	117	123	157	175	291

a provisional
b includes sugar production
c value index of gross industrial production at 1952 prices
d official Chinese figures. Gross output value of industry base 1953=100

With a little *technical* input, the figures could have assumed a more meaningful appearance.

*Source: A. Koryagin, "The relation between the rates of development of industry and agriculture" *Problem of Economics*, July 1 1959, vol. vii. No. 3. Hsu Hsin-hsueh, "High-speed and proportional development of the national Economy" *Extract from the mainland Magazine*, No. 203 March 7, 1960.

Consumption of Fruits

The per capita consumption of fruits in the country is estimated at 1.5 ounces, said Shri D. P. Karmarkar, Minister of Health, in the Lok Sabha.

The Minister added that calorific value of fruits varied according to their variety. Juicy fruits supplied about ten to twelve calories per ounce, fleshy fruits like mango and ounce and dry fruits like dates about eight calories per ounce.

UNDER SECRETARY 4 - APR 1961 PUBLIC DEPARTMENT

The New Feudalism

William Burke

The practices of commendation and benefice brought on the land-based feudalism of the Middle Ages. These same practices now threaten to cause the standard-package-based feudalism of tomorrow.

The security-seeking individual commends his life for service to the great autonomous firm, in return for income-security and the middle-majority standard of life—specifically by signing away a portion of his life income through instalment sales and service contracts.

We can perceive the following life cycle for the twentieth-century 'serf': birth in the company hospital, education in the company training school, work on an automated production line or in a sales or service department and, finally, retirement in the bosom of the great pension-bestowing corporation.

LONG after he had gone on to achieve fame elsewhere, Leon Trotsky could still recall (with some nostalgia) his $18-a-month Brooklyn apartment and its splendid furnishings—all purchased on the instalment plan. Trotsky, with his nostalgia, apparently recognized here the importance of a powerful new phenomenon, one that has since assisted in the Americanization of the Western World, as well as the transformation of America itself. That factor of consumer credit, however, when combined with recent changes in technology and business management, promises to effect a still further transformation in the American economy. The culmination of the trend may well be the "New Feudalism," a form of economic organization quite as interesting—but, unhappily, in many ways as restrictive—as the system Trotsky helped impose upon Russia.

Problem Defies Solution

The rise of feudalism, of course, is not the only economic problem confronting the nation. There are also, for instance, the challenges of war and the business cycle. World War III is and should be a constant preoccupation of our economic leaders; projecting forward the costs of previous wars—$3 billion for the Civil War, $30 billion for World War I and $300 billion for World War II—we can see how the slightest anticipation of a major conflict could affect the planning of decision-makers. Yet the military problem is still basically an exogenous factor, and is only secondarily affected by purely economic considerations. Inflation and deflation are certainly worrisome problems too; reaching the objectives of the Employment Act of 1946—that is, avoiding both the 25 per cent unemployment rate of 1933 and the 4 per cent annual price rise of 1957—is a difficult task. This challenge, however, unlike the political problem of war, can be overcome or at least contained through the solutions offered by the post-Keynesian synthesis of economic doctrine.

'Middle-Majority' Standard

The problem suggested here, that is, a radical re-organization of the economy as a consequence of recent trends in consumption, distribution, technology and personnel relations, as yet defies solution. Admittedly the cure is difficult to find, because the outlines of the prospective reorganization are still unclear. But this much we can discern: (1) restrictions on the consumption process, as workers seek the secure employment of large firms in order to obtain, as consumers, the standard package of a "middle-majority" standard of living; (2) restrictions on labour mobility, as workers commit themselves to individual firms for life because of their inability to transfer the all-important fringe benefits from firm to firm, and (3) restrictions on the productive process, as producers of the appliances included in the standard package seek secure markets because of the steady level of production required by new automated equipment. The interaction of these factors should result, then, in an economy made up of a relatively small number of rigidly-demarcated autonomous units, within each of which a man will be forced to spend his entire producing and consuming life.

Consider, first, the pattern of consumption. A major theme of American life, as noted by most sociologists today, is the insistence on a middle-majority standard of living. Although embroidered with some variations, that theme generally means the possession of the standard package of car, house, furniture, refrigerator, TV set and of standard-brand merchandise of all types. In youth and adolescence the standard package is built into the anticipations of the future consuming class via all the usual channels of communication, and in young marriage its acquisition is expedited. This process of "anticipatory socialization" (to use Riesman's term) means that young couples are prepared to spend, at the time of marriage, much more than their starting incomes in order to accumulate the full basic package.

Our young marrieds, therefore, will seek first to obtain a secure but steadily rising salary—which can most commonly be found in the giant corporations with their executive training programmes and schemes for steady advancement—and will then turn to instalment credit for the financing of that large portion of the standard package not covered by current income. "Committed" income data reflect the enthusiasm with which the young marrieds and other consumers have taken advantage of instalment credit over the past decade. From a level of about $16 billion in 1945, consumer commitments to pay specified amounts out of future income receipts grew to $83 billion in 1959; commitments, in other words, increased from 11 to 26 per cent of disposable income. Discretionary income, found by deducting these fixed commitments as well as essential cash expenditures (such as food and clothing) from the total, declined over the period from one half to one third of disposable income. However, the young marrieds who form the principal debtor group have a much lower margin of safety than consumers in general, and moreover tend to accept a continued

lower margin because they tend to increase their spending and their debt in line with recent and expected increases in income. Young marrieds thus tend, as producers, to seek continued employment with those firms which promise both the stable incomes that will allow a low safety margin and the constant increments that will allow further assumptions of debt.

Restrictions on Mobility

Consider, next, other restrictions on employment. Labour mobility is, of course, restricted by the tendency of youthful consumers to seek stable employment in order to obtain the standard package at the earliest possible point in the life cycle. But it is also restricted by the rise of the fringe benefit system of wages, which, because of non-transferability between industries or even individual firms, threatens actual financial loss to individuals contemplating a shift in jobs.

These fringe benefits, or at least the monetary fringe items—we hesitate to set a price on the carpet on the floor, the name on the door, and the key to the executive washroom—totaled $19.5 billion in 1959, or more than triple the 1949 figure. Perhaps more important, they have recently been increasing at double the rate of the early 1950's. A number of factors account for the rise of the various fringe benefits, among them being a certain amount of tolerance on the part of the Internal Revenue Service towards budgetary cost items and a laudable desire on the part of business to reduce labour turnover rates. But whatever the cause, the result is again a greater restriction on labour mobility. Note that we are not referring to geographical, but rather to occupational mobility. Geographical mobility may actually increase, since the more that people seek security in a large, pension-bestowing organization, the more they tend to be shunted around by those giant firms which prepare for the future by diversification, decentralization, and spending on research and development—including executive development. But here we come full circle, since greater geographical mobility forces workers to attempt to find a common denominator with neighbours in new communities, and thus forces them as consumers to strive even harder for the middle-majority's standard package.

Long-term Service Contracts

Consider, finally, the pattern of distribution. The vast national market for the standard package naturally creates a great demand for consumer goods. The new techniques of automation, meanwhile, create a vast but also predictable supply. Automation thus requires the establishment of a predictable, stable and expanding market, because of the exorbitant cost involved in failing to produce at predetermined levels of output for considerable periods of time. Consequently, the trend in distribution is towards the replacement of sales contracts by long-term service contracts, with appliances being leased for set periods of time and then replaced, in such a way as to give each factory a predictable production schedule. Moreover, the growing costs of repair services—which in many cases today equal the pricetags on the original items—will probably lead more and more consumers to look with favour upon the development of such long-term contracts with manufacturers.

However, long-term contracts between producers and consumers introduce yet another rigidity into the economy. Besides, consumer choice becomes even more restricted when, as today, large diversified firms strive for full lines of merchandise through the merger process. The situation is most apparent in the appliance industry, where one leading firm after another has gone down because of failure to stock every item in the standard package. The victors in this competitive struggle are of course the self-same firms which are capable of vast production runs on new automated equipment, and thus are most anxious to introduce new distribution systems.

From all these elements, then, arises the rigidity of the "New Feudalism." Just as the practices of commendation and benefice brought on the land-based feudalism of the Middle Ages, those same practices now threaten to cause the standard-package-based feudalism of tomorrow. The security-seeking individual may commend his services for life to the great autonomous firm, in return for income security and the middle-majority living standard—specifically, by signing away an agreed proportion of his life income through instalment sales and service contracts. Conversely, the autonomous firm may grant as benefice to each of its employees the standard package produced in its automated factories. By only a slight stretch of the imagination, we can perceive the following life cycle for the twentieth-century "serf": birth in the company hospital, education in the company training school (where by the process of anticipatory socialization he is led to desire a certain standard-branded standard package), work on an automated production line or (more likely) in a sales or service department which handles the standard package consumed by all inhabitants of the 'manor,' and finally, retirement in the bosom of the great pension-bestowing corporation.

Twentieth Century Serf

The attack on this problem can take several forms. Remembering that the medieval practices of commendation and benefice arose from the tax loopholes of that period, we should insist on a closer scrutiny by Congress and the I R S of the non-monetary (expense account) fringe benefits. We should insist too on the transferability of pension rights and other fringe benefits from firm to firm and from industry to industry. In this attempt to restore labour mobility we can call upon the countervailing power of the unions, since it is to their best advantage—what with the rapid shifts in labour requirements caused by modern technology—to maintain a certain degree of occupational mobility. (Naturally, we may permit ourselves some scepticism regarding this prescription, in view of the unions' past record of promoting restrictions of their own). Finally, we should urge the consumer to hold a higher level of discretionary income, in order to maintain greater freedom of choice as between alternative items of consumption as well as alternative means of employment. As some latter-day Trotsky may say, after becoming enmeshed in the small print of instalment sales and service contracts —"Consumers of the world, unite! You have nothing to lose but your middle-majority standard of living."

Fall in Agricultural Labour Incomes: An Explanation

D Ghosh

Replacement of hired agricultural labour by the cultivator and his family is, in the main, the explanation of the fall in incomes of agricultural labourers.

Because of the fall in the size of the operating farm, the cultivator and his family are now better able to look after their farms than before.

Besides, recent land reforms have emphasised personal cultivation as the criterion for fixing the size of holdings.

Both these factors have reduced the demand for hired agricultural labour.

ONE of the primary aims of our planning is to raise the level of living of the weaker sections of the population, both absolutely and relatively to that of other sections. And we would all agree that agricultural labourers constitute, socially and economically, one of the weakest sections; the per capita income of agricultural labour households was 34 per cent of the national per capita income.

In 1950-51, the Government of India carried out an enquiry into the conditions of agricultural labourers all over the country. The enquiry was repeated in 1956-57. Between these years, our national income and income per capita—both at current prices—increased by 19 per cent and 10 per cent respectively and the volume and value of agricultural output by 30 per cent and 13 per cent respectively. But the yearly income of the average agricultural labour household fell from Rs 447 to Rs 437 or by 2 per cent even though the number of earners per family rose from 2.0 to 2.2 or by 10 per cent. Similarly, the income per capita of these families declined from Rs 104 to Rs 99.4 or by 4 per unit. The indexes of consumer prices were at more or less, comparable levels in two years so that the decline in money income was accompanied by a similar fall in the real income of these families. *Thus, over a period during which the national income, the income per capita and the volume and value of agricultural output rose significantly, the income per family and per head of agricultural labour families declined in monetary and real terms inspite of an increase in the number of earners per family.* The purpose of this note is to analyse the causes of this deterioration in the condition of the agricultural labourer and his family.

Wage Falls, Unemployment Rises

The decline in the income of the agricultural labourer is said to be, in part, due to the difference in the method of evaluating his income at the two enquiries. The first enquiry assessed the money value—apparently of his receipts in kind—at retail prices, the second, at wholesale prices. But receipts in kind accounted for 36.2 per cent and 45.9 per cent of his total income in 1950-51 and 1956-57. In any case, the difference in the method of evaluation would not affect his cash wages which constituted in the case of the casual adult worker, 63.8 per cent and 54.1 per cent of his total wage income from agricultural work. Moreover, it is extremely unlikely that in any area where the two systems, viz, payment in cash and in kind prevailed, they would have behaved differently under the impact of the same forces. Indeed, in an economy which is being rapidly monetised, the movement of cash wage is likely to set the pace for other forms of wage payment, though wages in kind could have been somewhat more sticky than cash wages. And daily cash wages of casual male labourer did fall from Rs 1.09 in 1950-51 to Rs 0.96 in 1956-57. There was also a considerable increase in the number of man-days of unemployment among average casual male labourers; it rose from 90 man-days per worker in 1950-51 to 128 man-days in 1956-57. The combined effect of these two adverse movements was a decrease in the yearly wage income of the casual worker's household from Rs 442 to Rs 418.

However, imperfect it may be, there is a market for agricultural labour in the countryside where the forces of supply and demand meet and settle his wage rate and wage income. According to the Second report, the number of rural households increased from 58.9 million in 1950-51 to 66.6 million in 1956-57. But the number of agricultural labour families declined from 17.9 million in 1950-51 to 16.3 million in 1956-57 and their ratio to rural households from 30.39 per cent to 24.47 per cent while the number of agricultural wage-earners fell from 35.89 million to 33.2 million[1].

Number of Labour Households

The report attributes these decreases to the difference in the definition of the agricultural labour family at the two enquiries. The agricultural labour family was defined at the first Enquiry as 'one in which either the head of the family or 50 per cent or more of the earners reported agricultural labour as their main occupations, the main occupation of a person being one in which he was engaged for 50 per cent or more of the total number of days worked by him during the previous year'. At the Second Enquiry, the criterion adopted was income and not employment and an agricultural labourer family was defined as 'one for which the source of income during the previous year was agricultural wages.'

Paper prepared for a Seminar on the Second Agricultural Labour Enquiry held at the Institute of Economic Growth, Delhi, on February 17, 1961.

The views expressed by the author are personal and do not necessarily represent those of the Planning Commission.

[1]One should also add to these numbers unspecified numbers of agricultural workers belonging to rural families other than the Agricultural labour families: as both the enquiries cover the only agricultural labourers who belonged to the agricultural labour households.

In my view, this difference in definition is unlikely to affect significantly the total number of rural households enumerated as agricultural labour households at the two enquiries. In the case of the vast majority of these families, wage employment is both the major source of income and the major occupation of their earners. There could, however, have been some rural families the working members of which were, for the major part of their time, engaged in wage work but which derived a minor part of their income from it. Such families would be included among the agricultural labourer families in the First Enquiry, but not in the Second. But one has only to state the instance to indicate how rare it is likely to be.

Moreover, there is no reason to believe that between 1950-51 and 1956-57 the rate of growth of agricultural labour families was different from that of rural families in general. Indeed, at a time when the size of the average holding was declining, there was a greater probability of the small scale cultivating family sliding down to the lower level of the agricultural labour family than of the latter moving up to higher strata. One can, therefore, reasonably assume that the agricultural labour families increased at least *pari passu* with rural families. In 1950-51 the former constituted 30.39 per cent of the latter. Assuming the same proportion in 1956-57, we get a total of 20.24 million agricultural labour families in that year. And as the number of wage earners per family was 2.2, we get a total of 41.1 million wage earners in 1956-57 compared to 35.89 million in 1950-51, or about 13 per cent.

Demand for Hired Labour

We may now briefly consider the demand for the services of the hired agricultural labourer. It is, in part, governed by the same factors which determine the total demand for labour in agriculture but in part, by forces which make for the substitution of hired labour by self-employment or the converse.

The index of agricultural output increased from 100 in 1950-51 to 129.7 in 1956-57 or by 30 per cent. During the same period the gross area sown increased from 325.9 million acres to 368.4 million acres or by 13 per cent. The area under irrigation increased by about the same proportion. If one ignores the differences in the quantum of labour required for cultivating land of different quality and also the extra labour required in bringing fresh land into cultivation, one can conclude that the demand for agricultural work increased by about 13 per cent as a result of the extension of the area under cultivation between 1950-51 and 1956-57. The balance of the increase in demand for agricultural work—which cannot be estimated—must have been due to changes in the technique of cultivation in so far as they involve greater use of labour. Generally speaking, irrigated land requires more labour per acre than unirrigated. But the effect of the extension of the area under irrigation between the two years has already been taken care of in the figures of gross area under cultivation. There was also extended use of fertilizers and improved practices. Both call for greater use of labour per acre of land, but in very much smaller proportions than the increase in the output per acre that they bring about. We may add another 5 per cent—my guess is as good as anybody else's—to the demand for agricultural labour on this account. Thus the total demand for agricultural labour, hired and self-employed, increased as much as, if not more than, the increase in the number of agricultural labourers estimated above.

Growth of Self-Cultivation

If, therefore, the wages of the hired worker failed to rise, it must have been due to the replacement of hired labour by the labour of the cultivating owner and his family. On the one hand the average number of workers per agricultural family does not seem to have undergone any change in the period between the two enquiries. On the other hand, the average size of the operating farm fell from 7.50 acres in 1950-51 to 5.70 acres in 1956-57. Generally speaking, the cultivator and the members of his family were themselves better able to look after their smaller farm than before and reduce their requirement of hired labour. There was, besides, some emphasis, under recent land reforms legislation, on personal cultivation as a criterion for fixing the size of holdings. Both these factors must have tended to reduce the demand for the services of the hired agricultural labourer by more than the extension of the area under cultivation and of improved practices raised it. Thus the total demand for the services of hired agricultural workers must have failed to increase as much as their supply between 1950-51 and 1956-57. This imbalance accounts, in the main, for the fall in the wage rate of the agricultural worker and income of his family.

Evidently, our planning effort has failed in respect of one of its major objectives. This should be a matter of serious concern in any country; it should be one of the gravest moment to a country which has set out to achieve socialism.

Russian Oil

APPROXIMATELY 22,000 metric tons of petroleum production had so far been imported by the Indian Oil Company, Shri K D Malaviya, Union Minister for Mines and Oil, disclosed in the Lok Sabha.

Of the quantity imported half was high speed diesel oil and the remaining superior kerosene. The products had been stored in the Company's installations at Bombay and Cochin. The Company was establishing storage installations on the other main ports and upcountry points. It was further equipping itself with relay depots and retail outlets. Until their construction programme was completed, added the Minister, the distribution activities for the present were confined mainly to bulk consumers who could take supplies by tank wagons and tank lorries. Retail sales had also been started and were expected to develop with the progress of the construction programme.

The total quantity to be imported by the Indian Oil Company Ltd. against the recent agreement entered into with Soviet Export Organisation was 1.5 million metric tons during a period of four years.

Referring to the profits made by the Company, the Minister said that it had started trading activities only recently and it might be considered too early to venture an estimate of profit in the initial stages, when the Company was expected to compete with a number of well established concerns.

Messrs Intertrade of Yugoslavia and their associates in India have evinced interest in import of motor oils in collaboration with the Indian Oil Company.

Structural Disequilibrium in an Underdeveloped Economy

Keith B Griffin

Four elements — population growth, savings ratio, capital intensity and labour productivity — are analysed here to determine their impact on development. They are then combined in a simple model to demonstrate the way in which they interact and to give a dual condition for long-run equilibrium growth.

The first condition states that additions to the labour force must be equipped with capital at the ratio of capital to labour appropriate to existing production techniques.

The second condition is that the net investment thus required by the growth of the labour force must equal net saving at the full employment output.

In an underdeveloped country there is redundant labour, but the existing capital stock is fully employed. To reach an equilibrium growth path it is necessary to increase the savings ratio and raise productivity or reduce the rate of growth of population and lower the capital intensity of the methods of production.

None of these solutions may be easy.

[*The author is grateful to T Balogh, T Jackson, M Kalecki and P P Streeten for helpful comments made on an earlier draft of this paper when it was presented to their graduate seminar on economic development at Oxford. They are in no way responsible for the views expressed.*]

THE study of economic growth of underdeveloped countries is in its widest sense an interdisciplinary endeavour. In this field of economic science, perhaps more than in any other, the pronouncements of the historian, sociologist, and anthropologist carry great authority. Development economists have not ignored the work of their colleagues in other disciplines,[1] and a few, in fact, have tried to combine approaches in a sweeping attack on the difficulties of the less developed nations.[2]

Nevertheless, the economist *qua* economist is competent only to discuss and analyse the economic aspects of what in this case is a much broader problem. Accordingly, the writer shall refrain from commenting on the importance of habits and taboos, attitudes, religion, and social structure in the development effort.

Political institutions shall be taken as given. The profit motive, ie, a propensity to pursue material gain on the basis of rational calculation, is assumed, as well as a propensity on the part of individuals to accumulate wealth.

Four elements — population growth, savings ratio, capital intensity, and productivity—shall be analysed individually to determine their effects on development. These elements will then be combined in a simple model to demonstrate the way in which they interact.

I
Population

The typical underdeveloped country has a rapid rate of population growth. Birth rates are high—40 or more births per thousand population. The introduction of increasingly effective low-cost public health measures has reduced death rates to about 10 per thousand. The result has been a "population explosion." Rates of two or three per cent per annum are not uncommon.

The high birth rate increases the burden of dependency. That is, the ratio of persons who are in a dependent status because of their age to persons at ages eligible for productive work is relatively high in areas characterized by persistent high birth rates.[3]

Thus, the typical demographic pattern in less developed societies has two salient features :

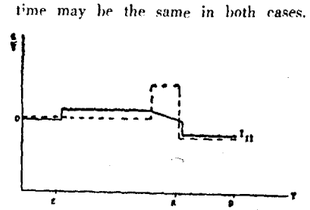
(1) a young population, with a high ratio of dependents to earners; and

(2) an actual or incipient high rate of growth.

A higher rate of population growth requires a higher level of investment in order to achieve a given per capita output. At the same time, there is nothing about faster population growth that generates a larger supply of investible resources.[4] Assuming an inelastic supply

4 This may not be strictly accurate. It is quite possible that the time distribution of savings will vary over an individual's lifetime. For example, savings may be greater during the early working years as the young adults save in anticipation of old age. In this case a relatively young population will generate more savings than another population of equivalent size with a different age distribution. Alternatively, savings may increase most just before retirement, in which case the savings rate would increase along with greater life expectancy—assuming the retirement age remained unchanged.

On the diagram below the propensity to save is plotted along the ordinate time along the abscissa. E will stand for employment age, R for retirement, and D for death. Line I represents saving in early life in anticipation of (1) lower incomes accompanying old age, and (2) eventual retirement. Line II represents a savings pattern that increases in the years immediately preceding retirement. Total saving over the individual's lifetime may be the same in both cases.



1 Cf W A Lewis, *The Theory of Economic Growth*; S H Frankel, *The Economic Impact on Under-Developed Societies*; P T Bauer and B S Yamey, *The Economics of Under-developed Countries.*

2 Vide G Myrdal, *An International Economy* and E E Hagen, *The Process of Economic Development.*

3 Coale and Hoover, *Population Growth and Economic Development in Low-income Countries*, p 22-23.

of capital, a higher rate of population growth forces the diversion of investment to duplicate existing facilities (or else create non-employment), preventing an increase in the capital available per worker. Therefore, it reduces the amount of capital available for increasing the productivity of labour and increasing the average per capita income.

If the capital/output ratio is 4:1, a one percent per annum increase in per capita output requires a savings ratio of four percent, if population is stable. If the population growth is one percent, the savings ratio must be eight percent to achieve the same results. A three percent rate of population increase would require 16 percent of income saved to get a one percent increase in per capita income.

These results become even more discouraging if one assumes (1) a higher capital/output ratio or (2) that the rate of growth of population continues to increase as investment and income rise. Furthermore, it is likely that the agricultural sector will have a faster rate of population growth, a lower rate of investment, and a higher capital/output ratio.[5] Under these circumstances we should expect widespread disguised unemployment.

The second consequence of the demographic pattern in underdeveloped countries is due to the high dependents ratio. Development depends on diverting resources from consumption uses to investment, yet a population with a high ratio of dependents to producers consumes more of a given output and devotes less to investment.[6]

Thus the population structure of the backward nations has two effects. First, it changes the nature of investments from capital deepening to capital widening. Second, it changes the allocation of resources from investment to consumption goods. Both effects combine not only to reduce per capita output but to reduce total output.[7]

II
Savings

The importance of savings in a development effort cannot be overemphasized. It is necessary for growth because all investments must be matched by savings. The low savings ratio, commonly 5 percent of national income, is a major bottleneck of investment.

Various techniques have been advocated to raise the low propensity to save. The creation of savings and credit institutions is everywhere recommended; squeezing agriculture through confiscatory taxation policies has been important historically, as has the provision of capital by foreign investors; more recently external grants and loans have assumed some importance; many countries have used inflationary financing, though this method is seldom endorsed by economists[8]; some have relied on redistributing income towards the business sector in order to increase profits.

III
Capital Intensity

The underdeveloped countries should attempt to maximize the return on their capital by equilizing its return in every use.[9] Often, however, this is not done. The techniques of production used fail to reflect the factor proportions prevailing in these countries.

The equipment and techniques imported from the more developed countries are likely to be highly capital-intensive and therefore not well adapted to countries where labour is cheap and capital expensive.

Three reasons account for the excessive capital intensity of the methods of production. First, the equipment made by mass-production methods in the advanced countries is likely to be relatively cheap.[10] Second, there may be a "demonstration effect" on the side of production as the poorer countries try to imitate the methods of the wealthy nations.[11] Third, the market prices for factors of production may not reflect the "intrinsic value" or "accounting prices" of these factors.[12] Market wages may be considerably higher than their real cost to the nation. This will be true if unions can introduce a monopoly price of labour, or if welfare considerations have dictated a minimum wage in industry, or if the presence of large-scale disguised unemployment means that the marginal productivity of labour in agriculture equals zero. In addition, interest rates will often fail to reflect the true scarcity of capital. International lending institutions usually charge moderate rates of interest, and there is a tendency for less developed countries to organize cheap credit facilities for certain types of small enterprise. These two factors make it probable that interest rates on the whole will have a downward bias.

The solution, of course, is to use obsolete technologies and obsolete equipment, import machinery from more labour abundant countries such as Japan, introduce two and three shifts of labour in factories, and to use accounting prices rather than market prices for planning purposes.

IV
Labour Productivity

The last element we want to consider is the extremely low level of labour productivity in the less developed countries. There are several factors which can explain the low output of labour in these societies—poor climate, ill health, deficient nutrition, lack of physical energy and mental vigour, general poverty, illiteracy, high rates of absenteeism, lack of technical ability and knowledge, and shortage of supervisory personnel. In many countries proper incentives, especially the incentive of competition, is also lacking.

In order to produce a rise in the standard of living it is essential to increase the productivity of labour. Because capital is scarce, the direct approach of introducing capital-intensive methods of production usually is not possible. Underdeveloped countries must increase productivity by promoting capital-extensive lines of production in agriculture and industry, developing the old-established promising handicrafts, raising health and diet levels, and by providing literacy and simple technical training.

5 Kindleberger, *Economic Development*, p 205.

6 Coale and Hoover, *op cit* p 333.

7 As indicated on this page many consumption expenditures in underdeveloped countries are actually investments in human resources. Thus, consumption of medical services, food, better clothing, books, etc, will directly raise the productivity of the labour force.

8 Cf, however, W A Lewis, *op cit*. pp 213-225.

9 Such a recommendation may be impracticable as well as impossible in practice. For a more realistic treatment of the problem of allocating investment cf. Sen, A K, *The Choice of Technique.*

10 Nurkse, *Problems of Capital Formation in Underdeveloped Countries* p 45.

11 Kindleberger, *op cit*, p 169.

12 Tinbergen, *The Design of Development*, p 39.

V
Conditions for Equilibrium Growth

These four elements may now be brought together to give us a dual condition for long-run equilibrium growth.[13]

Let us assume that the growth of the labour force equals the rate of population growth.[14] The first condition then states that the additions to the labour force must be equipped with capital at the ratio of capital to labour appropriate to existing production techniques as determined by technical knowledge and the relative real scarcity of labour and capital.

$$\frac{dL}{L} \cdot \frac{I}{dL}$$

The second condition for stable growth is that the net investment thus required by the growth of the labour force equal net saving at the full employment output. That is, aggregate demand must equal full employment aggregate supply.

$$\frac{S}{Y} \cdot \frac{Y}{L}$$

The dual requirements for equilibrium growth can be put in the form of a simple equation :

$$\frac{dL}{L} \cdot \frac{I}{dL} = \frac{S}{Y} \cdot \frac{Y}{L}$$

where

$\frac{dL}{L}$ = % growth of labour force;

$\frac{I}{dL}$ = investment per additional worker required by existing techniques of production;

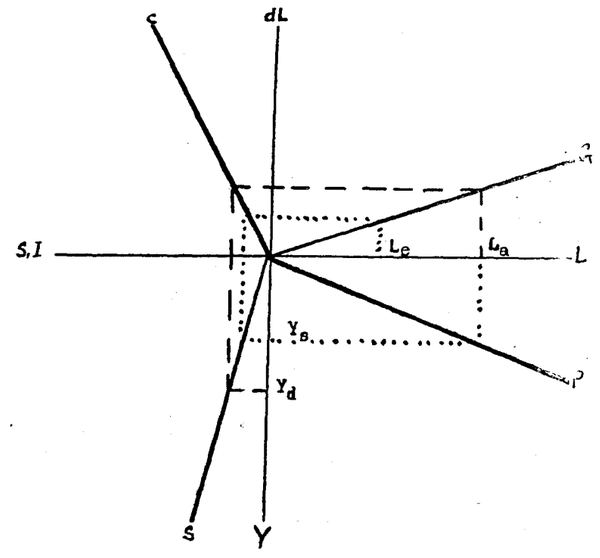
$\frac{S}{Y}$ = full capacity savings ratio; and

$\frac{Y}{L}$ = average productivity of labour at full employment.

The notation can be simplified by substituting letters for the ratios so that the equation reads

$$g \cdot c = s \cdot p$$

The four quadrant diagram below is a representation of a typical underdeveloped country. Population growth, and consequently the growth of the labour force, are presumed to be high. Productivity and savings are low; methods of production are too capital intensive.



Given these assumptions the structural disequilibrium is quite evident. With an actual labour supply of La, the total supply of net output will be Ys. At the same time the total demand for net output will be Yd. As

$$Yd > Ys$$

there will be inflation. Similarly, the employed labour force will be Le. As

$$La > Le$$

there will be disguised unemployment. In other words, the underdeveloped countries will have inflation plus disguised unemployment. What has happened is that investment equal to full employment saving is not sufficient to equip the growing labour force at the selected capital/labour ratio, so that some of the workers remain unequipped. There is redundant labour, but the existing capital stock is fully employed. To reach an equilibrium growth path it will be necessary to increase the savings ratio and raise productivity or reduce the rate of growth of the population and lower the capital intensity of the method of production. None of these solutions may be easy.

It should be noted that the annual per capita rate of growth may be expressed as

$$s \cdot p/c - g$$

Thus the rate of growth will increase if s is increased; p is increased; c decreases; and if g decreases.

These parameters may interact in a rather complicated way. For example, an increase in s will raise the rate of growth of per capita income. A higher growth rate may encourage a faster rate of population growth, g, and this in turn may stimulate investment in housing, thus raising c. A shift of the composition of investment toward housing will raise the capital/output ratio,

13 The following analysis is based on work begun by Professor J Power of Williams College. Cf Power, J, "Economic Framework of a Theory of Growth," *Economic Journal*. March, 1958.

14 The rate of growth of the labour force is in reality a function of the rate of growth of population and the rate of growth of technological unemployment, i e, labour released by capital deepening techniques.

c/p, and thereby reduce the rate of growth.

On the other hand, using capital will raise c; however, p may be raised equally as much. Assuming consumption can be held at some sort of a subsistence level, labour surplus or saving—the difference between the productivity of labour and consumption—will be increased. In that case, raising c may have no ultimate effect on the capital/output ratio but instead will increase s and consequently the rate of growth of national income.

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Repayment of Rourkela Credit

THE Government of West Germany has given more time to the Government of India for the repayment of credit given to build the Rourkela Steel Plant. The amounts due for repayment under Rourkela credit are : 1960-61 D.M. 147.55 million; 1961-62 D.M. 256.46 million; and between 1962-65 D.M. 255.99 million.

As part of its assistance for our development programme, West Germany has agreed to the deferment of a portion of the loan falling due for repayment during the years 1960-61 and 1961-62.

Out of a sum of D.M. 147.55 million payable in 1960-61, a sum of D.M. 49.19 million is being repaid on the due dates and the period for the repayment of the balance of D.M. 98.36 million has been extended initially for four years. According to the understanding with the West German Government repayment of one half of this amount will be further extended by another four years and the other half by eight years.

An understanding has also been reached that out of D.M. 256.46 million repayable in 1961-62, only 10 per cent i.e. D.M. 25.6 million would be repaid on the due dates, and repayment of the balance extended initially for a period of four years with an option for a further extension of half the balance by another four years, and the other half by eight years.

In respect of the postponement of DM 98.36 million for which an agreement has already been signed, an additional amount of DM 22.62 million representing interest at 5¾ per cent for the period February 1, 1961 to January 30, 1965 is payable. Details of the terms and conditions of other postponements of repayments are yet to be negotiated.

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From the Chair

The Bank of India Limited

Speech of the Chairman, Sir Cowasjee Jehangir

THE following are extracts from the Speech of the Chairman, Sir Cowasjee Jehangir, Baronet, C. B. E., K. C. I. E., at the Fifty-fifth Annual General Meeting of the Shareholders of the Bank of India Limited held in Bombay on Monday, 27th, March 1961:

Ladies and Gentlemen,

I have great pleasure in welcoming you to this our Fifty-fifth Annual General Meeting.

In 1960, as in other years, the Reserve Bank of India have been vigilant in their efforts towards the proper development of banking in the country. We very much appreciate the consideration which the Reserve Bank of India have extended to banks. It is no small task to endeavour to watch and guide the large number of banking units — big and small—throughout the country. I would express the gratitude of my colleagues on the Board and myself for prompt information, advice and guidance given to our Bank from time to time by the Reserve Bank of India.

Taxation

I am personally of opinion that the recent Budget is framed on a fair basis. I am sure the Finance Minister expects to be criticised whatever he does by one school of thought or the other. A pertinent question has been asked as to how the Finance Minister was to raise funds for the Government if he did not do so by indirect taxation. My answer is that the Government should reduce their capital expenditure on rash projects which have no prospects of yielding good value for money spent. It is believed by many that this is due to the increase of corruption in the last few years and lack of efficiency and competent technical personnel in Government service. At the root of all the trouble is the policy of the Planning Commission who have allowed their imagination to run wild without calculating the disastrous financial consequences of their rash projects. Really good and efficient planning will enable the Government to spend less and to borrow less money from all parts of the world and thus reduce the demand for maintaining the high levels of taxation already imposed and for levying other taxes on all classes of the people.

The Government were spending crores of rupees and claiming that they had raised the annual income of the common man. I do not vouch for the accuracy of this claim but if this is well-founded it forms a very reasonable argument for indirect taxation. The Finance Minister must not forget that India is the heaviest taxed country in the world and that a certain class of people are made to pay almost the whole of their hard-earned income in taxation leaving little or nothing to live upon. Most of them are at present living on their capital. Highly placed officers both in public and private enterprises are made to pay a large portion of their hard-earned salaries in taxation leaving little for the maintenance of themselves, their families and their dependents. The only class of people that appears to be comparatively well off under present conditions is factory labour.

The main necessities of life are food, housing and clothes. Food and housing are the responsibility of the Government. Clothing is supplied by the private sector and, although the textile industry supplies cloth to the public at a cheaper price than supplied by many countries of the world to their people, the Government insist upon lowering the prices because it only affects the private sector but they do very little effectively to reduce the price of food or housing.

All-India Inter-Bank Agreement

In my last two annual speeches I have mentioned the All-India Inter-bank agreement for maximum rates of interest on deposits which the larger commercial banks, about 40 in number, other than the State Bank of India, entered into from October, 1958. Changes in the maximum rates of interest were made during the year from the 22nd August, 1960, and from the 1st October, 1960. I would like to see the State Bank of India, as the largest commercial bank in the country, also joining in the agreement. I understand that the Indian Banks' Association have been making endeavours in that direction. In this connection, I have to inform you that our General Manager, Mr. T. D. Kansara, has recently been elected Vice-Chairman of the Indian Banks' Association.

The Bank in 1960

The Bank's profit of over Rs.103 lakhs for the year 1960 is about Rs. 20½ lakhs more than the 1959 profit of about Rs. 82½ lakhs. These figures of profit for the two years cannot be exactly compared. Part of the difference between them is because during the bulk of 1960 tax at an appreciably lower rate than in 1959 has been deducted at source from the Bank's investment income.

Before arriving at the profit figure we have, as usual, made appropriate prudent provisions. Sound banking calls for the setting aside of provisions relative to our commitments. Our business is appreciably growing. Our liabilities are increasing. Prudence dictates that, in such circumstances, adequate provisions should be made at all stages.

A final dividend of 12½ per cent., subject to deduction of tax at the prescribed rates, is proposed. This will absorb Rs. 37½ lakhs. An interim dividend of 7½ per cent. subject to deduction of tax was paid in August last. The amount of that interim dividend was Rs. 22½ lakhs. The total dividend for the year is 20 per cent. or Rs. 60 lakhs, subject to deduction of tax. This compares with 16 per cent., *subject to deduction of tax*, for 1959 and with 16 per cent., *free of income-tax*, for 1958. I think shareholders will be pleased at the dividend we are recommending.

The increase in the dividend proposed for 1960 goes to off-set only to some extent the reduction in the net payment caused by the changes made by the Finance Act of 1959.

Audit

The Companies (Amendment) Act, 1960, materially amended the Companies Act, 1956. Section 228 of the main act, as amended, makes

audit of all branches of the Bank obligatory. The Central Government have power to exempt branches from being audited as required by the amended Section 228. For 1960, we applied to the Central Government for such exemption and it was granted. For 1961, we do not intend to seek any exemption. My colleagues on the Board and I are, on this point, at one with the legislature. We have a high regard for the safety provided by frequent audit.

Branches

The Bank has a programme of considerable branch expansion.

Staff Relations

During 1960, staff relations in the Bank have been on a reasonably tranquil basis, but difficulties have not been absent.

General Manager

It is with great regret that I refer to the death during the year of Mr. T. R. Lalwani, General Manager of the Bank. He served the Bank for nearly 43 years, the last three years as General Manager. He enjoyed the confidence of the Board to a marked degree.

In Mr. Lalwani's place, the Board have appointed Mr. T. D. Kansara as General Manager.

Local Committees and Staff

I would express our appreciation of the aid given to us by our Local Committees at branches.

I express our thanks to our General Manager, Mr. T. D. Kansara, for his able management of our affairs and for his unremitting application to the Bank's business. Our thanks are tendered to the staff who have assisted in the Bank's working during the year.

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

Oil Exploration

THE Government proposes to carry out in Jaisalmer area about 400 square miles geological mapping and geophysical survey and follow it up by drilling a test well in case favourable results are obtained. This information was given by Shri K D Malaviya, Minister for Mines and Oil, in reply to a question in the Lok Sabha.

The Minister added that the Government was at present considering proposals, including the ones received from foreign oil companies, for oil exploration in this area and this particular area had been considered in the recent negotiations with various foreign agencies.

In reply to another question the Minister said that oil was struck in well No 1 at Rudrasagar in Assam in December 1960. Several wells would have to be drilled to assess the extent of the field and reserves of oil there. From the laboratory tests so far carried, the Minister added, it appeared that the oil was moderately light and had a fairly high wax content. However, detailed analysis were being carried out.

INSTITUTE OF ECONOMIC GROWTH

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Applications are invited for the following posts in the Institute :—

(a) One Fellow: Grade: 800-50-1250

(b) Four Research Associates: Grade : 500-25-800

(c) Two Research Analysts: Grade : 275-500

(d) Four Research Assistants: Grade: 200-10-400

(e) Two Computors: Grade: 120-10-200

(f) Two Stenographers: Grade: 160-10-330

All posts carry the usual dearness and other allowances permissible under rules in the Institute.

Qualifications:

(a) A good master's degree in Economics with at least five years research experience in the field of Urban Economics, experience of organising field surveys and interest in urban demography.

(b) A good master's degree in Economics or Statistics and at least three years' research experience in Industrial Economics or Urban Demography or applied economic statistics.

(c) & (d) : A good master's degree in Economics and Statistics and experience of analysing statistical data.

(e) A good bachelor's degree and experience of computational work and statistical processing.

(f) At least two years experience as stenographer with a speed of 120/50.

Applications should reach the undersigned by the 15th April, 1961.

(V. K. R. V. Rao)
Director.

UNDER SECRETARY TO GOVERNMENT 4 - APR 1961 PUBLIC DEPARTMENT

Around Bombay Markets

Dalal Street Digesting Gains

Thursday, Morning

DALAL STREET spent the whole of last week in 'digesting' its previous gains. Barring a few isolated counters, equities generally moved irregularly lower and showed moderate losses over the week. Some of the Miscellaneous counters were the worst to suffer followed by General Engineering, Steels and Textiles. The high 'budla' charges at the end of the last settlement had indicated that the market's technical position was weak. The heavy deliveries that followed were another pointer in the same direction. Profit-taking, which was quite heavy at times, was induced essentially by technical considerations, but the turn in sentiment following the setback in prices led many market men to talk about the situation in Laos with considerable concern. The concession in excise duties on cloth and yarn were described as marginal even though the industry has been virtually relieved of the surcharge on automatic looms and the incidence on the mills of the new excise levy on yarn has been reduced to a mere 0.2 nP per square metre.

The Company reports were generally encouraging. Had it not been for the reactionary mood of the market, the announcement of higher dividends by the Kasturbhai group of mills along with right and bonus issues could have brought considerable cheer to Dalal Street. But Century Mill shares did continue to scale new peaks on sustained influential buying encouraged by the expansion plans the company had on hand. The directors state in their report that the company proposes to instal the most modern mill with 528 looms and that it is also setting up a super two tyre yarn and cord plant in collaboration with a Dutch and a German firm. The capacity of the rayon plant is also being expanded to 18-1/2 tons a day.

Last week's setback in equities, which is purely technical, brought down *Vyapar's* equity share index from 148.11 on March 20 to 143.22 on March 27. The index rallied to 145.82 by March 29 and closed at 144.73 the same day, showing a net loss of 1.03 over the week. At Monday's low of 143,22, it had retraced nearly 23 per cent of the ground gained since its January low of 127.19. The *Financial Express* index for Bombay which had risen from 110.40 in January to 129.83 on March 20 declined to 125.63 by March 27—a fall of nearly 21 per cent. The market might ease further because it is quite normal for a market to lose 25 to 33 per cent of the preceding gain in a minor correction, but one can never be too sure about a minor trend. One need not be surprised if the market were to stop at last week's low and resume the major bull phase.

Cotton

Setback All-round

COTTON prices suffered quite a heavy decline last week. The April hedge contract which had been bid up to Rs 599.25 on March 22 was sold down to Rs 576.75 on March 29 and the closing rate of Rs 578.50 showed a net loss of Rs 14.25 per 3 quintals over the week. The August contract lost Rs 7.75 at Rs 592.50. Selling in April contract had nothing to do with the tendering differences fixed on March 23 which were considered to be quite fair by all sections of the trade. And that is why no appeal has been filed this time against the tendering differentials. Futures declined mainly on account of anxious bull liquidation because of the approach of the delivery period. Heavy short covering in the preceding two weeks had weakened the market's technical position. Prices therefore dropped rather sharply on bull liquidation.

The performance of the spot market was no better. Most varieties declined by about Rs 15 to Rs 20 per candy. Kalagin lost as much as Rs 40. Bengal Deshi, however, held quite firm and so did C02 which is difficult to secure since the crop has already been marketed. The decline in spot prices cannot be considered heavy since most varieties had risen to around the ceiling rates. There is little incentive to hold cotton at around the ceiling prices, particularly when the money market is exceptionally tight. Spinner inquiry last week was rather restricted which was attributed mainly to the lack of quotas with the mills. Most mills are said to have utilised their existing quotas for indigenous cotton and the Textile Commission has yet to release fresh quotas. There have been reports that the release of fresh quotas for indigenous cotton will be linked with the import of 3 lakh bales of U S cotton stapling 1-1/16" and below under P L 480. This is with a view to compelling the middle to lift U S cotton. The view is widely shared that the prices of U S cotton do not compare favourable with Indian cottons.

About Export Quota

The export trade is very critical of the delay in the release of a further export quota for Bengal Deshi. There is a fairly large surplus of Deshi cotton, around 1.25 lakh bales, and it has a ready market abroad. The trade has already made firm contracts for sale at high prices which could not be fulfilled under the two quotas announced in December and February because of certain restrictions. These left-out quotas, estimated around 30,000 bales, could be utilised up to the end of March. Apart from the loss of valuable foreign exchange, the shippers concerned, it is complained, will be put to considerable losses if they are not allowed to utilise their left-out quotas. Bengal Deshi choice quality cotton which fetched a prize of 27.5d a pound, f.o.b., Bombay, in December was sold at 24.95d in February and is currently saleable only at around 22.5d. This shows what the country could have earned by way of foreign exchange if the export quotas had been released early in the season, particularly when it was clearly known that Bengal Deshi crop this season was quite normal.

Oilseeds

Edible Oils Easier

OILSEEDS which had developed a reactionary tendency in the previous week showed further weakness last week. Only castor futures managed to record a small net gain over the week; all other oilseeds were down. Linseed May which had

touched a high of Rs 38.50 (per 50 kilos) on March 18 were sold down to Rs 36.22 on March 29. Cottonseed May came down from Rs 100 (per 250 kilos) to Rs 94.25.

The decline in spot prices was even more pronounced. Groundnut ready Karad bold which had been marked up to a record high of Rs 55.75 per 50 kilos in the previous week was available at around Rs 51.25 last week. Groundnut oil ready declined from Rs 23.85 to Rs. 22.25 per 10 kilos and linseed oil from Rs 19.20 to Rs 15.80. Linseed ready fell from Rs 40.40 to Rs 37.50 per 50 kilos.

Considering the steep rise in prices over the past several weeks, technical considerations alone could have produced a sizable setback. But sentiment seems to have undergone a marked change because of the weakness in rapeseed prices following the mounting pressure of arrivals in the upcountry markets. Rapeseed oil prices in Calcutta were reported to have declined further by about Rs 6 per Bengal maund to around Rs 79. Not many weeks ago, rapeseed oil had been quoted as high as Rs 93. The rapeseed crop which is now on the move is estimated to be around 12 lakh tons against 10.37 lakh tons last year. With the turn in sentiment, the trade has started talking about the possible impact of kardiseed and nigerseed crops which will be in the market within a few weeks. These crops too are reported to be better than in the previous season. The market is inclined to the view that edible oil prices are likely to remain rather subdued for quite some time mainly because of the easier tendency in rapeseed oil which is already quoted lower than groundnut oil. In the past, rapeseed oil has usually fetched a better price than groundnut oil.

Groundnut oil and linseed oil prices have recorded a noticeable decline from their recent high levels; they are expected to ease further in the coming weeks. But that is unlikely to make any difference to the export outlook. The disparities between Indian and world prices are far too wide. Against the U K quotation of £117/118 Indian linseed oil gives a parity of about £135. The disparity is much wider in respect of groundnut oil. Export business in groundnut oil and linseed oil has been at a standstill since long and there is perhaps little use in trying to revive it because the overall supply position of edible oils is very tight.

Castor Erratic, Firm

It was quite an exciting week for castor futures as well as castor oil. Castor May which were quoted at Rs 176 on March 23 shot up to Rs 180 the same day. The contract rose further to Rs 183.37—a new high for the season—the very next day but only to come down sharply to Rs 180.25 the same evening. Thereafter it moved irregularly lower to Rs 178.12 by March 29 but recovered to around Rs 179.50 in kerb dealings. Hectic buying in castor oil by a few prominent shippers caused heavy nervous short covering in castor futures which lifted the quotation from Rs 176 to Rs 183.37 within two days. The rise was too steep to be sustained in the absence of any confirmation of export business in oil. Export houses purchased nearly 2,500 tons of oil during the week and the bulk of it has been taken by a well-known international export house with large interests in Brazil. Some said that the recent changes in Cruzerio-dollar rate had made it more profitable for the Brazillian firm to supply oil from India instead of from Brazil. Many talked of fresh business with certain Communist countries. Excited buying by exporters pushed the price of castor oil by about a rupee per 10 kilos within two days, with Commercial marked up to around Rs 16.40. Later the rate eased to around Rs 15.80. B S S held relatively firm and was quoted at around Rs 16.8 near the week-end. Export business with the U K last week was confined to a few afloat parcels. While the trade is doubtful about the early revival of U S buying, it takes a reasonably optimistic view of business with the U K in the not-distant future. Prospects of selling fair quantities of castor oil to the Communist bloc are also considered satisfactory.

Export houses reported very little fresh business in linseed cake during the week. Hardly 400 tons were said to have been sold to the U K at around £29 per ton. Business in groundnut extractions was estimated at around 1,500 tons and that too from the Saurashtra ports. Fairly good inquiries were reported from the U K for June-July-August shipment and the price quoted was mentioned around £28 per ton. Locally extractions continued to be subdued due to lack of buying by the Deccan sugar factories.

Shipments of oilseeds, oils and oilcakes from Bombay between January 1 and 23rd March with the corresponding figures for 1960 are as follows: groundnut 4,932 tons (7,772), sesame 5 (384), cottonseed 99 (nil), groundnut oil 143 (1,893), linseed oil 549 (1,896), castor oil 3,195 (11,115), groundnut expellers 3,362 (14,188), extractions 37,245 (39,761), linseed cake 4,191 (19,187) and cottonseed cake 9,880 (1).

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CURRENT STATISTICS

BANKING RETURNS

(*Rs Crores*)

Reserve Bank	Mar 24	Mar 17	Feb 24	Mar 25 '60
1 Note circulation	1968.70	1971.97	1925.33	1844.90
2 Rupee coin	119.81	118.87	122.26	124.14
3 Deposits	259.98	252.67	245.95	299.12
(a) Central Govt	53.37	72.70	61.04	63.15
(b) Other Govts	33.63	18.12	18.39	42.97
(c) Banks	74.47	71.76	76.98	92.90
(d) Others	98.51	90.10	89.54	100.10
4 Foreign Securities	128.01	128.01	128.01	163.01
5 Balances abroad	25.54	32.19	31.49	34.11
6 Rupee Securities	1627.22	1627.22	1592.28	1461.93
7 Investments	160.34	130.72	143.60	232.38
8 Loans and advances to Govts	42.18	51.00	37.77	22.34
9 Other loans and advances	173.17	168.81	147.64	156.54
Scheduled Banks	**Mar 17**	**Mar 10**	**Feb 17**	**Mar 18, '60**
1 Liabilities	1719.40	1743.52	1736.95	1890.14
Demand (net)	698.27	704.42	695.27	758.20*
Time (net)	1021.13	1039.10	1041.68	1131.94*
2 Cash in hand	44.39	47.07	46.03	62.82
3 Balances with Reserve Bank	66.80	70.38	67.53	80.77
4 (2) + (3) as % of (1)	111.18	117.44	113.56	143.58
5 Borrowings from Reserve Bank	78.29	66.79	54.27	76.88
(a) Against usance bills and/or promissory notes	35.28	29.30	26.90	12.58
(b) Others	43.01	37.49	27.37	64.30
6 Advances	1095.27	1084.76	1061.94	947.19
(a) State Bank	260.42	256.74	245.98	185.70
(b) Others	834.85	828.02	815.96	761.49
7 Bills discounted				
(a) Inland	145.91	144.12	138.25	120.82
(b) Foreign	50.47	48.35	47.55	46.62
(c) Total	196.38	192.47	185.80	167.44
(i) State Bank	16.68	17.53	17.11	16.27
(ii) Others	179.70	174.94	168.69	151.17
8 (6) + (7c) as % of (1)	72.08	70.38	69.04	58.97
9 Investment in Govt Securities	558.89	573.87	585.57	729.38
(a) State Bank	229.40	242.63	250.81	357.40
(b) Others	329.49	331.24	334.76	371.98
10 (9) as % of (1)	31.19	31.62	32.40	38.59
Cheque clearance	237.36	219.00	194.29	198.01

* Includes deposits of banks and others.

Bombay Money Rates

(*% per annum*)

(Selected Scheduled Banks other than State Bank)

Call Money	Mar 17	Mar 10	Feb 17	Mar 18 '60
From Banks	5.25	5.26	5.26	4.00
Deposits:				
Seven Days	—	2.00	2.00	3.37
Three Months	3.50	3.50	3.50	3.50
Six Months	3.50	3.50	3.50	3.50

Bombay Bullion

(*Rs and nP*)

	Mar 29	Mar 23	Mar 2	Mar 31, '60
Gold (per ten grams)				
Spot	119.05	120.65	121.45	112.09
Forward	120.05	121.15	121.80	109.86
Silver (per kilogram)				
Spot	201.15	202.70	206.15	186.24
Forward	198.75	202.50	206.60	184.55

FOREIGN TRADE

(Merchandise Value)

	Rs Lakhs Imports	Exports*	Balance of Trade
1961 January	8342	5454	— 2888
1960 Oct-Dec	21717	18746	— 2971
Jul-Sep	23143	15892	— 7331
Apr-Jun	24969	14832	—10137
Jan-Mar	20741	15528	— 5213
1959 Oct-Dec	23184	18851	— 4333
Jul-Sep	20646	16590	— 4056
Apr-Jun	24637	13213	—11424
Jan-Mar	20562	13417	— 7145
1960	90570	65048	—25652
1959	89029	62071	—26958
1958	87281	58505	—28776
1957	102582	64285	—38297
1956	80873	61346	—19527

* Including re-exports.
Source: D C I S, Calcutta.

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

	11-3-61	4-3-61	11-2-61	12-3-60
Food Articles	116.8	116.6	116.5	116.7
Cereal	100.4	100.3	99.4	103.2
Pulses	93.1	92.8	92.2	90.3
Fruits & Vegetables	109.2	108.9	103.7	124.6*
Milk & Ghee	111.4	111.5	111.4	109.1
Edible Oils	163.4	161.6	159.6	137.5
Fish Eggs & Meat	126.7	121.3	120.7	115.3
Sugar & Gur	116.9	118.5	120.6	138.9
Others	165.1	165.7	170.7	159.8
Liquor & Tobacco	114.2	112.8	111.6	96.1
Tobacco	111.7	110.2	110.3	93.8
Fuel, Power, Light & Lubricants	120.3	120.3	119.9	117.9
Industrial Raw Materials	159.1	158.9	160.7	131.8
Fibres	177.0	178.3	182.9	124.6
Oil seeds	159.2	157.7	157.4	140.4
Minerals	95.2	95.2	95.2	95.2
Others	128.8	128.4	128.7	131.6
Manufactures	129.8	129.1	129.6	116.9
Intermediate Products	137.7	136.1	133.8	121.2
Finished Products	128.5	127.9	128.9	116.2
Textiles	134.6	133.7	135.4	115.1
Cotton	126.6	126.6	126.2	124.7
Jute	165.0	161.4	171.9	97.8
Woollen	110.1	110.1	110.1	104.2
Silk & Rayon	115.7	115.7	109.5	102.6
Metal Products	146.9	146.9	146.9	148.2
Chemicals	104.6	104.6	104.3	104.9
Oil cakes	145.4	144.6	149.7	140.1
Machinery & Transport Equipment	112.5	112.6	112.6	111.0
Others	118.2	118.0	116.6	113.8
All Commodities	127.2	126.8	127.1	118.7

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9. Mining & Chemicals
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11. Paper Mills
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INDUSTRIAL PRODUCTION

Selected Industries
(Monthly Averages)

	Unit	1960 Oct-Dec	1960 Jul-Sep	1960 Apr-Jun	1960 Jan-Mar	1959 Oct-Dec	1959 Jul-Sep	1959 Apr-Jun	1959 Jan-Mar	1960‡	1959	1956
Consumer Goods												
Cotton Textiles	Mn metres	382.7†	393.8	377.7	375.2	377.8	378.3	370.9	374.1	382.3	375.2	404.4
Vegetable Oil Products	'000 metric tons	20.8†	24.9	28.9	32.9	25.7	24.3	28.3	28.6	27.4	26.8	21.6
Sugar	'000 metric tons	39.0*	12.5	116.7	479.5	213.4	8.4	69.8	413.9	245.6	176.4	165.4
Sewing Machines	'000 units	24.7†	23.7	24.8	24.0	21.6	22.7	20.7	19.1	24.2	21.0	10.9
Electric Fans	'000 units	85.7†	81.3	81.1	76.1	63.0	66.2	56.9	56.2	80.6	60.5	28.2
Raw materials and Intermediate Goods												
Cement	'000 metric tons	686.8	614.6	654.2	655.4	624.0	552.2	598.6	537.0	646.0	578.0	417.3
Chemicals												
Sulphuric Acid	'000 quintals	300.0*	308.4	298.7	311.6	262.5	241.2	211.7	218.6	305.6	247.4	139.9
Caustic Soda	'000 metric tons	8.2†	8.0	7.8	8.5	7.5	5.8	4.8	5.2	8.1	5.8	3.3
Soda Ash	'000 metric tons	12.5†	12.2	11.4	11.5	7.7	7.5	7.7	8.6	11.9	7.9	7.1
Coal	'000 metric tons	4888.0†	4180.0	4360.0	4327.0	3959.0	3910.0	4001.0	4057.0	4325.0	3982.0	3340.0
Cotton Yarn	Mn kilograms	66.1†	67.1	63.3	63.9	67.1	66.2	62.3	64.8	65.0	65.1	61.0
Jute Manufactures	'000 metric tons	88.4	91.4	92.1	89.4	91.3	91.2	86.0	87.7	90.4	89.0	92.6
Non-ferrous Metals												
Copper	Metric tons	755.0†	762.7	740.7	740.2	605.8	700.0	684.1	591.0	749.2	647.0	645.9
Aluminium	Metric tons	1507.2*	1583.1	1564.5	1502.3	1553.4	1555.4	1394.0	1272.5	1555.5	1460.5	550.4
Lead	Metric tons	347.5†	260.3	299.7	322.9	309.9	321.7	298.6	388.9	304.0	329.8	2.114
Paints and Varnishes	'000 quintals	35.0*	40.8	43.6	42.1	45.1	44.6	47.6	46.4	41.5	45.9	35.2
Paper and Paper-boards	'000 quintals	293.8†	283.7	287.5	290.3	288.2	270.8	207.6	229.4	289.4	249.0	163.7
Iron and Steel												
Pig Iron	'000 metric tons	376.9*	329.0	319.4	349.2	271.8	269.4	265.4	216.3	336.9	255.7	153.0
Steel Ingots and Castings	'000 metric tons	306.2*	269.8	248.1	263.2	235.6	207.1	195.4	184.5	265.0	205.7	147.2
Semi-finished Steel	'000 metric tons	327.9*	269.8	270.0	275.4	206.3	184.3	173.7	169.2	277.4	183.4	127.2
Finished Steel	'000 metric tons	175.8*	171.5	154.3	158.5	135.7	127.4	112.1	115.1	162.9	122.6	107.0
Capital Goods												
Machine Tools	Value '000 Rs	5642.9*	4902.7	3176.6	5879.7	3903.4	3387.9	3029.1	4249.7	4745.6	3656.5	1001.9
Diesel Engines	Units	3667†	3888	3329	2953	2530	2032	2930	2522	3441	2528	1001
Electric Motors	'000 H P	61.8*	61.2	52.5	48.0	44.2	45.5	56.1	51.6	56.8	48.0	29.9
Power Transformers	'000 K V A	129.5*	102.5	93.2	89.9	85.8	87.0	84.9	94.7	98.7	84.7	76.6
Transport Equipment												
Bicycles	'000 units	84.8*	82.9	81.5	89.4	90.6	85.8	76.9	77.0	87.3	82.6	55.3
Automobiles	Units	4831†	4374	3980	4179	3591	3297	2546	2669	4236	3039	2678

* Figures available for October only
† Figures available for October and November only.
‡ Average of available monthly figures
Source : Central Statistical Organisation, Govern ment of India.

CLOTH AND YARN PRODUCTION

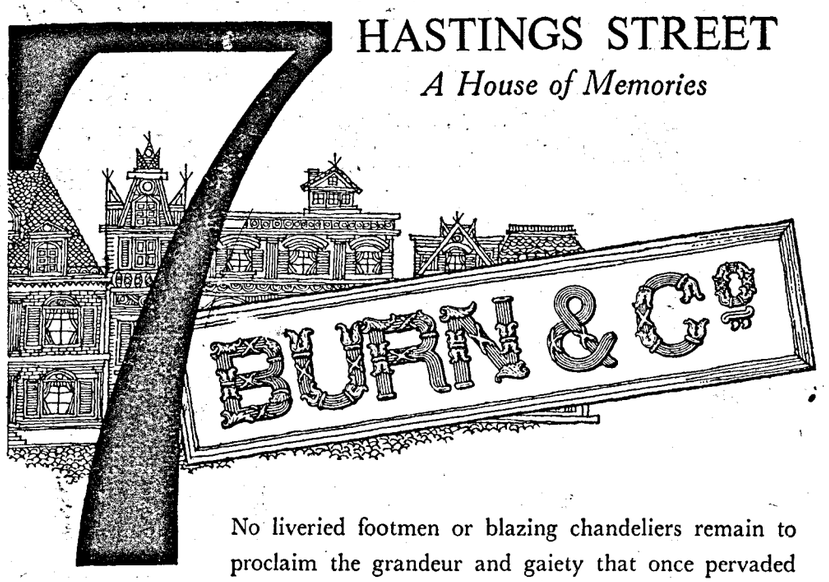
(Monthly Averages or Calendar Months)

		Yarn ('000 lbs)	Cloth (000 yds) Coarse	Medium	Fine	Superfine	Total
1958		140,448	80,830	282,984	25,255	21,511	410,580
1959		143,567	74,337	291,701	20,162	24,252	410,452
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	295,103	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	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	17,078	23,635	390,539
	Dec	154,642	71,147	319,255	18,608	25,521	434,531
1960 :	Jan	144,193	56,319	318,212	17,737	25,525	417,793
	Feb	138,816	50,884	308,222	18,268	25,502	402,876
	Mar	139,774	47,697	314,921	20,736	26,983	410,337
	April	136,796	46,605	313,755	20,928	26,744	408,032
	May	138,719	48,663	314,446	20,292	27,021	410,422
	June	142,764	56,055	318,471	19,716	26,513	420,755
	July	147,983	64,649	322,099	19,175	25,674	431,597
	Aug	150,191	68,072	323,255	19,272	24,191	434,790
	Sept	146,245	65,655	316,828	18,170	24,083	424,736
	Oct	141,970	62,588	305,606	17,731	22,647	408,572
	Nov	149,746	66,395	318,999	18,479	23,399	427,272

Source : Textile Commissioner, Bombay

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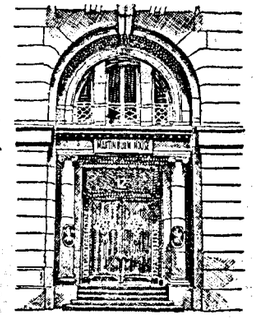
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THE ECONOMIC WEEKLY
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Empty Chairs at Evian

PRESIDENT de GAULLE has a knack of going in for intriguing silences, which makes it hazardous to try and interpret the failure of his Government to clarify the statement of M Joxe in which he sought to, or at least appeared to, equate the FLN with the MNA, at his press conference last week. In the absence of a clarification from Paris, the Algerian Nationalist Government has placed the only meaning it could on this statement : that Messali Hadj would be represented at the Evian talks as well as Mr Ferhat Abbas. And, putting that interpretation, the FLN had no choice but to refuse to attend the conference. A vague suggestion has been made by French circles that M Joxe, who is the French Minister for Algerian Affairs, did not in fact say what he appeared to have said, and that his remark had been misunderstood. But if that were so, the misunderstanding could have been removed very simply in a subsequent statement. This statement has not been forthcoming.

This silence is open to interpretation in two ways. It can either mean that President de Gaulle intends that he himself should clear up the air at his next week's meeting with the press (and thus appear to have rescued an imaginary situation) or it can mean that even at this late stage, he is not free from the internal pressures which are making it difficult for him to proceed with the Evian negotiations. Indeed it stands to reason that if contrary pressures are to be exerted on the President, the time to do so would be the present, when there is a real prospect of a peaceful settlement of the Algerian issue. The spurts of violence occurring throughout the last fortnight are a manifestation of this pressure; the white extremists are clearly anxious to spoil the atmosphere for the talks.

One of the more hopeful signs at present is that the FLN leaders seem perfectly well to understand the last-minute difficulties of President de Gaulle, and even seem anxious to avoid adding to them. In this connection, the conciliatory tone of the FLN refusal to open the talks, as scheduled, on Friday is most significant. While making it plain that the nationalists could not possibly share the negotiating table with such "lackeys of French colonialism" as Messali Hadj, the announcement from Tunis also took care to add that this did not mean that the FLN was bringing the "principle of negotiations" into questions; it was merely holding France to its promise that the final negotiations would be conducted with no other party except the FLN, though "preliminary consultations" could take place with anyone President de Gaulle felt necessary. The nationalist announcement went so far, in fact, as to declare that the FLN would be prepared to give any extra time which France still needed to complete its "preliminary negotiations" with the other groups. No greater proof of the FLN leaders' anxiety to go ahead with the Evian conference in a constructive spirit could have been given.

Since there is clearly an excellent prospect of the Algerian War being finally ended in Evian, President de Gaulle should quickly make up his mind to clear up all the obstructions being placed in his way at

home. His position vis a vis Algeria is already none too strong; but if he allows any further delay in coming to terms with the nationalists, his position will deteriorate rapidly, and France will find itself committed to an even more savage and endless war against the nationalists — a war in which it will have lost the sympathy of its Western allies no less than that of the rest of the world. The nature of the special interest being shown in the proposed conference at Evian by the United States is itself a warning of this. In any case the President appears to have gone too far to retreat, and his main effort should be to lead his recent efforts on this issue to their logical conclusion at Evian. In their present mood, the FLN leaders may well make the gestures which President de Gualle will need in order to withdraw from Algeria without too much loss of face; but the mood may not last long. It will certainly not last for ever. If the French President allows the negotiations to be obstructed much longer, he will most definitely lose face without, at the same time, being able to avoid the total loss of Algeria. So let him make his choice.

No Symbol for Third Plan?

APRIL 1 was the New Year Day in the Government calendar, which goes by the financial year, and it was the day from which the Third Plan started. No ceremony marked the occasion and none was thought necessary. All planning, like time itself, is continuous, and its division into segments is merely a matter of convenience. The Third Plan takes up from where the Second left off—one glides into the other. Some projects under execution go along their appointed course, some new ones are begun, the process is continuous and the dividing line is difficult to draw. It is as much the concern of the Third Plan that the projects already under execution should be completed in due course as that the new projects allotted to it should be begun when possible and convenient.

This is one view and the other is that we missed an important opportunity to celebrate an event very much worth celebrating. The occasion should have been utilised to stir up the imagination of the people and to establish a symbol in their minds which will continue to be infused with fresh life and meaning as the Third Plan progresses.

As the dividing line between two Plans is thin and shadowy, so is the one between the profound and the ridiculous. It is not difficult, therefore, to imagine why either the Congress or the Government — if either at all ever gave any thought to it — should fight shy of any celebration on the occasion. Perhaps to think so would be to concede to Government publicity much more of sense than it habitually displays. Between a command performance or a soulless fanfare of publicity and a ceremony to symbolise the nation's solemn resolve consciously and deeply felt, there is a great divide. Since a striking and historic example of just such an act of national resolve was very much in the news this week—following Pandit Nehru's formal opening of the memorial erected in memory of the Dandi march. The techniques employed then and now naturally come up for comparison. The comparison, it may be objected, is invalid: The particular concept of people's participation which Dandi symbolised is a hang-over from the past which is difficult to translate into the idiom of parliamentary government.

And if one were looking for a symbol for the Third Plan, what sort of thing could one take up? This is, of course, a comparatively minor matter. Anything would do, of course, any project would be just as good, provided the social processes associated with planning were seriously regarded as integral and essential for the success of the Plan. Granted all this, there is, nevertheless, some difficulty in fixing on any particular project as being typical, special or unique to the Third Plan. Even Bokaro will not meet the test; there were many steel plants in the Second Plan. Nor would manufacture of heavy machinery serve the purpose very well, for it had already been taken up in bits and pieces and what the Third Plan is intended to do is to broaden and consolidate what the Second Plan had begun. At the risk of being facetious, one has to fall back upon the project atomic power station as something unique which could be made into a symbol or perhaps the Calcutta City Plan, if the latter is ever to take shape and is seriously intended to materialise.

Harnessing the Narmada

THE Narmada is one of our seven holy rivers and it is also one of the longest. Flowing through Madhya Predesh, it covers more than 800 miles, draining an area of several thousand square miles. There is no one major multi-purpose project yet to exploit fully the vast irrigation and power potential of the Narmada but both Gujarat and Madhya Pradesh have a number of schemes which have been investigated by the Central Water and Power Commission. The total irrigation and power potential of these schemes which have already been or are likely to be taken up for execution in the near future are estimated at 28 lakh acres and 1.5 million kW respectively. Even when these schemes are completed, the full potential of Narmada would not be exhausted.

The Navagam Project, which the Prime Minister inaugurated on Wednesday, is being executed by Gujarat. Its first stage is the construction of a gravity dam of 4,600 feet long with a maximum height of 220 feet. This dam will divert 9,500 cusecs of water to irrigate about 10 lakh acres annually in Baroda and Broach districts. In the second stage of the project, the dam will be raised to extend irrigation to the adjoining Mahi and Sabarmati basins through the Great Narmada High Level Canal to irrigate about nine lakh acres and generate 6.25 lakh kW of electricity. Irrigation could be further extended from the High Level Canal to the Little Rann.

Of the Projects which Madhya Pradesh intends to take up, the most important are the Punasa and the Barwaha Multipurpose Projects as also the Haramphal Hydel and the Bargi Irrigation Projects. The Barwaha, Haranphal and Bargi projects are now under investigation by the Central Water and Power Commission.

Concentration More or Less?

THE Estimates Committee probe into the working of the Development Wing of the Commerce and Industry focuses attention once again on the growth of large industrial groups in the country about which there is so much concern. The Committee alleges that the procedure of licensing of new industrial units and expansion of old units by the Development Wing has tended to give an advantage to the larger groups and thereby encouraged the growth of concentration. So far as major industries are concerned, there is little doubt, however, that concentration of control has tended to diminish within each industry over the last decade. This is because so many new units are being commissioned. In cement, for example, the share of Associated Cement has declined from more than two-thirds to less than one-half; in cotton textiles, there has been considerable growth of spinning mills in the South and of powerlooms all over the country. Similarly, there are many more producers of paper and chemicals, than there were before. In support of regional dispersal, one could point out that the number of new companies registered in the South has increased rapidly of late. This is the argument which Shri Manubhai Shah has in effect been putting forward but it does not follow from this that concentration of control in the industrial sector taken as a whole has diminished. Nearly all industrial groups in India have highly diversified industrial interests and this diversification has greatly increased.

The Estimates Committee contends that the larger groups often apply for many more licenses than they need, in order to forestall competitors and they are not genuinely interested in promoting all the projects they claim to be interested in. Since industrial licenses are issued only up to a certain capacity level, every license confers an element of monopolistic advantage and contains an element of favour. The high power representatives, some of whom are retired senior civil servants, maintained in New Delhi by the large groups, are in a position to get to the top of the queue well in time. By the time the smaller fry get over the procedural hurdles, they are often at the end of the queue and find the doors closed to them, because the capacity needs had already been licensed! Further, many licenses are not utilised at all or are sold to others. Even hoarding of licenses is not uncommon. The committee has rightly called for a positive effort to ensure that licenses also go to parties other than the large groups, to weed out idle licenses, and to put restrictions on transfers of licenses.

Since the legal definition of groups runs largely in terms of managing agencies and holding companies, while groups of companies can be held together in many other flexible ways, it is obvious that licensing policy would have to apply the definition of groups more liberally than an official body can do under the existing laws. Action on the lines recommended by the Estimates Committee would, therefore, require another amendment of the Companies Act and/or a large measure of executive discretion in identifying groups, together with a thorough investigation of the antecedents and connections of most applicants for industrial licenses in addition, there is also the problem of distinguishing large from small groups, and all groups on the one hand from the completely independent and unaffiliated units on the other, and then regulating their expansion *inter se*.

All this is more than what the Estimates Committee has perhaps bargained for. In any event, ten years have elapsed since the enactment of the Industries Development and Regulation Act, one of the objects of which was to disperse the control of industries. At that time, nobody could have foreseen the industrial development that has taken place since then, nor anticipated the extent to which private enterprise would flourish in a socialistic pattern of society, nor realised fully the magnitude of the power of patronage which licensing has conferred upon Goverment. An evalution of licensing policy as it has operated so far would therefore be timely and useful.

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Weekly Notes

Promoter Par Excellence

THE National Industrial Development Corporation and Industrial Estates were the two principal instruments with the help of which Shri T T Krishnamachari wanted to speed up industrialisation when he was the Minister for Commerce and Industry. The idea of industrial estates was taken from Britain, it has successfully withstood transplanting, has taken root and bids fair to prosper and thrive. The NIDC, the other instrument and by far the more important one, if one thinks of the magnitude of the task it was expected to perform, seems to be on the way out, judging from the very strong attitude which the Estimates Committee of the Lok Sabha has taken against it. Any way, the NIDC has not been active for some time. Some of the tasks entrusted to it at the beginning of the Second Plan, it has carried out. Others it has done very perfunctorily or not at all.

The NIDC had never been much in the lime light. It was probably intended to work behind the scenes —promoting and sponsoring industries rather than running them and its scope of operations has been deliberately left unusually vague. If one were to look up the chapter on Programmes of Industrial Development in the Second Five-Year Plan, one would notice that in the breakdown of the industrial projects, the NIDC's projects were not listed among those in the public sector. These projects were lumped together with those in the private sector and NIDC figured in quite a number of them, the important entries and the remarks against them being as follows:

Structural fabrications—capacity for heavy structurals to be developed by the NIDC *also*.

Heavy foundry-cum-forge shops to be developed by the NIDC in the public sector.

Aluminium—part of the new capacity to be developed by NIDC

Heavy Chemicals—carbon black to be developed by the NIDC

Coal tar distillation—partly under NIDC and partly under public sector.

Rayon and staple fibre—partly under NIDC

Even a cursory glance at these items would show that the NIDC, though listed under private sector projects, really straddled over the two sectors. Particularly interesting is the entry under coal tar distillation "partly under NIDC and partly under the public sector," as if these were two mutually exclusive terms.

The list of projects with which the N I D C has been associated at one time or another is formidable. The Progress Report of the Public Sector Undertakings for 1959-60 mentions that the Heavy Machine Building Plant, the Coal Mining Machinery Plant and the Heavy Foundry and Forge were "looked after" by the N I D C before being entrusted to the Heavy Engineering Corporation. Other heavy engineering projects investigated by the N I D C are the Heavy Structural Fabrication Works, the Heavy Plate and Vessel Works and the Heavy Machine Tools Works all of which are reported to be at the project report stage. The N I D C is also handling the pharmaceutical projects covered under the agreement with the U S S R. It apparently acted on behalf of the Government in the negotiations with the Soviet experts who were in the country to select the sites for the projects and to collect data for detailed project reports. The Pyrites and Chemical Development Company, a subsidiary of the N I D C was formed to manage the sulphur from pyrites project and it is reported to have started mining operations and expects to begin largescale production trials soon. Preliminary work is also proceeding on setting up the raw film plant in collaboration with a French firm. About the N I D C's other schemes, the Progress Report on Public Undertaking has this to say:

Many of the schemes for the manufacture of other industrial materials for which the necessary preliminary studies had been carried out by the Corporation, have been assigned to the private sector to follow up and establish production units. In case of aluminium, two new schemes have been approved for establishment in the private sector besides further expansion of their capacity by the present manufacturers. Licences for the establishment of plants to manufacture synthetic rubber, cemented carbides, carbon black and rayon-grade pulp have already been granted to private units. The Corporation is continuing its studies on the manufacture of newsprint from bagasse and this project also may be assigned to the private sector for implementation after the technical and economic feasibilities have been properly established. The Corporation is also conducting studies on a project for production of elemental phosphorous and phosphatic rock.

Now on Way out?

THE Report goes on to say that the N I D C plans to establish a Technological Consultancy Bureau for serving various projects under study or in the process of implementation. The Bureau will have a staff of engineers and specialists and will progressively widen the scope of the services into those fields where foreign consultants have at present to be engaged.

Apart from these, the NIDC was expected to finance the plant rehabilitation of the textile industries, both cotton and jute. This last was a colossal undertaking expected to cost some Rs 180 crores for cotton and a similar amount for jute. The total loans made by the NIDC under these heads in the five years hardly amount to more than 5 per cent of what is required.

Judging in retrospect, the main attraction for an agency like the NIDC was that it could operate behind the scene, without its activities, including investments, attracting much publicity. And the nature of its operations were such—whether when it acted merely as an agent as in assessing the capital requirements for the re-equipment of the textile industries or whether it directly sponsored a project—that it had to combine flexibility with command of high expertise for its success.

The NIDC was not launched with any ceremony. It was never given the statutory form of a corporation nor any capital to start with. And it does not appear to have recruited any high calibre staff worth mentioning. It, therefore, naturally glided into the position of a nominal organisation through which the Development Wing acted when the latter found it convenient. When the present Minister took over the portfolio of Industry, the operations of this Ministry began to reflect more and more the personality of the Minister. The NIDC was no longer required to give it a protean form. The entire Ministry of Industry took this character and being all-pervasive, it did not need any more a special agency to give it that character. Sponsoring of industry in the private sector could be directly undertaken by the Development Wing which, in any case, had all the expertise that the Government could command from its own staff. It has been mentioned earlier that the idea behind the NIDC had an obscure origin. It was more or less T T K's brain child. What form it would have finally taken, had T T K remained long enough in charge to develop it fully, it would be idle to speculate today.

The Outsider in Kerala Banking

KERALA'S Finance Minister is in New Delhi once again to discuss the 'banking crisis' in the State with the Central Government. The moratorium on the five banks in the State which was to expire last month has had to be extended for another two months. Last month as the State Assembly discussed "the grave and panicky economic situation" consequent on the extension of the moratorium, the Union Finance Minister denied that there was a "crisis"; there were "difficulties", that was all.

The State Government's conviction remains unshaken that the difficulties of the banks are to be traced to the crash of the Palai Bank and the thing to do, therefore, is to salvage Palai. This alone will restore the confidence of the people in the banking system. It has suggested two alternatives. The Centre should either give a guarantee to the Palai Bank to the extent of its bad debts and revive it with a new directorate or merge the Palai Bank with the State Bank of India.

Any possibility of "reviving" the Palai Bank has been ruled by the Central Government which is concerned with strengthening the State's banking structure by a process of amalgamation. Not much headway has, however, been made as is apparent from the fact that the moratorium on the five banks has had to be extended.

Opposition within the State to the Reserve Bank's amalgamation proposal appears to centre on the appointment of an "outsider" as chief executive of the amalgamated bank and the location of its head office in Trivandrum. A resolution issued by bankers, businessmen and politicians has alleged that "some of the persons whose consent the Reserve Bank is seeking for appointment to the new bank's board will not inspire any confidence in the public" and will "drive away" local talent. Similarly, the location of the new bank's head office in Trivandrum, it has been pointed out, "will cause a great hardship to a vast number of the clients of the amalgamated bank."

Whether the situation in Kerala is one of crisis or merely one of difficulties, the uncertainty surrounding the banking system has done the State's economy no good. Even day to day administration has suffered. As the State's Finance Minister complained, over Rs 20 crores of Government money was locked up as a result of the moratorium on the banks and the liquidation of the Palai Bank. But the Kerala Government and politicians are not helping matters any by smelling a rat in every suggestion made by the Central Government or the Reserve Bank. When responsible politicians start airing their suspicions that some "outside interests" are trying to ruin the banking system in the State, things have gone far enough and it is time to stop.

Volte-Face in Orissa

THE Ganatantra Parishad has condemned outright the mid-term elections in Orissa as a "conspiracy" against the people of the State. If this is an election manoeuvre, it is understandable. But if the Parishad seriously means it, the charge is most perplexing. For, in November last when the Utkal Pradesh Congress Committee passed a resolution calling upon Dr Mahatab to dissolve the coalition Government and "approach the Governor for President's rule for the period between the dissolution of the Ministry and the formation of the new Ministry after the *General Elections*" there was a furore among the opposition parties in the State, including the Ganatantra Parishad. What business was it of the "Leader of the Congress Assembly Party", it was asked, and rightly, to "approach the Governor for President's rule"?

Constitutional pundits then spelt out the alternatives before the Congress. If after the dissolution of the coalition the Congress was either unable or unwilling to form a Government by itself, it should step aside and let the Ganatantra Parishad form the Government. If it could not lend its support to the Ganatantra Parishad Ministry and, as a consequence, a stable Government could not be formed, then the proper thing for the Congress Party to do would be to advise the Governor to dissolve the Assembly and call for fresh elections. As things turned out, the coalition Ministry resigned, the Parishad declined to form the Government and President's rule was imposed.

The Congress then turned a complete *volte-face*. It came out in favour of a mid-term poll in deference to "the views expressed by different political parties" and "the general desire of the people of Orissa". The Utkal Pradesh Congress Committee's resolution on the subject was a masterpiece of political chicanery. Not to be outdone, the Parishad with the other opposition parties in the State despatched a letter to the Election Commissioner urging the latter to postpone the elections till February next. But while the Congress could at least pretend that it wanted to rectify an earlier mistake, how can the Parishad, consistent with its earlier stand on constitutional propriety, oppose mid-term elections?

A mid-term poll some time in June or July will, of course, help the Congress in that around that time of the year the rural voters, from whom the Parishad expects the bulk of its support, will be least accessible, most preoccupied and generally unenthusiastic about the elections. It is, therefore, not without some reason that Shri Bijoyanand Patnaik is confident that the Congress would win 100 out of the 140 seats in the Assembly.

Civic Election and after

WITH no major political issue exercising the public mind, it was expected that the Congress would win a comfortable majority in the Bombay Municipal Corporation elections last month. But the results have belied this expectation. The fact that in a House of 131, the Congress could secure only 59 seats out of the 120 contested, compared to its strength of 62 in the last Corporation, reflects the low public esteem in which the party is held today. Not only that, five of its prominent sitting members — four of them were Chairmen of various committees, including one who was tipped for Mayoralty, and the fifth was the Deputy Leader of the House — were defeated. Short of seven seats for an absolute majority, the Congress will now have no other choice but to form a working alliance either with some other party or a group of independents on the basis of a common minimum programme to run the civic administration smoothly for the four-year term. Whether the Congress will choose the PSP, the Muslim League or the Independents for its partner, it has not decided yet.

The re-emergence of the Muslim League, a communal party, after a lapse of nearly eight years, is a disturbing sign. Unfortunately, it is a sign of the times. It is remarkable indeed, that the Muslim League should win four seats, out of the five which it had contested. On the other hand, the balance is maintained by the Jan Sangh also winning exactly four seats out of 29 contested. Despite so many defeats, Jan Sangh nevertheless doubled its strength. It had only two members in the Corporation.

Not unconnected with the re-emergence of the Muslim League is the defeat of Shri Mohinuddin Harris, who, in a predominently Muslim constituency, has been a consistent fighter against communalism over the decades and has the finest record of service in civic affairs. Though Shri Harris also happened to be the Leader of the PSP in the Corporation, his defeat has nothing to do with the failure of his Party in the election.

Another debut on the municipal scene is that of the Socialist Party (Lohia Group) with three seats out of 13 contested. Its parent body, the PSP, on the other hand, suffered the worst debacle of its civic career. It not only lost 35 of the 47 seats contested but almost all its stalwarts, including its leader, who were sitting members for more than a decade, were defeated. Of the other political parties, the party to gain the most was the communist-dominated Samyukta Maharashtra Samiti, with 34 seats out of 80 contested. The Samiti has replaced the PSP as the second largest political party in the Corporation. The Republican Party (Kamble Group) won three seats. The Independents, who include three Congress rebels, improved on their record at the 1957 elections by winning 12 seats against five.

The enthusiasm which was played in civic elections this time was quite amazing and it is something which cannot be measured exactly by the proportion of votes polled, though the voting was significantly higher than at the last election. This is something very curious and has not been adequately explained. One could understand why keen interest should be taken in the civic elections when a burning political issue like the bifurcation of the Bombay State was exciting the electorate. What was it this time that brought so many processions out on the streets, dressed up the City in festoons and flags and plastered up all the walls and road surfaces with election appeals? The writings on the walls were a very special feature of the present election. This particular form of expression of the concern about civic affairs should be discouraged which, both for aesthetic reasons and for the loss of potential revenue to the City from the tax on hoardings which it normally collects, and certainly it should not be copied by others. Some observant visitors have noted a correlation between the wallsigns and dug-up roads; but should vigorous civic politics mean dug-up roads and broken pavements?

Letters to the Editor

Inter-Sectoral Terms of Trade and Price Policy

Reply

MY main contentions in the article 'Inter-sectoral Terms of Trade and Price Policy' in the Annual Number of the *Economic Weekly* (February 1961) were:

i) that during inflationary times, agricultural prices *generally* rise faster than non-agricultural prices and that the opposite is true during deflationary times;

ii) that when terms of trade are moving in favour of agriculture, there is a *tendency* for national income to move in favour of the agricultral sector; and

iii) that every shift of income in favour of agriculture has a *tendency* to reduce the nation's average propensity to save, and serves as a drag on savings.

For these propositions I had sought empirical proofs from such data as were available for the period 1948-49 to 1958-59. It was a pity that the *Economic Weekly* had chosen to publish only the tables and not the graphic representations of the data, or else Professor Dantwala (see *Economic Weekly*, February 25, 1961) and others could have clearly seen that my propositions are by and large substantiated, and much of the misunderstanding would have been avoided.

The misunderstanding consists in believing that my propositions hold, or ought to hold, for each of the years under study. To say that savings of the economy are related to sectoral distribution of income and that the latter in turn is related to sectoral terms of trade is not to say that statistical data would bear

Diagram 1: Agricultural and Non-agricultural Prices

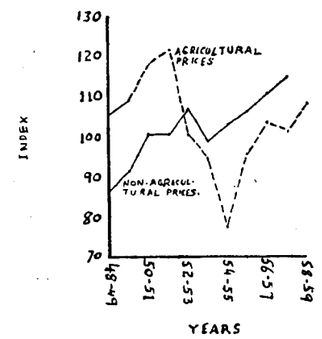


Diagram 2: General Prices and Relative Sectoral Prices

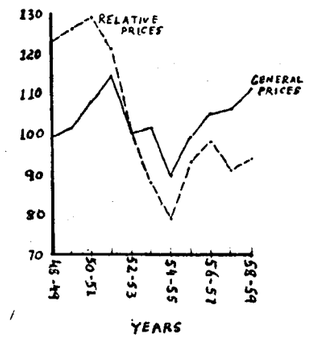
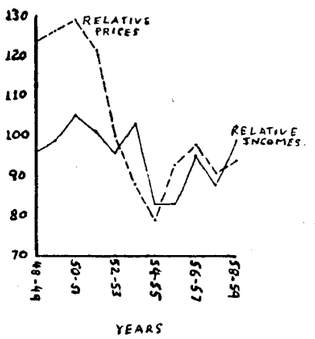


Diagram 3: Relative Prices and Relative Sectoral Incomes



out these relations year after year consistently. That would be the statistician's paradise but that sort of thing hardly ever happens with economic data. All one has is an expression of *tendencies* and if a proposition is borne out by data more often than not, a presumption is created that the proposition is correct, until further evidence proves it not to be so. If this were understood Professor Dantwala would perhaps not insist that in certain selected years (in this case 1955-56 and 1957-58) the behaviour of the savings ratio should have conformed to pattern, in order that my propositions be accepted.

Moreover, this kind of insistence on year-to-year conformity omits the question of lags and the influence of other variables. It is very much possible, for instance, that since relative prices had moved substantially against the non-agricultural sector in 1956-57, savings in absolute and relative terms declined in the *following* year. Incidentally it is not true that "for all the years since 1953-54, the savings ratio shows improvement inspite of the fact that the terms of trade were turning in favour of agriculture". In 1954-55, compared to the previous year, the terms of trade actually turned against agriculture and the savings ratio increased in line with my proposition.

But even if it had not, there is the influence of other significant variables to be considered. One such significant variable is the growth of income. To say that savings are influenced by movements of terms of trade is certainly not to deny that savings are also influenced by the growth of income. But the proposition that aggregate savings should normally grow as developmen occurs and national income increases is so common-place that I saw no point in stressing it. What I did try to emphasize was a less obvious effect which seemed to me to counteract the normal tendency — an effect which would, in particular, explain the absolute as well as the proportionate decline in savings in the year 1957-58. But to bring this less obvious effect to notice is not to say that this effect "will have a decisive influence on saving". It may or it may not. In fact if one were to emphasize only the terms of trade effect and deny the positive influence of income growth on saving (as Professor Dantwala quite wrongly understands me to do), one would be led into the strange fallacy that because periods of growth are periods of inflation, and the terms of trade during such periods are likely to be favourable to agriculture, savings of the economy would be continually declining while the growth process lasts! As soon as the matter is so stated it becomes obvious that no one should seek in the annual savings figures a year-to-year relationship with terms of trade, for that would presume an elimination of other cruical effects. Other effects may be decisive but that does not mean there are no terms of trade effects.

The other criticism of Professor Dantwala is about my selection of the year 1954-55 as the basis for calculating the annual rate of increase of prices. It is true that a statistician in search of the average rate at which prices have risen between one cycle and another might strike his average on the basis of a peak to peak, or a trough to trough, or a normal year to normal year-comparison. But I am concerned with no such thing. From an economic standpoint the focus of my attention is the psychology of inflation and the effect of this psychology on the desire to save. People develop expectations about changes in the value of money on the basis of their experience of the recent past. And if prices have been rising from a certain year in the recent past, they see them rising from that year and one has to estimate the rate of change from that year onwards. "If instead of the year 1954-55", Professor Dantwala writes, "the year 1953-54 is taken, the annual rate of increase upto 1959-60 would amount to about 1.2 per cent". It would. But knowing that prices fell sharply after 1953-54, why should one use that year as base, when the purpose is clearly to analyse the degree of inflation? To estimate the rate of increase of price as a factor in determining expectations about the future value of money, I preferred to choose a year from which prices did begin to rise.

Starting with 1954-55 seems appropriate, in the context of my argument, from another standpoint as well. Since my proposition is that when prices are generally rising, agricultural prices rise faster than non-agricultural ones, in verifying this proposition empirically, I had to start from a year from which prices did in fact rise — and this happened to be the year 1954-55.

A M KHUSRO
Institute of Economic Growth,
Delhi.
March 21.

Rejoinder

OUT of the three propositions enunciated by Dr Khusro in his reply, the first two are fairly well known and would be generally accepted. As for the third, I am afraid one would like to have a little more evidence.

I am not suggesting — much less insisting — that the relationship between the rise in prices and savings behaviour should hold good either 'year after year' or for each of the years' under study. But I would question the attempts to relate the behaviour of savings say, during 1954, 1955 or 1956 with the average rate of price rise between 1954-55 and 1959-60 — events which took place much later. Assuming that it is a matter of expectations, there is no reason to believe that these will be uniquely governed by the average price rise between 1954-59 and not by any other 5 or 6 year average — eg 1953-59. There is no reply to this.

I am glad Dr Khusro has recognised the influence of other variables of the savings propensity.

A word about the Terms of Trade. How far and how accurately can the 'Ratio of wholesale agricultural prices to non-agricultural prices' be considered terms of trade of the farmer, and that too for examining its impact on such a complex phenomenon as savings behaviour? If statistical relationship is sought to be established, a much more refined concept of terms of trade would perhaps be necessary.

M L DANTWALA

Bombay,
March 30

Our Delhi Letter

Towards the Physical Target

THE National Savings Committee concluded its two-day session on a note of optimism, though the final decision on the resources for the Third Plan has been postponed to its next meeting which will be held on May 17. It is reported that the National Savings Committee generally agreed that the Rs 8,000-crore programme set as the physical target for the Third Plan by the National Development Council should be within the reach of financial resources. But the Finance Ministry could not be convinced, and it was thought advisable to put off the decision. In the meantime efforts will be made to build up the case for higher resources.

The Finance Ministry has not been very enthusiastic about the Committee from the beginning. It wanted the Committee to confine itself to the questions of principles and to the theoretical aspects of savings. The detailed working out of resources, it wanted to be left to itself. However, this suggestion was not acceptable. Led by the Minister of Planning, Shri G L Nanda, and with Chief Ministers Shri Y B Chavan and Shri Mohanlal Sukhadia on it and influential State Ministers like Shri C Subramaniam and Shri K P Tripati, the National Savings Committee has too high a status and is sufficiently high-powered to make its influence felt.

The Perspective Division of the Planning Commission, which undertook a study of the problem, put forward the suggestion that market borrowings and public sector industrial undertakings could yield higher resources than had been anticipated earlier. Its estimates show that the Life Insurance Corporation as also the Reserve Bank should turn over higher revenues. And if public sector undertakings yield a minimum profit of 10 per cent which they should, given efficient management, the resource position should be easier. As public sector undertakings are all equipped with the most modern machinery, the Division assesses their profit-earning capacity pretty high.

Expansion of Insurance

Institutionalised savings, particularly insurance and provident funds, are assuming ever greater importance in mopping up resources. Therefore it has been suggested that insurance should be expanded during the Third Plan, especially in rural areas. Material incentives to postal staff were also favoured with a view to promoting small savings.

For the next one month, the Perspective Division will be busy in making another reappraisal of resources for the Third Plan. It is the Perspective Division which has been consistently trying to increase the size of the Third Plan. It persuaded the Finance Ministry officials to increase the size of the public sector first from Rs 7,000 crores to Rs 7,250 crores and then from Rs 7,250 crores to Rs 7,500 crores. It has now taken up the challenge of raising the limit to Rs 8,000 crores. The Finance Minister who has to bear the main responsibility for raising resources was more than a little hesitant at first; he has now a more open mind on the subject.

The State budgets for the first year of the Third Plan have been disappointing in so far as new taxation is concerned. Taken together, they have levied only 50 per cent of their share of the new taxes which they were to raise in the first year. They lacked the political courage needed to levy additional taxes in a pre-election year. Shri Morarji Desai's performance stands out in sharp contrast. He has acted and a result, the rupee resources situation has changed so much for the better that no demands of the public sector undertakings have been turned down in 1961-62 budget. The difficulty lies mainly with foreign exchange and due to this, many vital public sector industrial projects have been held up for a long time.

However, reports reaching New Delhi indicate that prospect of foreign aid during the Third Plan period is also bright. Only the flow of aid from the Western countries might be delayed. There are keen expectations here that the Aid India Club meeting on April 25 will give a positive indication of the quantum of aid which is likely to be available during the Third Plan period. This will greatly facilitate the work of planning.

In view of the improved outlook for domestic resources as well as foreign assistance, a re-shaping of the Third Plan has become necessary. There is a danger that work on many vital projects may not be even begun, under the faulty impression of lack of resources. This will distort the priorities and undermine the very basis of planning. There are people in the Planning Commission who are aware of this and, therefore, necessary amendments are likely to be made in the Third Plan before it is finalised by the National Development Council at the end of May.

Official Paper

Preliminary Report on Census

1961 *Census : Provisional Population Totals*; Office of the Registrar General, Ministry of Home Affairs, Government of India.

THE population of India "at sunrise on March 1, 1961" was 436,424,429 according to the Provisional Population Totals of the 1961 Census released by the Office of the Registrar General. The figure does not include the population of Manipur, N E F A, Nagaland and Sikkim where post-Census operations were not complete. Including the probable population of these territories, the Registrar General estimates a total population of 438 million for the whole of India. A comparison with the different estimates of population made during the last decade will show how far off the mark these estimates have been. (Table 1) The Census has proved all projections, including that the Planning Commission's which was accepted for the Third Plan, to be under-estimates. Further, as an absolute figure, 438 million itself is likely to be an under-estimate. The results of Post-Enumeration Check to verify the accuracy of the main count are not known yet but check on the 1951 Census showed that "for every 1,000 persons included in the Census count 11 other persons were probably omitted." The Report on the 1951 Census concluded, therefore, that the actual population of the country at the time of the Census exceeded the published total by "not less than 36 lakhs and not more than 43 lakhs". In the case of the present Census, assuming a similar margin of error, the absolute underestimation is likely to be of a larger order in view of the higher total. A Port-Enumeration Check on the scale of one in a thousand is under way. The results of the Check will be published in due course but the main tables and findings of the Census will continue to be based on the initial count.

Table 1 : Population Projections for 1961 Compared with Actual Count

(Millions)

Actual Count	438
Upper limits of projections by	
K Davis	402
A Das Gupta	404
Registrar General (1951)	407
S N Agarwala	423
T Chellswami	424
A J Coale and E H Hoover	424
Planning Commission Expert Committee	431

Compared to the provisional figure of 436.4 million, the population of equivalent territory in 1951 was 359.2 million (see table 2). The increase in the last ten years, thus, works out at 21.49 per cent. The rate of growth is 61 per cent faster than that in the preceding decade. During the 50 years 1911-61, the country's population, excluding that of Manipur, NEFA and Nagaland, increased by 74.05 per cent.

The States which contributed the most to the "unprecedented" growth of population during the last ten years are : Assam, West Bengal, Gujarat, Rajasthan, Punjab, Kerala, Madhya Pradesh and Maharashtra, all of which had rates of growth higher than the rate for the country as a whole. In the case of Assam, the high rate of increase is explained by immigration of labour into plantations, mines, oil areas, railway and road projects and the influx of refugees — both Hindu and Muslim—from Pakistan. The influx of displaced persons from Pakistan, Tibet and Nepal was a significant factor in the case of West Bengal also, along with others like the exceptional increase of population in centres of railway and road communication, in the expanding industrial centres around Asansol and Calcutta, in the newly established industrial and multipurpose project areas like Durgapur, Asansol, and the D V C and Mayurakshi basins, all of which have attracted immigrants from outside the State.

Among Union Territories, the population of Andaman and Nicobar Islands more than doubled itself over the ten years, largely because of "the inflow of agricultural families from the mainland." Delhi, Tripura and Himachal Pradesh also recorded rates of increase of population substantially higher than that for the country as a whole.

Table 2 : Area, Population and Density

	Area (in 1000 sq miles)	Population (million)			Density (per sq mile)	
		1961	1951	% Increase over 1951	1961	1951
ALL INDIA	1,127.0	436.4	359.2	21.5	384*	316*
STATES						
Andhra Pradesh	106.0	36.0	31.1	15.6	339	293
Assam	47.0	11.9	8.8	34.3	252	188
Bihar	67.2	46.5	38.8	19.8	691	577
Gujarat	72.2	20.6	16.3	26.8	286	225
Kerala	15.0	16.9	13.5	24.6	1,125	903
Madhya Pradesh	171.2	32.4	26.0	24.2	189	152
Madras	50.1	33.7	30.1	11.8	671	601
Maharashtra	118.9	39.5	32.0	23.4	332	269
Mysore	74.1	23.5	19.4	21.3	318	262
Orissa	60.2	17.6	14.6	20.0	292	243
Punjab	47.1	20.3	16.1	25.8	431	343
Rajasthan	132.2	20.1	16.0	26.1	152	121
Uttar Pradesh	113.5	73.8	63.2	16.7	650	557
West Bengal	33.9	35.0	26.3	33.0	1,031	775
Jammu & Kashmir	NA	3.6	3.3	9.7	NA	NA
UNION TERRITORIES						
Andaman and Nicobar	3.2	0.063	0.03	104.9	20	10
Delhi	0.6	2.6	1.7	51.6	4,614	3,044
Himachal Pradesh	10.9	1.3	1.1	21.6	124	102
Laccadiv, Minicoy and Amindive Islands	0.01	0.021	0.024	14.6	2,192	1,912
Tripura	4.0	1.1	0.6	78.6	283	158

* Excludes Jammu and Kashmir

Sex Ratio

The steady decline in the sex ratio during the last 50 years is indicated in table 3. The Registrar General is puzzled that "no satisfactory argument has yet been offered in explanation of the slowly deteriorating sex ratio in all parts of the country". The unfavourable sex ratio used to be dismissed at one time with scepticism as being due to faulty counting, and the reticence of the people about their womenfolk. The proportion of females, it used to be pointed out, was the lowest between the ages 10 and 20 and this was explained by the tendency of people to conceal the existence of unmarried girls. Census authorities have never been convinced by these arguments. Even as far back as in 1911, the Census Report dismissed the possibility of omissions on a scale adequate to explain the female deficiency shown in successive Censuses. Internal evidences also contradicted the theory of omissions. The female deficiency for example was lowest in the Punjab where the Census Staff was relatively more efficient, being composed mainly of permanent officials. Further, if seclusion of women had anything to do with it, the sex ratio for Muslims should have been lower than for Hindus, but in fact it was not. Similarly, in Punjab where the sex ratio was generally low, it was lowest in the case of the Sikhs. Omissions do not, therefore account for the low sex ratio and Censuses since 1911 have confirmed the pattern though conditions of enumeration as well as of society have steadily improved in favour of an increase in the sex ratio. Demographers have therefore to look for an explanation in other circumstances, particularly the relative mortality rates for men and women.

Progress of Literacy

Ability to read and write a simple letter constituted the test of literacy for the 1961 Census. Actual literacy rates are likely to be higher than those set out in the report since these have been computed on total population. The correct procedure would be to exclude children below 4 or 5 years of age but this has not been done because the proportion of this age-group to total population is not available.

That notwithstanding, the Registrar General's report admits that the progress of general literacy has been "sluggish". Taking the country as a whole, literacy has increased at an average of 0.7 per cent per year for the general population, 0.9 per cent for males and 0.5 per cent for females (see table 4). It will be noticed that a beginning seems to have been made towards evening out literacy standards in the country insofar as the highest increase in literacy has been registered by States like Himachal Pradesh, Rajasthan and Madhya Pradesh which have the lowest literacy standards in the country. To form an idea of the leeway that these States have to make up, it must be understood that even after the progress of the last decade, literacy rates are below 15 per cent of the total population in all these three States. In Jammu and Kashmir, the literacy rate is as low as 11 per cent and in both Bihar and U P well below 20 per cent, while the national average works out at 24 per cent. It is not a very cheering thought that all the sophisticated trappings of our political democracy and economic planning are addressed to people, to 75 per cent of whom the written word makes no sense at all.

Urbanisation

Statistics of rural and urban distribution of population in the 1961 Census are not comparable with those of earlier Censuses because of differences in the definition of urban areas. Before the 1951 Census, a variety of standards prevailed, varying from Province to Province and one Princely State to another. Even in the Census of 1951, "the tests prescribed for distinguishing towns from villages in different States .... are not identical nor have they been applied with meticulous uniformity" (Census of India 1951 Report). Thus, Uttar Pradesh classified towns as: "(a) every Municipality; (b) every notified area; (c) every town area; (d) cantonment; and, (e) any other continuous group of houses permanently inhabited by not less than 5,000 persons which (having regard to the character of the population, the relative density of the dwellings, the importance of the place as a centre of trade and its historic associations), the State Superintendent of Census Operations decided to treat as a Census town".

In West Bengal, the definition was somewhat stricter. There a town was: "(a) an area, irrespective of population, which has been declared by the Government to be a Municipality; and (b) where a municipality has not been established and yet the Government decides to call it a town ..... if the area has satisfied the following tests: (i) it has a population of not less than 5,000; (ii) a density of not less than 1,000 inhabitants to the square mile; (iii) the area has some importance as a centre of trade or distribution or administration; and, (iv) about three-quarters of the adult male population are chiefly employed in pursuits other than agriculture".

Table 3 : Changes in Sex Ratio

	Females per 1000 males						
	1961	1951	1941	1931	1921	1911	1901
ALL INDIA	940	946*	945*	950*	955*	964*	912*
STATES							
Andhra Pradesh	979	986	980	987	993	992	985
Assam	877	877	886	886	908	927	933
Bihar	991	990	996	994	1,016	1,044	1,054
Gujarat	939	952	941	945	944	946	954
Kerala	1,022	1,028	1,027	1,022	1,011	1,008	1,004
Madhya Pradesh	952	967	970	973	974	986	990
Madras	989	1,007	1,012	1,027	1,029	1,042	1,044
Maharashtra	935	941	949	947	950	966	978
Mysore	959	966	960	965	969	981	983
Orissa	1,002	1,022	1,053	1,053	1,067	1,086	1,056
Punjab	868	858	850	830	821	807	848
Rajasthan	908	921	906	907	896	908	905
Uttar Pradesh	908	910	907	904	909	915	937
West Bengal	879	865	852	890	905	925	945
Jammu & Kashmir	883	NA	NA	NA	NA	NA	NA
UNION TERRITORIES							
Andaman and Nicobar Islands	616	625	574	495	303	352	318
Delhi	786	768	715	722	733	793	862
Himachal Pradesh	925	915	897	906	902	904	885
Laccadive, Mincoy and Amindive Islands	1,021	1,043	1,018	994	1,027	987	1,063
Tripura	931	904	886	885	885	885	874

* Excludes Jammu & Kashmir

In Madras, "the fundamental criteria" were : "the existence of urban features — which can be judged by the way in which the houses are situated and how they have been built and the availability of urban amenities (such as a bazaar where one could buy one's normal requirements throughout the year, facilities for education, recreation and medical treatment)".

For the 1961 Census, while it was decided to continue to regard as towns all municipalities, cantonments, notified areas and other places enjoying recognised local administration, like civil lines, for other areas, three tests were uniformly applied throughout the country :

(a) a population of not less than 5,000;

(b) a density of not less than 1,000 per square mile; and,

(c) at least three-fourths of the adult male population should be employed in pursuits other than agriculture.

It is not possible to quantitatively assess the difference made to statistics of urban population, but generally speaking, application of the standard tests mentioned above has had the effect of eliminating many areas of a pronounced rural character which had passed muster for towns in 1951 and earlier. According to the 1961 Census, out of the total population of 436.4 million, 358.6 million or 82.16 per cent are rural, and 77.8 million or 17.84 per cent urban (see table 5).

While any idea of the pace of urbanisation conveyed by these figures may be misleading, it would appear from the detailed figures given in the Registrar General's Report that the tendency to flock into the major cities has continued more or less unabated. Thus, out of the 103 cities with populations over 1 lakh, 66 registered increases in population of 25 per cent and over and 31 of over 40 per cent.

Urban Agglomeration

To focus attention on the problems of urban agglomeration the State Superintendents of Census Operations were instructed that wherever such agglomerations were noticeable, they should be defined in terms of area and population, so that in the Census Tables these agglomerations could be shown as Town Groups. Here, however, the Registrar General's report is somewhat misleading. After stating that *only* Greater Bombay, with a recently-enlarged notified area of 186 square miles, "has anticipated the

Table 4 : Progress of Literacy

	1961			1951		
	General	Male	Female	General	Male	Female
	(Number of Lite rates per 1,000)					
ALL INDIA	237	339	128	166*	249*	79*
STATES :						
Andhra Pradesh	208	297	118	131	197	65
Assam	258	355	146	183	274	79
Bihar	182	296	68	122	205	38
Gujarat	303	408	191	231	323	135
Kerala	462	542	384	407	502	315
Madhya Pradesh	169	267	66	98	162	32
Madras	302	430	173	208	317	100
Maharashtra	297	418	167	209	314	97
Mysore	253	360	142	193	291	92
Orissa	215	344	86	158	273	45
Punjab	237	324	137	152	210	85
Rajasthan	147	228	57	89	144	30
Uttar Pradesh	175	267	73	108	174	36
West Bengal	291	400	168	240	342	122
Jammu & Kashmir	107	163	42	NA	NA	NA
UNION TERRITORIES :						
Andaman & Nicobar Islands	336	424	194	258	342	123
Delhi	510	589	411	384	430	323
Himachal Pradesh	146	226	60	77	126	24
Laccadive, Minicoy and Amindive Islands	233	359	109	152	256	53
Tripura	222	322	114	155	223	80

* Excludes Jammu and Kashmir State.

Table 5 : Urban and Rural Populatation

	Rural population (million)		Urban population (million)		Proportion of urban population to total	
	1961	1951	1961	1951	1961	1951
ALL INDIA	358.6	294.1*	77.8	61.9*	17.84	17.38*
STATES:						
Andhra Pradesh	29.7	25.7	6.3	5.4	17.40	17.48
Assam	11.0	8.4	0.8	0.4	7.50	4.65
Bihar	42.5	36.1	3.9	2.6	8.43	6.77
Gujarat	15.3	11.9	5.3	4.4	25.61	27.23
Kerala	14.3	11.8	2.5	1.8	15.03	13.14
Madhya Pradesh	27.8	22.9	4.6	3.1	14.29	12.02
Madras	24.7	22.8	9.0	7.3	26.72	24.29
Maharashtra	28.5	22.8	11.0	9.2	27.92	28.82
Mysore	18.4	14.9	5.1	4.5	22.03	22.97
Orissa	16.5	14.0	1.1	0.6	6.33	4.06
Punjab	16.2	13.1	4.1	3.1	20.10	19.01
Rajasthan	16.9	12.0	3.2	3.0	16.05	18.50
Uttar Pradesh	64.2	54.6	9.5	8.6	12.85	13.64
West Bengal	26.9	20.0	8.1	6.3	23.15	23.88
Jammu & Kashmir	3.0	NA	0.6	NA	16.80	NA
UNION TERRITORIES:						
Andaman and Nicobar	0.049	0.022	0.014	0.008	22.22	25.88
Delhi	0.3	0.3	2.3	1.4	88.65	82.40
Himachal Pradesh	1.3	1.1	0.063	0.05	4.73	4.07
Laccadiv, Minicoy and Amindive Islands	0.024	0.021	—	—	—	—
Tripura	1.0	0.6	0.1	0.04	9.01	6.67

* Excludes Jammu and Kashmir

need to view urban growth in this light", it goes on to say that Hyderabad in the current Census has been made to include Hyderabad Municipal Corporation, including Secunderabad, Secunderabad Cantonment and outlying urban areas and that in Mysore the Superintendent of Census Operations had defined an area called Metropolitan Bangalore, incorporating Banglore Corporation, C I T Board and H A L Sanitary Board jurisdictions. It would thus appear that Greater Bombay's is not the *only* case where areas of agglomeration have been distinguished and grouped together.

The case of Calcutta is, therefore, quite inexplicable. The 1951 Census Report for West Bengal sought to define an area on both sides of the Hooghly called the Calcutta Industrial Region, composed of 36 urban units, including Calcutta Corporation, as a compact Metropolitan area with a total of over 164 square miles. In the present Census, however, this has not been done.

The release of the Census data has been speeded up and vastly improved this time. Following the usual trickle of fragmentary press notes, a fair-sized monograph has been brought out which brings together quite a considerable mass of data, neatly arranged in tables with a number of charts. The complete tabulation and processing, of course, will take many months. Normally, it is nearly two years after the actual Census operations that the final reports see the light of day. One will still have to wait a long while perhaps for more detailed information, such as on the age composition of the population and migration and the breakdown by livelihood categories — this time changed into a what has been claimed to be a more meaningful economic classification. But all the data which are ready and which cover the more important and general aspects of the Census have now been made available within the remarkably short time of three weeks after the taking of the Census on March 5. The presentation of the data in the monograph serves its purpose reasonably satisfactorily. The printing and the production, particularly of the charts, have been competently done and it is a commendable performance indeed, considering the very short time within which all these had to be organised.

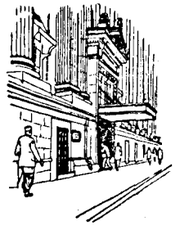
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Policy Choices in Planning for Economic Development

Subbiah Kannappan

Among the most useful of concepts developed by economists are those indicated by Hirschman in his book ***The Strategy of Economic Growth.*** *In focussing attention on the complementary relationship between social overhead capital and direct productive investment, he opens up an important policy tool. This is an approach to development by shortages or disequilibria.*

In this way of looking at things a public sector project is desirable or not according to whether it meets a genuine existing or expected demand or scarcity.

Such a policy is aimed at fostering political stability by emphasising development of sectors where demand is greatest or scarcities are felt most acutely. It does not guarantee that all needs will be met or all scarcities overcome, but it provides some basis for the expectation that available resources will be used most effectively.

THIS essay is not concerned with the mechanics of planning for economic growth, in the usual sense. It deals mainly with certain conceptual and philosophical problems which are important because they are frequently mentioned in the context of discussions on economic growth, though often in an unsatisfactory and incidental manner.

It is generally agreed that we need to increase not only the gross national product but also output per man. As far as I can see, these goals are favoured for the following reasons. It is argued that the standards of living must improve, as otherwise political stability or the development of democratic institutions will suffer. It has also been variously argued that since a little growth is likely to be swamped by a proportionate increase in population, greatly stepped up rates of growth are necessary. Finally, there are other tangible and intangible considerations centring on the relationship between domestic development and international relations. At a very pedestrian level, the promise is that of improving gains through trade by the improving bargaining position of primary producing countries. Economic, especially industrial, strength is also supposed to offer some protection against war or even the uncertain conditions posed by international export of revolutions. Thus, on numerous occasions, it has been argued that if some comparable neighbouring, country shows a faster or a better performance or if Indian growth is slow (a) the Indian people may become disillusioned; (b) neighbours looking to India for comfort and guidance may yield to despair and adopt drastic programmes inimical to democracy, endangering thereby the prospects of international stability.

While such general statements appear innocuous and are possibly likely to gain wide acceptance, it is important to emphasize that they conceal disagreement on many basic issues, raise persistent doubts as to whether any consistent ranking of social preferences is indicated, and pose important questions of the nature of social and economic ordering which are most likely to attain given objectives.

Temporal Phasing of Growth

To take the question of economic growth first. Obviously, we do not wish to accept growth in monetary terms alone as adequate, but wish to stress the improvement in the output of real goods and services. Two important questions which are left unanswered in this or any other formulation stated in aggregate terms are (i) the distribution of the national dividend in terms of broad categories of consumption or capital formation of rural and urban sectors, and (ii) the implications for equality of incomes. Thus, though there may be an obvious answer which emphasizes that maximization of economic growth is desired, the relevant question is: "what kind of economic growth?"

Thus, supposing the increase in the real NNP reflects little increase in consumable goods and a greatly increased volume of capital formation, does it satisfy our criterion of satisfactory economic growth? Even if availability of consumer goods increases, does this necessarily imply that the bulk of the population benefits in real terms, or only a few? The discussion initiated by Dr B V Krishnamurthy on the "U" sector poses this type of question, and statements of objectives in the Five-Year Plans (not to mention the recently appointed Government Committee to inquire into the distribution of income) confirm its importance. One important problem is posed by the relative price weights to be used. It is commonplace knowledge that neither base year nor recent year price weights give unbiased estimates of growth, but it is not often realized that when relative price weights are deliberately altered by the planning mechanism, the problem of measuring real growth is rendered even more difficult. Rapid economic growth will emphasize scarcities in many select areas. Scarcity may develop of machinery, imported products or wage goods, or specific types of human resources. To use base year prices will undervalue current production, but recent year prices will give an illusory picture of increased economic welfare because they give undue weight to scarcities which have been artificially induced without providing the independent test of the wisdom of such a policy.

Another way of looking at this question is to view the choice as one of the temporal phasing of growth. There is considerable emphasis in the allocation of resources in favour of capital-intensive projects with relatively long-gestation periods and low rates of return on capital. Let us, for the moment, abstract away from the problem posed by internal and external economies (including those discussed by Hirschman in terms of forward and backward linkages, and by Rosenstein-Rodan in terms of indivisibility of demand). Assuming that the choice is simply one of maximizing growth in one

immediate period relative to another more distant period, on what basis does one argue for the former or the latter? That some current sacrifice is necessary is generally granted, but only part of the time is this intended to mean absolute or additional restriction on consumption, so as to make available greater savings for investment out of a *given* income. The question here concerns choice between investment projects with differing capital-output ratios. On what basis does one choose the project with the greater capital-output ratio? One way of resolving the question is to follow Hirschman and accept that investment projects should not be viewed in isolation but in terms of the most efficient sequence of choices. Suppose it is proved that the capital-intensive investments lead to a greater growth in the future than would any other pattern of investment, how do we compare the possible future gains with the implied current loss? How valid is any discounting procedure, when interest rates are deliberately depressed to faciliate such investment choices, and when we make the further assumption that the untempered, relatively high, interest rates are not the basis on which we can compound current incomes?

Further questions arise, when we opt, not merely for economic growth, but for a particular rate of growth. What is the basis for such a decision? Why do we decide that a 3 per cent or 5 per cent or 10 per cent growth is necessary? One answer is that the rate of growth must at least equal the rate of growth of population. However, this indicates only a floor and is not particularly helpful in indicating how above this minimum the desired rate of growth should be. Thus, to take the oft-repeated equation:

$$dY = s/k - dP$$

where dY is the rate of change in income
s is the savings ratio
k is the capital-output ratio
and dP is the rate of change in population.

The population variable leaves us in an indeterminate position unless one chooses to adopt an independent measure of a minimum of investment, conclude that there is a limit to taxability (including the ability to tax incremental incomes) which limit is progressively relaxed at higher levels of income and that for this reason alone national income should increase at some specified rate. We have thus Leibenstein's concept of a critical minimum of investment (and the resultant output of goods) which will be greater than the minimum required merely to nuetralize population growth, and which will induce a self-perpetuating growth significantly higher than the rate of growth of population which will itself be brought down. In this line of reasoning, the population parameter is not an independent variable but one subject to manipulation. Leaving aside the question of how this is supposed to affect the rate of growth of output, it is not clear how this will effect population growth. Obviously, not through the mere fact of having a certain level of investment, but through its impact on the flow of goods and services, and the relationship of the standard of living and fecundity of a population. To this we will return shortly. Another suggestion of a desired minimum level of investment is contained in Rostow's theory of the stages of growth focussing arbitrarily on certain rates of investment as corresponding to certain stages in the progress towards economic maturity. Apart from the fact that such correspondence does not always exist, the weakness of basing any policy prescription on some arbitrary level of investment is that the theory on which one bases the choice is not clearly brought out. This is particularly relevant in view of Kuznets' evidence on shifts in the capital-output ratios, on Abramovitz' and Kendrick's findings that increases in American productivity cannot be solely, or even mainly, explained as being due to increases in capital or capital-labour inputs. Even ignoring the weaknesses suggested by these points, one weakness of the Rostow-type prescription is that it circumvents the essential issue of time. Assuming thus that it is desirable for an economy to increase its level of investment to 10, 15, or 20 per cent of income, within what period should this task be accomplished? It is true that Rostow suggests that the "take-off" is essentially a short-period problem. But, in practical terms, how long is the short period? 5, 10, or 20 years? Is it a necessary, immutable, time-span applicable to all countries, irrespective of their economic, and what is equally important, their political position?

'A Natural Rate'

Another way to get around these inconvenient questions is to accept implicitly that the rate of growth opted for is one which the economy is capable of fulfilling. It is a concept akin, whatever the definitional difficulties, to a natural rate of growth. But the definitional difficulties are more than mere difficulties of empirical measurement or calculation in an economy which deliberately decides on maximizing growth. It is essentially a problem of some grand choice of goals, in which some non-economic goals, including the freedom of individual choice of factor-use, may or may not be severely curtailed. But is there any way one can say that the Indian economy, with which we are concerned here, is in fact directed towards the maximum rate of growth that it is capable of achieving? To the extent that the Chinese economy is comparable to the Indian, and the accounts of the Chinese rate of growth are true, it would be difficult to accept the conclusion that the goals projected for the Indian economy are in fact the *maximum* attainable. A way to get around this difficulty is to say that the official planners decide on the rate of growth that they calculate is the best that can actually be accomplished. The underestimation and overestimation during the First and Second Five Year Plans respectively suggest at least some errors in calculation, and possibly the political necessity of being cautious or ambitious. This is a minor point; what is really important is the enormous political and administrative implications raised by the acceptance of such a conclusion.

Two major issues are posed in this respect, and on neither is there sufficient concensus. One of these deals with the nature of the political system that is desired, and to some extent at least, it appears to be independent of the desired economic goals. Political stability and democracy as well as *international* relations were listed as independent goals at the beginning, and in fact the preferences for economic growth were made partly dependent on such political choice. But one can view the relationship in a reverse way, and ask the question: what type of political system maximizes growth? Thus we have the second major issue presented by the problem of what is the maximum that an economy is capable of achieving.

There is considerable disagreement on this point. On the one hand, there is the appeal of rapid rates of growth which the Russian and Chinese economies are supposed to have achieved; and on the other, there are growing references to the Erhard miracle in Germany, or the rapid recovery of Japan. Views *range all the way from extremely* pessimistic (or optimistic, depending on one's point of view or political allegiance) appraisals of limitless possibilities of economic growth through economic regimentation to the other extreme which considers the possibilities of economic growth to be rather narrowly circumscribed by objective limitations of the nature and quality of resources, material and human, including those which can be obtained externally. Intermediate views accept the possibility of significant growth in specific sectors by regimentation, but point out that the costs, including psychic, may be enormous. Thus we have independent evidence of German inefficiency in mobilizing for the war effort under the Nazi regime, of Soviet inefficiency due to factors such as faulty bureaucratic control, hoarding of raw materials, unintended consequences of specifying targets in physical terms or of inadequate incentives, and of Chinese inefficiency as revealed by incredible stories of producing steel and pig iron in the backyard. The list of dissenting views have not been exhausted, however. Even in terms of specific objectives, at least one writer of repute has indicated his judgment that, irrespective of the nature of the government involved, the important variable is the degree of care and wisdom in planning, implying that, for every weapon in the armour of the regimented economy, there are alternatives in the field of monetary and fiscal policy, and in the skilful utilization of economic incentives which are likely to be as effective in securing desired objectives within a democratic framework. Other views place primary importance neither on government or the planning mechanism nor on the resource endowment, but on the ease with which an economy responds to price and market signals domestically and internationally. A final view-point appears to take up the position, somewhat like the intermediate view presented above, that the *planned economy* has an advantage in certain directions, and free enterprise in certain others, but that it does not always follow that a "mixed economy," *necessarily* embraces the favourable aspects of either planning or of free enterprise. There is no gain in complicating the picture by a presentation of further views of the role of the state in economic growth, or in presenting variants of the main strands of reasoning already identified.

The important question is, do these views suggest some goals as to policy for instance, as to the type of political system that India would find most congenial to the task of maximizing economic growth? I believe that answers along two possible lines should be explored. One concentrates on the political aspect, and the other on the economic.

Democratic Controls

Taking the political aspect first, it is clear that democratic forms of control are the preferred objective of the Indian nation, and constitute one of the two major constraints of Indian developmental planning. However, the statement is much less restrictive than it sounds. Firstly, there is a great latitude to the governmental authority to extend the sphere of planning control, consistent with notions of democracy. Secondly, the democratic constraint may itself weaken if performance on the economic front appears unpromising and discouraging. Regarding the first point, the major consideration to keep in mind is that the present government appears capable of extending considerably the scope of direct control on private activity, and have further reservoirs of powers in its monetary and fiscal policies, to secure the objectives of planning, without necessarily losing the ballot.

However, certain disturbing qualifications should be entered. Irrespective of one's ability to win elections, the questions to be asked are: (1) Does democratic planning yield the best choice of economic policy? (2) Is there a permissible limit to the extension of state activity in the economic sphere that is compatible with "notions of a "democracy"? (3) Do economic policies undertaken at any particular time, and "validated" by the ballot, yield the best conditions for the longrun development of democratic institutions and political stability?

There are several reasons why one should doubt that democratic planning necessarily yields the most valid conclusions for economic policy. There is, first, the problem raised by some welfare economists that social preferences may not satisfy the consistency and transitivity postulate in such a way that they may be ordered in a non-contradictory manner. In popular terms, the leader who promises everything, improved schools, educational amenities and wage concessions, more consumption goods, factories, heavy industry, nationalization and more foreign investment may consistently be the winner, and may even be under some zealous and sincere compulsion to realise his promises. It is also true that the bulk of the population, or their representatives, may be asked to vote for choices they only partially approve, or vote on choices whose consequences are likely to be felt in the future, and concerning which only partial information and analyses are available to them. Secondly, the cumbersome nature of political negotiations between different departments and statutory agencies of the same government, and between different regional governments and the central government, may indicate situations where the democratic "search" does not bring about the ideal solution. Finally, certain policies of doubtful economic validity, but which have great appeal, may win at elections, while others, with much to commend themselves, go by default, for want of a suitable sponsor.

On the second question, there is much to say, but clearly we are in more philosophical and more controversial grounds. While many individual extensions of state control in the economic sphere may themselves be justifiable, their cumulative consequence may well be to limit the exercise of "democratic" rights, or to sharply discount their importance. Even the *Time* magazine recently reported that, within India, the newspapermen enjoy a freedom comparable to that enjoyed by U S newspapermen, and I think it is generally agreed that freedom



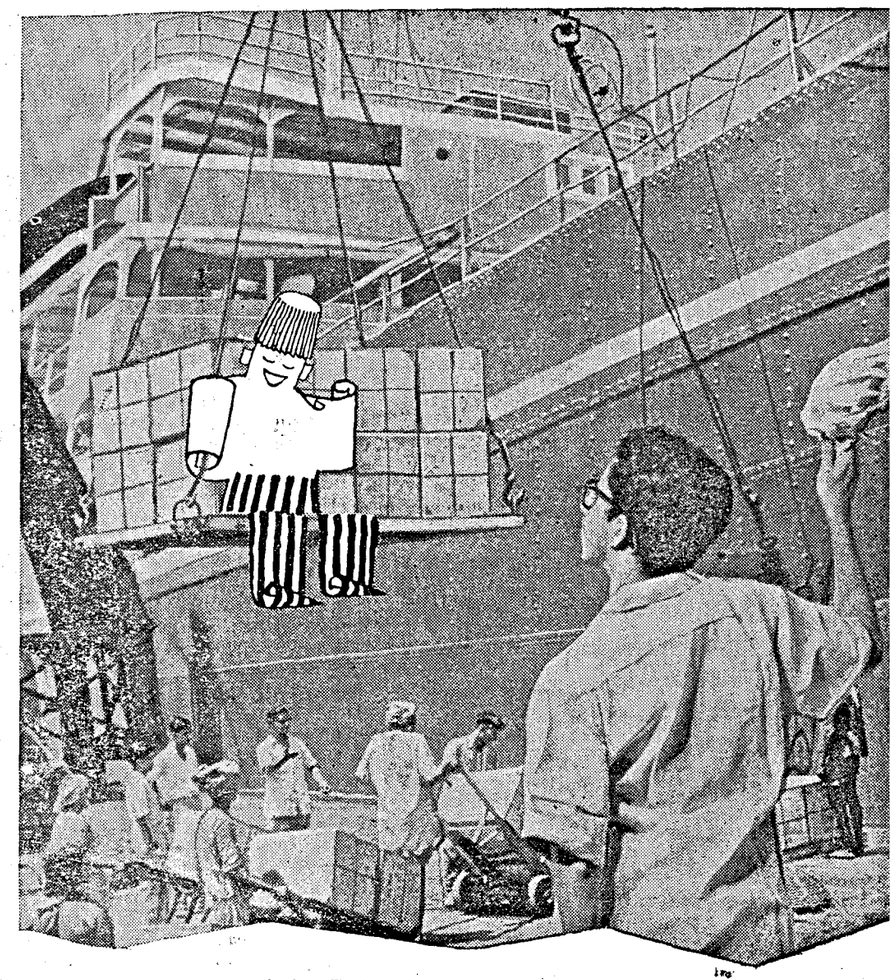
of speech is one of the cherished virtues of Indian political life. But to what extent are these affected when the nation's leading educational and research institutions are dependent on allocations from the public purse, in which decisions the key role is played by persons closely identified with official policy? Similarly, when the radio, the inchoate developments on T V, the rural publicity programmes, and the trips to foreign conferences or conclaves are predominantly in the control of the government and some official or semi-official agency decides what is best in literature and what is worthy of inclusion as a classical art form, or when businessmen are dependent on giant corporations for financial accommodation, or for business, or on powerful departmental heads for allocations of raw material or foreign exchange or permits to enter into international collaboration. These questions are not academic, or unimportant although answers will vary. At least one statesman of national repute, C Rajagopalachari has asserted that, whether or not businessmen are secret "Swatantraites," they have the least courage to state their position. In the trade union field, protest appeals to be even more vigorous, with allegations that the government favours or attempts to control one section of the trade union movement, and discriminates against the others' right to organize or to press for favourable wage decisions by a variety of methods. It is well to sum up this aspect of the discussion by pointing out that the government's control of economic power is still only fractional, and independent opinion is vigorous, even if limited. The crucial question in terms of economic growth is the extent to which economic policy objectives can be secured with the least damaging consequences to the body politic as presently organized. This is of course very much dependent on the nature of the economic policies which are adopted, and their impact on such tendencies as blackmarketing, hoarding of stocks, on prices of wage goods, on wage incomes relative to non-wage incomes, on investment in real estate or non-plan priority areas, and so on. Thus economic policies may need to be buttressed by secondary and coercive rules, perhaps based on summary standards of justice or by increased recourse to administrative law, to be effective. How far one would have to go in this direction, and how bad the political consequences would be are naturally dependent on the claims made on grounds of economic policy, and the availability of alternative economic weapons which could secure conformity with the goals of planning. In this context, one cannot stress too much the necessity for independent research and evaluation that is not beholden to any political point of view, including that of the ruling party.

Planning, Free Enterprise, Democracy

The third question is similar to the first, but the concern is with political stability. There are two issues which should be separated here, one dealing with essentially short-term questions, and the other with longer run phenomena. Soviet totalitarianism, Gerschenkron indicates, was built on and sustained by a high level of non-consumption which was variously justified on grounds of external threat and the like. The major point is that this has been interpreted as a one-way tendency seriously inhibiting possibilities of a reversal. How applicable is this in a democratic society geared to a high level of capital formation, justified on grounds of expanding the productive base of the economy? How valid is a viewpoint and a prognostication espoused by several leading Indian writers, that the role of the State is essentially that of a catalytic agent, necessarily larger at an earlier and relatively primitive state of development, a role which would taper off in importance as the economy is put on a more self-sustaining basis? When would that point be reached? How does one reconcile this need for a high level of non-consumption with the equally imperative need for coming to terms with what has been called the revolution of rising expectations, which the democratic state perhaps feeds? While one may concede that the democratic mechanism perhaps does check the levels of non-consumption from reaching dangerous limits, there is room for apprehension on at least two counts. Socially disaffected forces may be beaten in elections, but not necessarily stilled, and there may well be encouragement to unconstitutional or illegal protest which would make it difficult for a ruling group to voluntarily relinquish power should the ballot indicate a defeat. Certain observable tendencies toward a polarization of politics, along with a continued proliferation of political movements, especially in urban areas and among industrial workers are thus indicative of a disturbing trend; such unconstitutionalism may be of the right or the left depending on the government's economic policies. Will the government continue on the saddle, firmly in the middle? Under what pressures will it be, once that symbol of modern India, Nehru, is no longer there as a beneficial influence on its fortunes?

This raises the second and more important question : supposing democratic planning does not lead to the best economic policies to maximize growth but short-run political stability is maintained through the ballot, will this be conducive to stability in the long-run? If for some reason, there is dissatisfaction with the progress that is achieved, will the government be under pressure to accelerate the programme of building the productive base of the economy and to further increase the levels of non-consumption through state auspices, or will the pressure be the other way to invest in projects which have a high immediate yield, to produce wage goods and services at the cheapest cost? What marginal shifts are possible in the economic sphere without seriously compromising what has been built, and what will be the political possibilities of doing so? How would this work institutionally? Thus if sensible collective bargaining is desired, what are the possibilities of doing so if by this time industrial workers are behind a radical leadership which has limited faith and experience in collective bargaining?

This brings me to the final section of this paper, namely to the economic aspects which should be kept in mind in defining the political system that is most likely to maximize growth. As earlier, when we rejected the notion that planning or even a great extension of it is necessarily incompatible with democracy, we should now clearly reject any notion that free enterprise is necessarily incompatible with planning, or is necessarily to be equated with democracy. However, some



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qualifications are necessary. First, the very fact that a society has opted for a programme of democratic planning suggests that it finds somewhat favourable and promising prospects for non-directive, non-centralized economic activity. There are also, I believe, objective grounds on the basis of which one may say that this belief is essentially valid. A stable political system, a sufficiently dynamic and Schumpetrian entrepreneurship, a significant sprinkling of foreign enterprise, established trading relations with the capitalist world, and a liberal heritage of considerable value in tapping external sources of public assistance, all of these emphasize possibilities of considerable economic improvement without the necessity for a full-fledged statist or centrally directed economy. Secondly, however appealing a more frankly statist programme may be purely from the point of view of economic growth, it is likely to result in certain political costs and consequences which may well affect the extent to which such a modified programme may be successful.

If this reasoning is accepted, and I have no reason to believe that it is not, the search for a political and economic system should centre on the political choices which offer the greatest latitude in a democracy, and on the economic choices that not merely take into account the existence of a non-directive decentralized economic sector, but search for conditions in which it makes the maximum contribution to economic development. In short, the search is for the satisfactory mix in the Indian mixed economy, as the only realistic and available solution to the difficult problems confronting Indian society.

The conclusion may seem trite, but I do not believe it is so, because although the notion of a mixed economy is widely accepted, there is some reason to question whether its full implications have been understood and made a conscious part of national economic policy. Private sector spokesmen question the wisdom of official policy, and the latter question the wayward behaviour of the private sector in a manner that belies or casts doubts on the official assurance that private and public activity are not competitive, but complementary. There is no doubt that the latter is the ideal, but if it is to rest on more solid foundations than on the mere expression of pious platitudes, then what is needed is an intensive scrutiny of national economic problems to ascertain needs and develop programmes of action in such a manner as to foster this complementary relationship, and of what that means for the criteria on which this relationship may be founded.

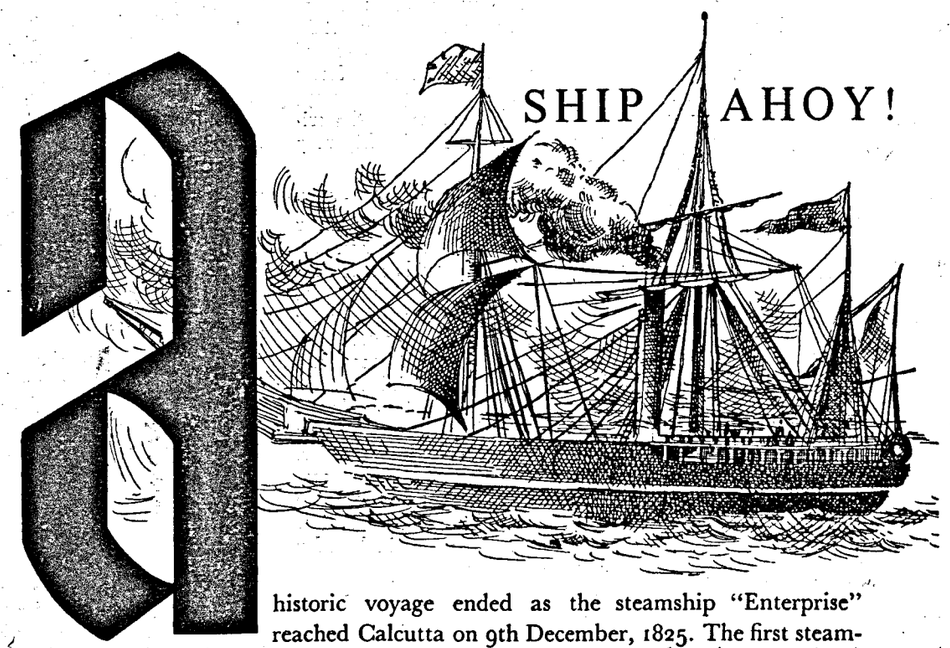
It is here that economics, which is so frail a weapon in determining choice among economic or non-economic goals, may provide some convenient yardsticks. The problems are still complex, and it is by no means assured that the answers provided by application of economic analysis are sufficiently incontrovertible or generalizable to a broad class of phenomena that actually exist in underdeveloped countries. Yet it is as well to realize that economics does suggest some guide posts in a strictly limited, technical way, which includes certain broader question of policy.

Approach to Development by Shortages

Among the most useful of concepts developed by economists are those indicated by Hirechman in his *The Strategy of Economic Growth*. In focussing attention on the complementary relationship between social overhead capital and direct productive investment, he opens up an important policy tool that may yield variable conclusions depending on the socio-economic environment which one faces. He indicates that this is an approach to development by shortages or disequilibria because of his feeling that for various socio-anthropological reasons, there may be a critical shortcoming in the ability to take the right decisions, and incipient or acute shortages may well point the way. In applying this framework to the Indian situation, contrary to what may be the situation in other undeveloped countries, it is my impression that such a shortage cannot necessarily be presumed to exist in so far as directly productive investment is concerned, whether in the private or public sector. There are undoubtedly certain areas where entrepreneurial motivation is weak, but this is not true in most consumer goods industries, and possibly not so even in respect of some of the more capital-intensive industries like steel, aluminium, automobiles, shipping. Undoubtedly development lags behind in some of the rural areas, and possibly in some of the heavier industries, but questions which must be asked are: to what extent do these reflect weakness of demand, or the absence of cheap social and economic overheads?

The importance of this question arises in other words in terms of the inducements to investment that a given public policy offers. Hirschman's backward linkage is strong, almost mandatory, while his forward linkage is weak, and permissive. But is this necessarily true in a situation like in India? What is the domestic demand coefficient of new ventures? How elastic are the supply curves for raw materials or for man power? From the point of view of the flow of expenditures, how elastic are the supply of wage goods and agricultural produce? Is it necessarily true that the forward linkage, or the ability to utilize outputs of certain industries for the purpose of manufacture of goods and services for ultimate or intermediate consumption elsewhere, is weak? These answers suggest that in certain areas private entrepreneurial motivation is strong but in others weak. A rule of thumb for public policy may well be to seek to complement private lags, to ascertain areas where such lags are pronounced, and to determine the basis for corrective action, for instance, whether it should be through directly undertaken public activity, or through selective subsidies, or financial assistance, which assist private investment and production.

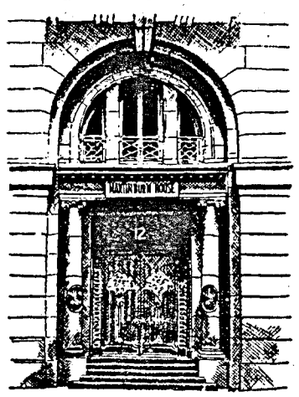
To sum up, in this way of looking at things, a public sector innovation like the Ashoka Hotel or a steel plant is not necessarily desirable because it is a public sector project or undesirable because it is not a private sector one. It is desirable or not only according as to whether it meets a genuine existing or expected demand in the market. Where market demand is strong, but supply responses weak, the choice for public policy may well be to improve the latter rather than to aggrevate the position by further intensifying demand pressures in the market. I do not by this mean to suggest that development should be restricted to known demand. As Rosenstein-Rodan has demonstrated there may well be cases where a "big push" is desirable, because



historic voyage ended as the steamship "Enterprise" reached Calcutta on 9th December, 1825. The first steam-powered vessel to make the England-India run, the 500-ton "Enterprise" won a cash prize of Rs. 100,000 offered by Calcutta's trading community for this truly pioneering achievement. Her captain on the hazardous voyage round 'the Cape' was James Henry Johnson, Commander, Royal Navy, and a hero of Trafalgar.

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while one project viewed in isolation may not be feasible, a whole complex of projects may be sustainable. The choice is essentially a pragmatic one, and answers cannot be presumed merely because a choice in favour of some big complex of projects has been indicated. The real question is how big the "push" should be, and where it should be directed, and whether it is necessary to pin one's faith mainly on uncertain ventures when capital is scarce and there are clearly indicated areas of scarcity as revealed by the market.

Areas of Conflict

Wide and unsettled areas of conflict in regard to policy choices are still possible, but it is hoped that they will not be on questions of principle, but on matters of detail. Thus questions will arise whether a particular enterprise should be undertaken, and if so whether it should be in the public sector, or whether the public sector enterprises should invite private ownership, or whether it should be a subsidized or projected private industry. Similarly, conflict will arise on whether or not further deficit financing is justifiable. In general terms, the answer must be dependent on the elasticity of supply functions, and how the distribution of public expenditures will affect them. Questions will also arise as to the conflict between investments in what may be called DPA and SOC on the one hand, and claims of military or strategic necessity. Further controversy will arise about the wisdom or otherwise of specific administrative measures to secure conformity with national objectives. In general, I doubt there is much by way of a rule of thumb that an economist can suggest, except to point that on occasion the administrative cost of enforcing detailed rules may be unprofitably high, and programmes such as price or economic controls, bucking the trend in the market, may have to pay a high price in social as well as in economic terms. There may also be workable economic alternatives, as some of the suggestions for extending indirect taxation rather than direct taxation imply.

There will still be further important questions to tackle. One of them deals with the vexed question of foreign exchange. Supposing there s a known demand, but it is not large enough, or the domestic industry is not yet well established, should one attempt through exchange control, or direct protection, to encourage the development of domestic industry? I think it is wise to distinguish between domestic industries which already exist, and those which may be established in the future. In terms primarily of the latter, it is well to keep in mind that the necessity for the conservation of foreign exchange through the encouragement of import-substituting industries may also be viewed realistically as arising due to the inelastic nature of supply of goods and services in potentially valuable areas of international trade. Far from suggesting continued expansion in primary commodities which appear to be facing a secular decline in the terms of trade, the argument may well be that priority in import demand be given to those areas of industrial activity, including the processing of primary commodities (or capturing some more stages in the forward linkage), for which there is international demand. In this sense, it is not clear to what extent steps like the nationalization of life insurance as well as restrictive policies in regard to private foreign investment, have led to dimunition of the supply of foreign exchange that would otherwise have been available.

One other important question deals with the possible conflict between the economic choice of, say, maximizing production, and the social choice of maximizing employment, which may well have important economic consequences. Thus, restrictions have been imposed on improvements in technology in the cotton textile industry, and on further expansion which may hurt the traditional sectors of the textile industry. To my mind the question is not solely whether the consequential unemployment of productive resources is desirable, but whether the remedial action proposed is well-conceived, and what the criteria are in prescribing restrictive measures in one line of economic activity as opposed to another. Viewed in this light, the distinction between a capital-intensive development in a new industry with limited employment opportunities and substitution of capital in an established industry, must be viewed mainly on grounds other than employment. The important answer may well be which satisfies a pressing demand situation, or maximizes income in real terms, and possibly provides the surplus needed to take care of persons who may well be a social charge, and on whom some expenditures may be needed to facilitate mobility. By thus going back to the market, not only is there a greater possibility that long run productive shifts will be undertaken, but also that every complex problem of economic choice, and all the ramifying complications, are not brought into a game of political football. It may well be that the hand of the state is strengthened rather than tied by the adoption of such a policy, for on the one hand, the painful necessities of efforts needed to make an economic system function effectively would get better known, while the wherewithal for the government to act as the agency of the welfare state is enhanced.

The Choice for India

Supposing these remarks are accepted as the first approximation to a workable public policy, what are the likely consequences?

A policy such as this is aimed at encouraging political stability by emphasizing growth in those sectors where the demand is greatest, or scarcities are felt most acutely. It does not guarantee that all needs will be met, but provides some basis for hoping that available resources will be used effectively. It would have the incidental consequence of encouraging a transfer of contentions from the plane of political adjustment to the plane of economic choice involving the allocation of economic resources. Predominantly political questions, such as that a country must have a strong industrial base to meet international threats or to gain international prestige, will remain unsolved, but it is not the purpose of an economist to specify goals in this regard. However, it is important to know to what extent such choices impair economic efficiency.

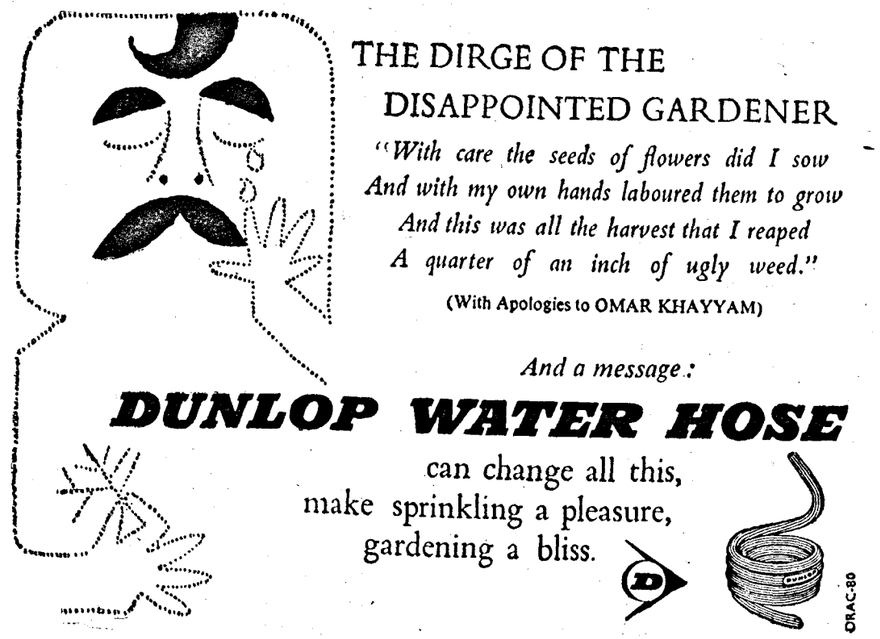
Even in the sphere of political choice, however, there is room for a critical scrutiny. Is a programme of self-sufficient defence through industrial growth a really feasible choice for India to adopt at this phase of her economic development? Are the dangers to her internal body politic through faulty

economic policies to be ignored or minimized in this context? Is it true that India's beneficent influence on her neighbours is most likely to grow when the elementary needs of her population for cheap wage goods are not satisfied while expensive projects command first priority? Even if this were so, does not India face a test of leadership in demonstrating the possibilities of growth within a democratic framework, in which the emphasis is on putting every hand to work, and feeding every mouth that can possibly be fed? In much of the underdeveloped world, and in countries less well placed than India, there is the same appeal of governmental power for big industries and for show-piece developmental projects. Some of them do not have the same bargaining power in the international world that India has, nor the same external facilities for borrowing capital. Is it not India's responsibility to demonstrate that there is scope for development through complementary action of the state and multilateral participation of interested parties, including private foreign capital, and the meanest native entrepreneur? It is not often realized that the smallest *pan-walla* performs an important entrepreneurial function when he sells half a cigarette. For countries less well placed than India, it is in a demonstration of possibilities of growth due to wise economic policies, rather than in such growth as arises due to the preferred Indian international position, that there is some basis for hope.

A Greater Complementarity

To conclude, no panacea is suggested. The best that India can do may still not be enough. Population growth may not be slowed down. However, to the extent that some optimistic forecasts about the relationship of population growth to economic development have any validity, they are likely to come into operation because of improved standards of living and consumption, if after a substantial time lag. None of this, however, invalidates what has been said above, because there is no suggestion in any of the models of Indian planning that have been seriously debated that India can meet the development challenge solely with her own resources. However, some attention to economic realism may facilitate a more efficient utilization of resources, and attention to the imperatives of political stability.

The real danger in India is not that a sudden tide of rising expectations will upset the apple cart before development gets going, but that development, in its anxiety to save the foundations of a stable political order, may be pushed into adopting measures that place a serious strain on available resources. The choice for India is not one which envisages accelerated growth by disregarding the requirements of a democracy, but one which seeks to maximize possibilities of economic growth by seeking a greater complementarity of public and private economic activity based on some relationship to knowledge of existing or even potential areas of scarcity. A conclusion along these lines is indicated not only because the painful necessities of efforts of the democratic orientations of the Indian nation, but also because of the existence of a vigorous private sector. Of course, there is no guarantee that this will provide a sure recipe for success, but this is also true of any other model of development now in favour. Such a choice has however some intrinsic merit because it is based on the existing institutional framework in India, provides some degree of rationalization to public effort, and may well be the only realistic choice open to the present government.



Language and Unity

D P Mukherji

India was not really one : it was so notionally. At best there was Sanskrit and a sort of religious metaphysic. But some religions without Sanskrit but all with the languages of dialects were the rule. On a few occasions Sanskrit and Hinduism of a certain rerefied variety were one, but, generally speaking, people had different ethnic religions. Sometimes we sidled into a form of administrative unity, but it broke into many viable parts, the natural or organic wholes.

It is only a hundred years or so under British hegemony that we were forced to keep up an administrative unity. Since then Indian nationalism has come into the scene and India has sought to become an indivisible one. A hundred years' rule versus a thousand years' unities — that seems to be the polarisation of Indian history.

If there will be a union, not a unity, why need we be ashamed of it? The history of a thousand years and more has formed a deposit which cannot be destroyed. That history is the one of languages. We can dismiss it with peril.

The political implications are apparent : Confederation in preference to federal oneness.

Personally, I plead for unity : I am built that way, but I am forced to sign for unities.

IT is difficult to decide which one is earlier, the hen or the egg, but it is comparatively easy to find out an egg which is laid to break it. This means that neither the easily Platonic nor the purely Aristotelian condition suffices; it suggests that the subject as a whole, not being *sui generis*, comes out in parts, but the parts are not particular. A specific whole, a survey of an 'intelligible field of observation' is humanly understandable. If that be the case, national integration cannot be taken as an all-India unit sociologically, economically, politically, and administratively undivided. We will not take it as one individual or one village either. Rather we would appreciate it on the basis of a degree of oneness, that is, as one more real than any other. Reality is understood as a question of degree in preferene to Reality as such. That higher degree of oneness in that sense, is the linguistic and cultural unities of India.

India was not really one; it was so notionally. At best, there was Sanskrit and a sort of religion or metaphysic. But some religions without Sanskrit but all with the languages of dialects, were the rule. On a few occasions, Sanskrit and Hinduism of a certain rarefied variety were one, as with Sankar, but generally speaking, people had different ethnic religions. Sometimes we sidled into a form of administrative unity as with Samudragupta, Harsha, Akbar, etc, but it 'broke' into many viable parts, the natural or organic wholes. It is only a hundred years or so under the British hegemony that we were forced to keep up an administrative unity. Since then, Indian nationalism has come into the scene and India has sought to become an indivisible one. A hundred years' rule *versus* a thousand years' unities — that seems to be the polarisation of Indian history.

Sticky Rural Status

The last hundred years or so witnessed some form of a common language, viz, English, but common to two to four per cent of the population and the rest to different dialects for the ninety-six per cent. But administration, minus the six-hundred Indian States but under the hegemony of British India, came under British rule, that is, under foreign affairs, customs, a type of commerce and industry, ports and railways and the Indian code by the authority of civil and criminal law. This covered a large area, no doubt, but not the whole of it. Sociologically, the British rule had small influence. From the point of view of family life, which persisted and still persists in a varied type of obligations, from the basis of caste, which was confined to language group and not confined to the idea of Indian society, (a Bengali Brahmin was and is basically different from the U P or the Punjabi or Telugu or Tamil Brahmin), and also from the angle of village panchayats, the Indian social system is not wholly one. In fact, even the rural system was not one but at least two, the northern and the southern. But under the procrustean British administration, there was a tendency towards unity. The Indian villages came under the local self-government as against the village panchayat. Therefore, the so-called progressive forces were under the authority of British domination and supplied the dynamics of social forces. When the British left, urbanisation appeared to fill the role. Even then, in spite of all that dynamics, Indian society remains under-developed. Like an iceberg, India is three parts cold.

Of course, the remaining one-fourth is hot. The fact is that the fourth is nearly being heated; that is, a level of society is being made, one more real than another, that is undergoing a process of change, changing rather changed. But, here is the difficulty. What is the quality of that change? That critical change-over registers quantitative transformations, but here quantity begins with chanks of particulars. At the same time, the particular cannot be exactly measured; to measure it now is impossible; it can be measured after the event, neither now nor before. So, a chunk of particulars can be sixed up. In which case, the critical change of heating is possible. Now, the dynamic change of Indian society is the fact that it is changing. But at what rate? It is certainly fast at one place and at one level, and slow at another. Our view is that the fast change is at the top, near the middle and the upper middle classes; it is slow in that amorphous class of rural folk where urbanisation is certainly going apace on fashions and the like, but not exactly on occupations, etc.

Rural status is sticky. In areas near a city or a large town status-changes do take place, but not in the rural areas where they go slow, at least not so fast as in the middle classes. The fact is that Indian change has not been revolutionary unless it be that of revolution with consent, which is not really revolutionary. We are moving towards democracy and our socialism is democratic, another name for slowness. Our community projects, based as they are on the Etawah scheme and on democracy of the Indian variety, move with the speed of a bullock-cart, not that of lorries.

Political factors now have to be figured. National integration appears somewhat later. We have the Congress, the P S P and the C P I. Till fifteen years ago, the Congress attained the peak of power joining all the nationalist forces together, minus the C P I at a certain period. In short, the Congress was the spearhead of nationalism. The Congress has since then ruled in the Centre and the States. From now on, there has been a qualitative deterioration, but the organisation as such has nominally increased in strength. All manner of people have come in, but the traders, capitalists and businessmen, in fact, the rich men are managing the affairs of the Congress. Formerly, it was and is Bombay, now it is U P, Bengal and the rest of it. The hold of the Congress is pretty fast, although in the election the P S P, the Communists and the Independents are also gaining strength. The P S P does not seem to have any clear notions about itself. It may be held that the P S P are disgruntled Congressmen. The only thing clear about the P S P is its total hatred against totalitarianism, that is, Communism; that is, Soviet, and China and the C P I. We do not know if the P S P will acquire power, but even if it does, it may have to depend on the Congress. The C P I will certainly increase in number, unless the P S P is compelled to ban it, but for quite a few years to come, the C P I is not likely to govern. Some chances are there in Bengal and Kerala, but they may soon go the way of all flesh. We expect a larger number of Independents in the next election. In short, for the next seven years or so, the Congress is likely to maintain the momentum. But, is the Congress becoming dynamic? It is getting dynamic in the sense that the bourgeois world is coming to the fore. National integration, in so far as nationalism is bourgeois, looks like integration, thanks to the integration of industry, business and commerce, but it is not psychological integration at one and the same time. Psychologically, the questions of language should appear to be basic. Industry, etc, that is, the bourgeois world do not care for the matter of language, but the lower middle classes and the rural communities do. Even the middle classes care, as Assam has shown. The rural classes are more or less affiliated to the Congress, but their instinctive affinity to their local language is against national integration. Thus, political affiliation is different from psychological unity.

Barrier of Language

Languages thus come to the root of the problem. We do not quite know for certain that economic factors are always the most important ones. For the matter of that, linguistic factors are also not always dominant except in critical moments. But, they are basic in the sense that they form the base, the grass-roots. Once we accept it, Indian unity is only a union with a notional system of unity, viz, Sanskrit and probably, English. It is certainly not Hindi which is common to what may be called the hinterland of Northern India. The major languages are those mentioned in our Constitution. And they form by themselves, the formal coherence of a cultural unity, a sort of nucleus, a stubborn pattern of social unities. They have lived for ages, longer than their political compeers. They live very well even now. The exchanges between one group and other groups are there, but the basic patterns of the inner core of each linguistic group have not changed. Generally speaking, the administrative boundaries are only linguistically demarcated. 'Bourgeois' economic factors certainly do differ; they cut across the linguistic lines. Even then, we are not sure if under non-mature economic conditions they mix up the language barriers. Under mature economics, language is a thing to be submerged. If there is a choice between economics and languages, languages are likely to win. In actual practice, they are winning. Gujarati, Tamil, Telugu, Marathi, Bengali, Assamiya and Punjabi, all go against the pro-British administrative unity.

There is the final question of politicians apart from politics. Our politicians owe allegiance to Indian unity. But, at the same time, they are local men. Jawaharlal and a few others are all-India figures. They believe in unity, but are they charismatic heroes? We really think that even Jawaharlal, too, is not charismatic; the only figure was Gandhiji. So, when they are no more, Indian unity will have a setback, unless the Indian attitude is wholly and truly economic. That is probably not going to happen. Indian unity is, of course, likely to continue by the strength of the past records of a hundred years or so.

A final comment. If there will be a union, not a unity, why need we be ashamed of it? The history of a thousand years and more has formed a deposit which cannot be destroyed. That history is the one of languages. We can dismiss it with peril. The political implications are apparent: Confederation in preference to federal oneness. Economic factors will work willy-nilly. The sociological and the cultural factors plead for unities. It should be understood that, personally, I plead for unity: I am built that way, but I am forced to sign for unities.

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Around Bombay Markets

Bengal Deshi Export Muddle

Thursday, Morning

THE export quota for Bengal Deshi cotton has become a big talking point in the market. The trade is intrigued by the inordinate delay in the release of a further quota which has caused considerable avoidable hardship to some of the shippers who had made firm commitments abroad which they could not fulfil because of certain procedural formalities. The trade has made several representations to the authorities for an expeditious release of the quota. But all in vain. The official attitude is indeed hard to understand. Replying to questions at a recent meeting of the Central Committee of the Indian Council of Foreign Trade, the Textile Commissioner, Mr W R Natu, stated that the Government could not take a decision on this issue until it had considered all the different representations. This sounds quite amusing because surely the Government cannot be unaware up to now about all the details about the demand and supply position of Deshi cotton. Even before releasing the first export quota on 9th December the Textile Commissioner had asked all the mills in the country to notify their annual requirements of Bengal Deshi cotton. The quota itself had been linked to the supply of cotton to the mills. That the total internal consumption of Deshi cotton has seldom exceeded 1.50 lakh bales a year in the past is common knowledge. After allowing for a normal carryover of 25,000 to 30,000 bales whatever is left can be safely permitted for export. The exportable surplus has hardly anything to do with the size of the total crop of cotton because Deshi cotton cannot be used as a substitute for other varieties. The trade estimates this seanson's crop of Deshi cotton at around 3.75 lakh bales of which only 1 lakh bales have been allowed for export up to now. There is thus still an exportable surplus of about 1 lakh bales.

The delay in the release of an export quota when there clearly exists a sizable surplus and it is also readily saleable abroad is inexplicable in the context of the pressing need for maximising foreign exchange earnings and the Government's slogan of 'export or perish'. The delay apart, the trade is also critical of the manner in which the authorities have administered the quotas. It is alleged that in the case of both the earlier releases a few influential parties got to know the procedure for export before it was notified and they took full advantage of the information. Indeed, the view is widely shared that instead of being issued on a first-come-first-served basis the export quota is really being issued on a first-informed-first-served basis. That most shippers should be talking in this manner is a matter of serious concern. It is not merely because it adversely affects the interests of the general trade with a few influential parties getting away with big fortunes, but because it undermines confidence in the administration.

Further Fall in Prices

Cotton prices, which had recorded a sizable setback in the preceding week, suffered a further sharp decline last week. The April and August contracts which had been quoted at Rs 584 and Rs 595.75 on April 1 were sold down to Rs 571.50 and 578.25 respectively on April 5. On March 22 they had been marked up to Rs 599.25 and Rs 604.50 respectively. Over the week, the April contract showed a net loss of Rs 7 per 3 quintals while the August contract was down by Rs 13. That the maturing April contract should have dropped sharply despite the issuance of tenders for only 300 bales underlines the highly speculative character of the market. Apparently, bulls are reluctant to weigh over even a small quantity of cotton. The decline in futures was caused mainly by anxious bull liquidation though bears too took their chance. Selling was provoked by the easier tendency in the ready section where prices have begun to sag due to lack of any important support from mills as they have virtually exhausted their old quotas. The Government has not yet made up its mind about the release of the last instalment of the quota for indigenous cotton presumably because the Government wants to link the indigenous cotton quota with the import of 3 lakh bales of U S cotton. That seems to be the only way of compelling mills to lift U S cotton which is said to be costlier by about Rs 150 per candy as compared to equivalent indigenous varieties. Activity in the spot cotton market has been limited for want of fresh quotas with the mills.

Oilseeds

Irregular Trend

THE oilseeds market had a rather unexciting time last week. Wednesday's closing prices were almost around the week's lowest but the price pattern was mixed. Groundnut, cottonseed and linseed recorded fractional gains while castor futures closed slightly lower. In the preceding week, it had been just the other way round. Castor had managed to show a small rise, all other oils seeds were down. The market was distinctly steadier early in the week. Prices staged an all-round recovery which seemed to be in the nature of a technical correction of the setback from the highest levels recorded about the middle of March. Castor futures, however, were at their best on March 24. During the latter part of the week, prices developed a sagging tendency due to tired bull liquidation and lack of fresh support. Bears were seldom aggressive. Linseed May which had recovered from Rs 36.31 to Rs 37.37 drifted lower to Rs 36.78 and cottonseed May which had improved from Rs 94.50 to Rs 97.50 eased to Rs 95. After being marked up from Rs 178.12 to Rs 181.25 castor May declined to Rs 177.50. Groundnut futures continue to be above the Forward Markets' Commission's 'ceiling' of Rs 220 and have therefore no official marketing. In ready even the inferior most variety is difficult to secure at below Rs 255 per 250 kilos.

Oil versus Seeds

Speculative interest centred mostly round castor which held steady early in the week on satisfactory shipper buying in oil against outstanding commitments, but later futures moved irregularly lower due to lack of

follow-up support on the rise in the absence of fresh export business in oil. Castor oil prices continued to hold fairly firm due to scarcity of offerings and sustained export house demand. Castor oil Commercial at around Rs 15.60 per 10 kilos gives a parity of about Rs 188 per 250 kilos in terms of seed whereas futures are quoted at around Rs 178. This disparity cannot last for long. Whether the spread will narrow down through a decline in the price of oil or a rise in futures or both will depend largely on the trend of export business in oil in coming weeks. Opinion about the immediate outlook is divided. The only important business that has been put through this year up to now is with Russia — nearly 6,000 tons of castor oil. The U K buyers have been rather quiet, being content with taking up some afloat parcles now and then. While the revival of business with the U S is anybody's guess, the U K might not find it easy to do without Indian castor oil for long.

The small recovery in linseed and cottonseed seems to be mainly technical but sentiment last week was helped by wild talk of a bull syndicate in North India to support rapeseed futures. Linseed ready prices have had quite a heavy decline from Rs 40.50 to Rs 36.75 per 50 kilos over the past few weeks. Considering the prevailing high prices of groundnut, linseed prices might not record a further marked fall. The seasonal factor, however, will act as a damper on a sustained rise from the current level in the immediate future. Groundnut continue to hold firm because of the poor offerings in relation to demand. Although vanaspati manufacturers are reported to have already made heavy purchases, they are still willing to take up all that might be offered them.

Export Quotas

Export houses did not report any important fresh business during the week which was partly because of the closure of overseas market on account of the Easter. The extension of the validity period for the groundnut H P S quota up to March 1962 and the release of a further export quota for linseed cake evoked little interest because business has become difficult on account of the higher Indian prices. A very large portion of the previous linseed cake quota has remained unutilised due to the unattractive prices abroad. Business put through last week consisted of a few hundred tons of linseed cake sold at around £29 per ton and about 2,000 tons of groundnut extractions at around £28, May-June-July shipment. Business in groundnut extractions was reported mostly from the Saurashtra ports.

Stock Exchange

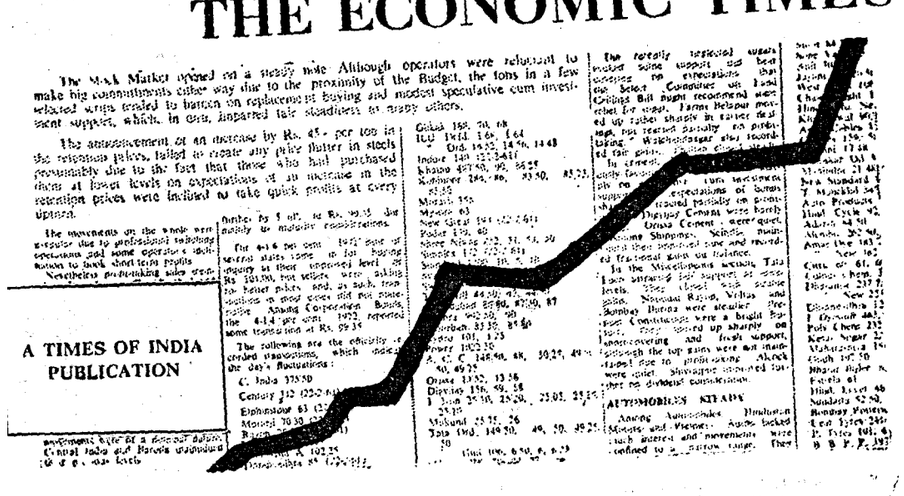
Set for a Further Rise

EQUITIES last week fluctuated quite irregularly with bulls continuing to dominate the scene both as buyers and sellers. They sold on the rise but only to replace their positions at small setbacks. Corrective profit-taking, though quite heavy at times, was well-absorbed and the market displayed a distinctly steady tone most of the time. The market was at its best on Saturday, April 1 when prices recorded all-round impressive recovery under the lead of Cotton Mill shares. The boomlet in the Ahmedabad market following the announcement of higher dividends along with the issue of right and bonus shares by the Kasturbhai Lalbhai group of mills, the encouraging performance of the Mafatlal group of mills and the bonus by Standard Mills induced heavy nervous short covering but most of the gains were pared later due to corrective profit-realising. The textile industry has had a good time in 1960 and the outlook for the current year is considered quite promising. This explains the continued buoyancy in Textile shares.

Apart from the flow of encouraging textile news, sentiment was helped by the improved production figures for March for both Tata Steel and Indian Iron, particularly the latter. But unlike Indian Iron, Tata Steel were unable to attract much

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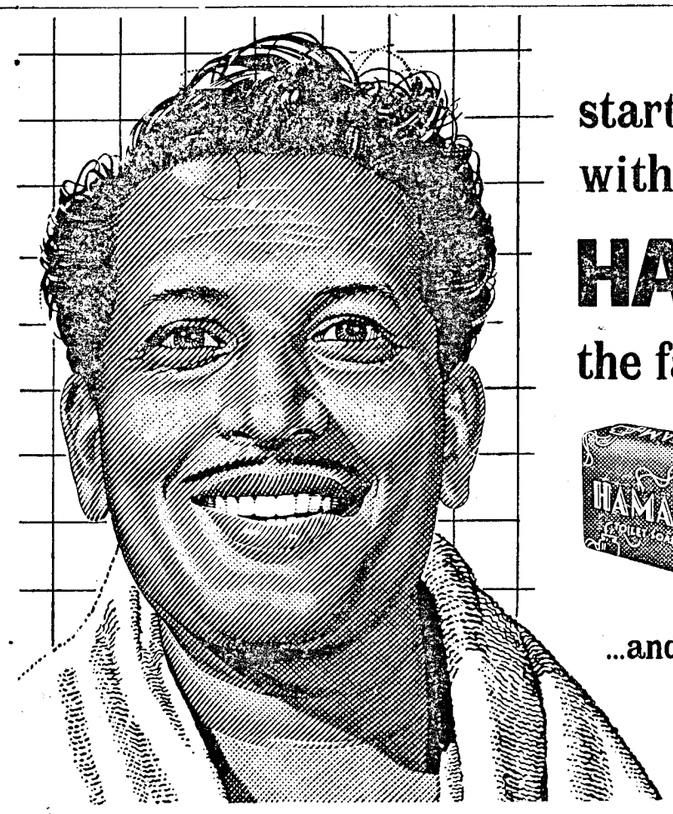
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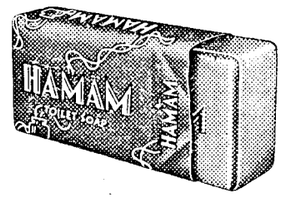
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A TATA PRODUCT

follow-up support on the rise. This is not due entirely to market's optimism about a possible bonus or right issue by Indian Iron. The fact is that Indian Iron's performance on the production front has been far more encouraging than that of Tata Steel. The stock market took a bullish view of the import policy because of the continued protection as a result of restricted imports on the one hand and the promise of adequate supplies of industrial raw materials and essential capital goods on the other. Industries participating in exports can also hope to benefit from the various incentives that are being offered to boost exports. Industries have also been assured of more furnace oil. Besides, recent reports about foreign aid have been fairly encouraging.

'Vyapar's' equity share index which had reacted from a high of 148.11 on 20th March to 143.22 on 27th March has continued to move up and down well within these two points and Wednesday's closing of 145.46 showed a net gain of 0.83 over the week. In the preceding week the index had shed 1.03 at 144.73. If the market has been moving up and down irregularly since 20th March it is not because it is undecided about its next move. The market is simply marking time to consolidate its position before making a further headway. The market is standing very close to its 1960 top. There is little doubt that it will establish a new peak this year, perhaps much sooner than most observers expect.



Rugged hands on the plough of steel—steel biting the earth in furrows straight and deep—steel is preparing the land for the seed. Primitive? Primitive his method may be, but it has the new touch of steel—steel which has replaced the old wooden plough and is helping him to get a better yield for a little less labour. Soon, he will have the surging power of tractor to work for him; soon his land will be yielding a harvest, more abundant than ever before. Soon all this will be his and ours, as there is a little more steel for each of us.

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THE INDIAN IRON AND STEEL COMPANY LIMITED

INDIAN IISCO STEEL

IIC-77

Company Notes

Dunlop Rubber

NET sales of Dunlop Rubber (India) increased in 1960 from Rs 22 crores to Rs 25 crores but gross profit margin on sales fell fractionally to 9.7 per cent. Profit after tax is Rs 125 lakhs against Rs 118 lakhs. Earning on capital invested has been maintained at more than 9 per cent and on net worth at 13 per cent. Earning per equity share has improved from Rs 3.80 to Rs 4.00. Dividend has been maintained at Rs 2.15 per share. Out of the net profit of Rs 125 lakhs, Rs 69 lakhs has been distributed and the remaining Rs 56 lakhs retained in business. Gross capital formation during the year aggregated Rs 162 lakhs, consisting of an expansion of Rs 78 lakhs under gross fixed assets and Rs 84 lakhs under inventory.

The Directors attribute the decline in profit margin on sales principally to the high cost of imported rubber. Share premium account at the end of the year amounted to Rs 70 lakhs and total free reserves of nearly Rs 6 crores far exceeded the share capital of Rs 3.70 crores. This lends substance to the markets' expectation of a bonus issue.

Hindustan Lever

HINDUSTAN Lever reports an increase in net sales from Rs 39 crores to Rs 43 crores in 1960. Gross profit margin on sales has not improved and still remains at about 11 per cent. But net earnings have gone up from Rs 217 lakhs to Rs 255 lakhs and have also improved as a proportion of net worth from 26 to 27 per cent. Earning per equity share has thus gone up from Rs 3.90 to Rs 4.60. Dividend has been raised from Rs 2.40 to Rs 2.60. Out of the net profit of Rs 255 lakhs, Rs 145 lakhs has been distributed and the remaining Rs 110 lakhs retained in business. Gross capital formation during the year aggregated Rs 188 lakhs, of which expansion of inventory has taken up Rs 146 lakhs.

Sales of soap products and detergents progressed at a faster pace than in the two previous years. In vanaspati, the company had to face severe competition and high raw material prices. Although the turnover was higher, the tonnage was marginally less than in 1959 and fetched a smaller profit. Toilet preparations also made further progress. Exports of glycerine and vanaspati declined during the year, while those of oilcakes and hardened groundnut oil went up but not sufficiently to make up the loss in exports of other products.

The company has received a licence for the production of skimmed milk powder, ghee and casein in the U P. A pilot project has been started at Bombay to investigate the possibility of producing animal-feeding stuff. The project at Ghaziabad for dehydrated peas could not make much headway due to failure of crops in the experimental farms.

Indian Aluminium

DEMAND for the products of Indian Aluminium during 1960 continued to be in excess of supply. Sales increased from Rs 9.70 crores to Rs 11.25 crores but gross profit margin on sales declined from 16 to 13 per cent. Earnings fell from Rs 142 lakhs to Rs 123 lakhs. The latter represents more than 10 per cent on capital invested and 17 per cent on net worth. Earning per equity share has declined from Rs 3.50 to Rs 3.00. Dividend has been raised from Rs 1.20 to Rs 1.50. About half the net profit has been distributed and the remaining half retained in business. Gross capital formation including works in progress amounted to Rs 78 lakhs, of which expansion of inventory contributed Rs 20 lakhs.

The company experienced considerable transportation difficulties, particularly in respect of coal supplies. Uncertainty of wagon availability forced it to use costlier road transport and maintain higher inventories. Work on expansion projects at various centres is, however, progressing satisfactorily.

Jessop

THE Board of Management of Jessop reports an increase in sales during the year ended October 31, 1960 from Rs 659 lakhs to Rs 908 lakhs. Almost the whole of this consists of works sales which have gone up by 138 per cent in four years. The company has, therefore, got over the loss of agency business caused by import restrictions. Net profit has increased during the year from Rs 29 lakhs to Rs 37 lakhs. About half of this amount has been distributed and the remaining half retained in business.

The Coach Works increased its production considerably during the year. Structural Works, on the other hand, had to face difficulties due to shortage of materials, especially steel and railway equipment. Wagon Works has been partly rebuilt, while the Mechanical Works had a successful year due to excellent results shown by the new plant. The company has various schemes on hand to increase the output of established lines, particularly cranes and rollers.

The Central Government's guarantee for the company's overdraft from the State Bank became superfluous during the year and was withdrawn. The London agency has been taken over from Mundhra interests and converted into a wholly-owned subsidiary.

The Company's investments in Richardson and Cruddas and Assam Cement are still in dispute. The interlude of Mundhra control has inflicted a capital loss of Rs 123 lakhs on the company in so far as information can be gleaned from the balance sheet. Out of this amount, Rs 60 lakhs was advanced to a party for purchase of shares; full provision for this as a doubtful debt has been made in the accounts. The remaining Rs 63 lakhs is on account of investments in Assam Cement and Richardson and Cruddas.

Government Purchases

OVER Rs 151.5 crores of goods, the bulk from indigenous sources, were purchased by the Government through the Directorate-General of Supplies and Disposals in the period beginning April 1960 to January 31, 1961, according to the Annual Report of the Union Mini-

stry of Works, Housing and Supply, for the year 1960-61.

The report, recently circulated to Parliament, added that the value of purchases made from the indigenous manufacturers amounted to Rs 122.76 crores, of which the small scale industries' sector accounted for Rs 5.93 crores.

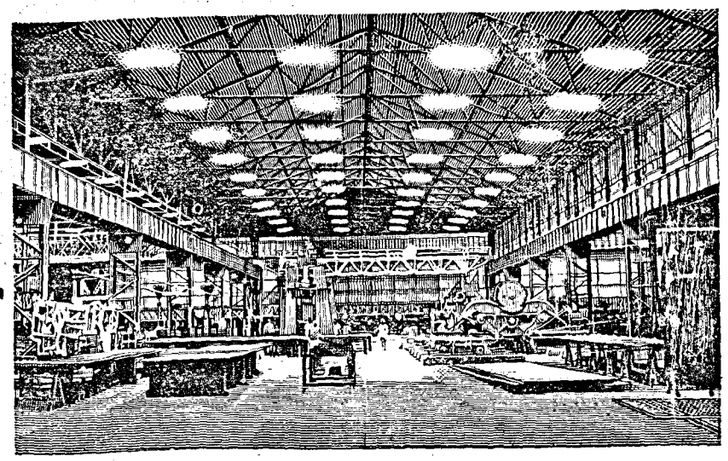
The value of leather goods purchased from small scale industries in this period was Rs 84.70 lakhs, of tentage items Rs 57.19 lakhs, woollen hosiery Rs 41.83 lakhs.

The total value of khadi purchased during the period was Rs 76.38 lakhs. The question of supplying woollen and khadi uniforms to some categories of Government employees was under examination.

Other important items purchases from the small scale industries in the period were: tarpaulin and water-proof goods — Rs 31.73 lakhs; paint and varnish — Rs 18.55 lakhs; cotton waste — Rs 23.58 lakhs; and bandages — Rs 22.32 lakh

An up-to-date register of small-scale industries' units was maintained by the Directorate-General of Supplie and Disposals, the report says.

HINDUSTAN SHIPYARD
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CURRENT STATISTICS

BANKING RETURNS

(*Rs Crores*)

Reserve Bank	Mar 31	Mar 24	Mar 3	April 1 '60
1 Note circulation	1984.74	1968.70	1947.16	1864.53
2 Rupee coin	119.62	119.81	120.46	128.17
3 Deposits	264.26	259.98	228.75	292.47
(a) Central Govt	76.46	53.37	51.44	73.49
(b) Other Govts	28.99	33.63	14.70	35.34
(c) Banks	70.85	74.47	71.86	79.02
(d) Others	87.96	98.51	90.75	104.62
4 Foreign Securities	123.01	128.01	128.01	163.01
5 Balances abroad	13.24	25.54	29.29	25.50
6 Rupee Securities	1632.20	1627.22	1592.27	1461.91
7 Investments	180.95	160.34	154.12	248.18
8 Loans and advances to Govts	39.02	42.18	41.62	27.81
9 Other loans and advances	185.50	173.17	155.53	143.52
Scheduled Banks	**Mar 24**	**Mar 17**	**Feb 24**	**Mar 25 '60**
1 Liabilities	1730.32	1719.40	1737.65	1902.02
Demand (net)	712.46	698.27	698.21	781.33*
Time (net)	1017.86	1021.13	1039.44	1120.69*
2 Cash in hand	44.02	44.39	45.20	62.12
3 Balances with Reserve Bank	72.30	66.80	72.91	90.79
4 (2) + (3) as % of (1)	6.44	6.20	6.53	8.04
5 Borrowings from Reserve Bank	82.63	78.29	52.14	79.44
(a) Against usance bills and/or promissory notes	37.15	35.28	26.15	14.03
(b) Others	45.48	43.01	25.99	65.41
6 Advances	1100.52	1095.27	1062.97	951.29
(a) State Bank	263.06	260.42	247.33	198.21
(b) Others	837.46	834.85	815.64	753.08
7 Bills discounted				
(a) Inland	150.37	145.91	139.58	130.00
(b) Foreign	50.66	50.47	48.78	46.59
(c) Total	201.03	196.38	188.36	176.59
(i) State Bank	17.15	16.68	17.56	15.01
(ii) Others	183.88	179.70	170.80	161.58
8 (6) + (7c) as % of (1)	72.12	72.08	69.16	59.30
9 Investment in Govt Securities	559.62	558.89	584.42	714.73
(a) State Bank	231.43	229.40	251.09	347.40
(b) Others	328.19	329.49	333.33	367.33
10 (9) as % of (1)	31.01	31.19	32.30	37.58
Cheque clearance	255.05	237.36	212.44	175.30

* Includes deposits of banks and others.

Bombay Money Rates

(*% per annum*)

(Selected Scheduled Banks other than State Bank)

Call Money	Mar 24	Mar 17	Feb 24	Mar 25 '60
From Banks	5.25	5.25	5.25	4.00
Deposits :				
Seven Days	3.00	3.00	2.00	3.37
Three Months	—	3.50	3.50	3.50
Six Months	3.75	3.52	3.50	3.50

Bombay Bullion

(*Rs and nP*)

	Apr 6	Mar 29	Mar 9	April 7 '60
Gold (per ten grams)				
Spot	118.75	119.05	123.50	112.07
Forward	119.45	120.05	123.65	109.22
Silver (per kilogram)				
Spot	200.35	201.15	206.45	185.33
Forward	198.60	198.75	206.70	182.42

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)

	18-3-61	11-3-61	18-2-61	19-3-60
Food Articles	116.7	116.8	116.0	117.1
Cereals	99.9	100.4	99.9	103.1
Pulses	92.9	93.1	92.7	89.7
Edible oils	166.1	163.5	160.8	135.9
Sugar & Gur	116.5	116.9	117.8	140.1
Others	167.0	165.1	166.7	156.4
Liquor & Tobacco	115.0	114.2	112.2	96.1
Tobacco	112.6	111.7	110.8	93.8
Fuel, Power, Light & Lubricants	120.7	120.3	120.0	117.7
Industrial Raw Materials	159.4	159.1	159.5	132.7
Fibres	176.0	177.0	179.6	126.5
Oilseeds	161.2	159.4	158.0	140.9
Minerals	95.2	95.2	95.2	97.5
Others	128.5	128.8	128.2	131.6
Manufactures	129.9	129.8	129.2	116.8
Intermediate Products	138.5	137.2	134.3	121.1
Finished Products	128.5	128.5	128.4	116.1
Textiles	134.7	134.6	134.5	115.0
Cotton	126.6	126.6	125.9	124.4
Jute	164.0	165.0	167.7	97.9
Woollen	110.1	110.1	110.1	104.2
Silk & Rayon	118.4	115.7	113.2	102.9
Metal Products	146.9	146.9	146.9	148.2
Chemicals	104.7	104.6	104.3	104.8
Oil cakes	145.7	147.1	148.6	141.4
Machinery & Transport Equipment	112.5	112.5	112.6	111.0
Others	118.0	118.2	116.8	113.8
All Commodities	127.2	127.2	126.6	119.0

ELECTRICITY PRODUCTION AND DISTRIBUTION

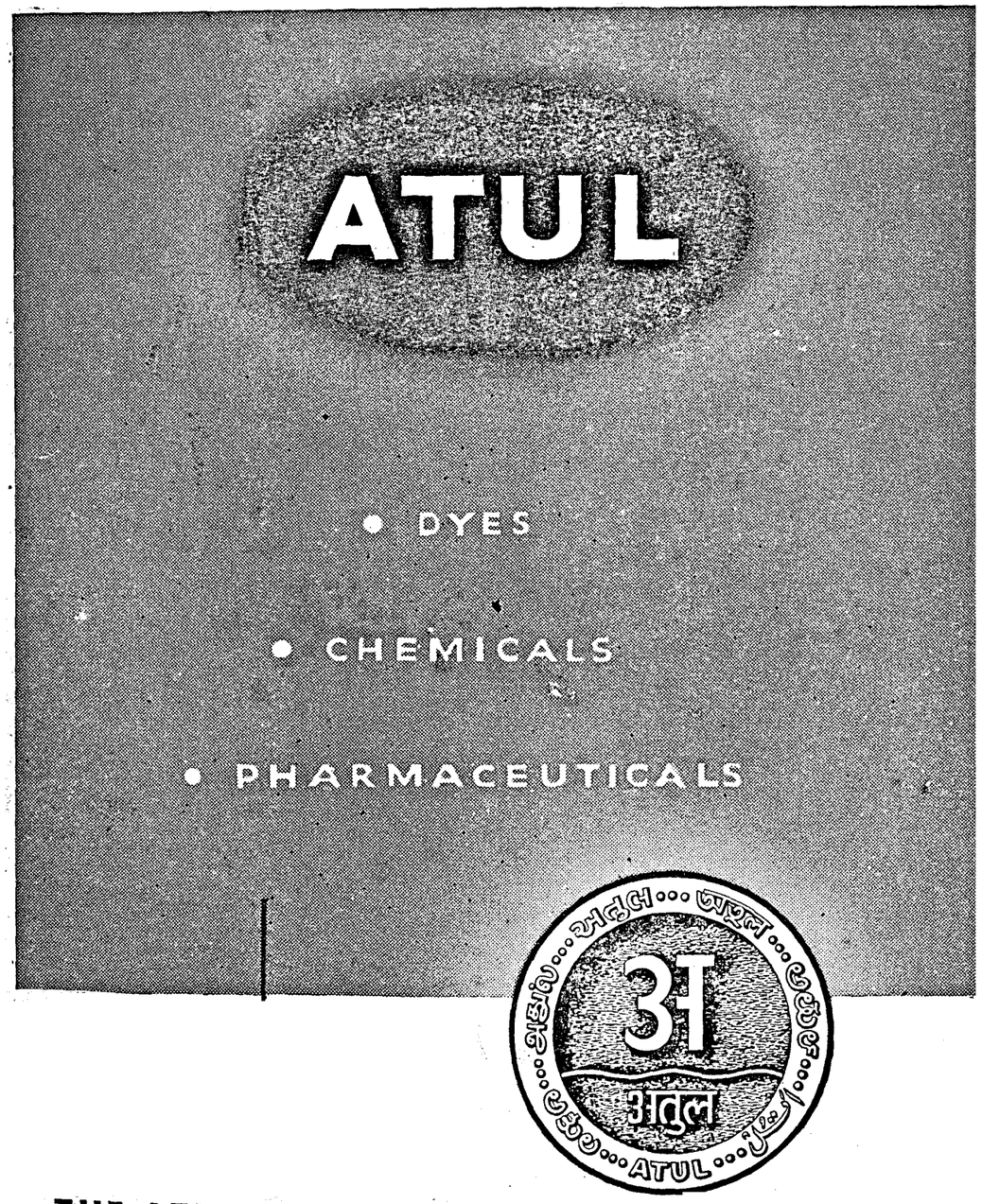
(Monthly Averages or Calendar Months)

(*Million kWh*)

	Output	Sold: Industry	Sold: Total
1958	1,031	550.9	830.3
1959	1,329	664.2	974.9
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	700.9	1,019.6
Nov	1,235	685.4	994.0
Dec	1,301	733.7	1,046.9
1960 Jan	1,297	733.4	1,055.5
Feb	1,252	704.0	1,022.5
Mar	1,324	741.9	1,071.0
April	1,325	745.1	1,081.7
May	1,388	765.4	1,119.4
June	1,380	753.2	1,113.9
July	1,361	766.7	1,106.0
Aug	1,404	789.6	1,143.1
Sept	1,378	785.2	1,131.7
Oct	1,368	786.1	1,134.7
Nov	1,332	809.9	1,140.5

Source : Ministry of Irrigation and Power.

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Orbit Won

WHEN Russia has sent a human being into space and brought him back alive and unharmed, can America be far behind? That was the second thought in many minds as the news broke out on Wednesday of the astounding journey of Major Yuri Gagarin to and from the orbit. The first thought was, of course, of the glory of Russia in having brought off the miracle. And somehow, in the first blurred moment of intoxicating wonder, the whole of mankind associated itself with the incredible triumph of the world's first astronaut. "Man conquers space," screamed the banner headlines of newspapers; and reading them, one felt that H G Wells had been vindicated; that the world of Jules Verne had come alive; that Science had at long last caught up with the fevered imagination of Leonardo Da Vinci. It was man's dream come true, not merely the success of a spectacular Soviet project. And while gravely impressed scientists sat working out the precise significance of this achievement, and calculating what length of time it would now take for the Russians to land on the moon, laymen everywhere talked airily and confidently of the not-far-off day when they would be booking their passages for a conducted tour round the planets. The man in the street felt faintly contemptuous of Nature; the poor thing had been conquered.

But the first thoughts were quickly lost in the second. The realisation gradually drifted back that it was not man, as such, who had triumphed over space. It was Russia. And Russia had not merely scored a scientific triumph, but it had also scored a pointed victory over America. And swiftly, with the dawning of this realisation, emerged the knowledge of the Russo-American rivalry. The moment of glory was instantly clouded. What a moment before had been a gigantic human achievement, reduced itself the next moment to a petty scoring point in a frightening race. Those who were dreaming of finding new life on unknown planets began worriedly to reflect upon the uncertainty of their present life on the only planet they had ever known. The Space Age, they thought with sickening apprehension, may merely be an extension of the Atomic Age—from which, Heaven knew, more dread than comfort had flown.

That, indeed, is the great tragedy of our times. The moment of man's greatest glory has tragically become the moment of his worst fears as well. Can we bear the responsibility of our latest knowledge ? Will man's intelligence be able to cope with his achievement ? The fact that the annihilation of Hiroshima was the first fruit of the splitting of the atom hardly encourages an answer in the affirmative. It is panic-inspiring to reflect that in a world which has begun to use brinkmanship almost as a routine political exercise, man has discovered the secret of moving beyond the brink. Accustomed to thinking of little knowledge as dangerous, we may be about to discover the far greater dangers of knowing too much.

There is little comfort to be drawn from the almost certain knowledge that the United States will before long be able to repeat the Soviet success. A Russo-American "balance of destruction" is a poor guarantee

of peace. No one will wish, of course, that mankind must call off its exploration of the Solar system just when it has begun; but it is imperative that the maniacal rivalry behind that exploration must cease at once. The war camps cannot remain cold for ever; the obvious thing is to dismantle them while there is still some chance of doing so. More than ever before in history, immediate disarmament has become a matter of life and death. The Space Age itself will vanish if the efforts at Geneva fail. We certainly want the orbit; but more certainly still do we want to retain the earth.

On Government Debt

ONE obvious conclusion emerging from the data on the pattern of ownership of Government debt published in the March 1961 *Bulletin* of the Reserve Bank of India is that individual investors are amongst the least important buyers of Government securities. Another is that not all of long-term borrowing shown in Government budgets can be deemed to be a non-inflationary source of financing public expenditure. Neither of these conclusions is startling or entirely disquieting. Close students of public debt are aware of these dimensions of Government borrowing; and to some extent, these have been taken into account in the formulation of debt policy. The importance of the Reserve Bank data therefore lies largely in giving a certain quantitative basis for further speculations in this field. And some of these speculations will inevitably extend to fields which abut on debt management.

The relative unimportance of individual or personal investors in the Government securities is not peculiar to India. In most countries, it is the institutional buyers who dominate this market; and this domination increases as individual investors are attracted more and more to industrial equities. It is possible that what we are observing now in India is just this sort of a shift, so that a reduction in individual holdings of Government paper does not necessarily imply a falling off of personal savings of the transferable kind. Apart from this, the figures relating to the holdings of Government paper by 'individuals' do not by themselves show the amount of savings out of personal income flowing into the security market. Much of what is shown, for instance, under insurance companies and provident funds is in reality personal savings diverted to Government securities *via* institutional agencies.

If we take this larger view, it becomes obvious that the tastes to which debt policy should cater are not those of individual savers but of institutions which interpose themselves between the saver and the capital market. It is then investment decisions which determine the quantum of current savings going into Government securities. As will be seen from the Reserve Bank figures (reproduced in the Current Statistics in this issue, p 625), not only the proportion but the absolute amount of Government securities held by "others" — including individuals, joint stock companies, trusts and local authorities—was less in March 1960 than in any of the previous years. Institutional investment, however, increased more or less steadily, at least until the end of March 1960. It would therefore seem that the strategy for increasing the absorption of Government securities by the public (i e, excluding the Reserve Bank and Government agencies) consists in :

(a) making Government securities attractive to the institutions which have a choice in the selection of investments for their portfolios; and

(b) enlarging the amount of personal savings transferred in one form or another to such institutions.

The spread of insurance and provident fund arrangements is perhaps a surer means of enlarging the support to the Government securities market than offering prizes or tax-concessions to individual investors.

This is perhaps all there is to it in the pattern of ownership of Government debt as set out in the *Bulletin*. However, the subsidiary tables presented by the Reserve Bank reveal certain trends which are likely to be of considerable significance to the formulation of policy. In the assessment of deficit-financing, it is often taken for granted that the budget-data on long term borrowing represent the loans to Government by genuine savers. As it happens, a good bit of the rupee securities are absorbed by the Reserve Bank and Government agencies; net cash received by Government from the public has, in all the years except 1953-54, been less than accruals under the debt heads in the budget. (See Table on net absorption, p 625). Cash receipts from the public in the period April 1956 to February 1961 was, at Rs 366 crores, less than half the total net receipts of Rs 747 crores. Even if one takes into account the addition to the private sector's holding of Government securities as a result of the open market sales of the Reserve Bank, net investment in Government securities over the five year period comes only to Rs 468 crores. What then is the logic in calculating—as the Planning Commission has done—deficit-financing in the Second Plan period at around Rs 1,150 crores, on the basis of a figure of Rs 800 crores or so for "loans from the public"? How does Government borrowing from the Reserve Bank against Government securities differ conceptually from borrowing against treasury bills? Surely, if the latter is part of deficit-financing, so should be the former.

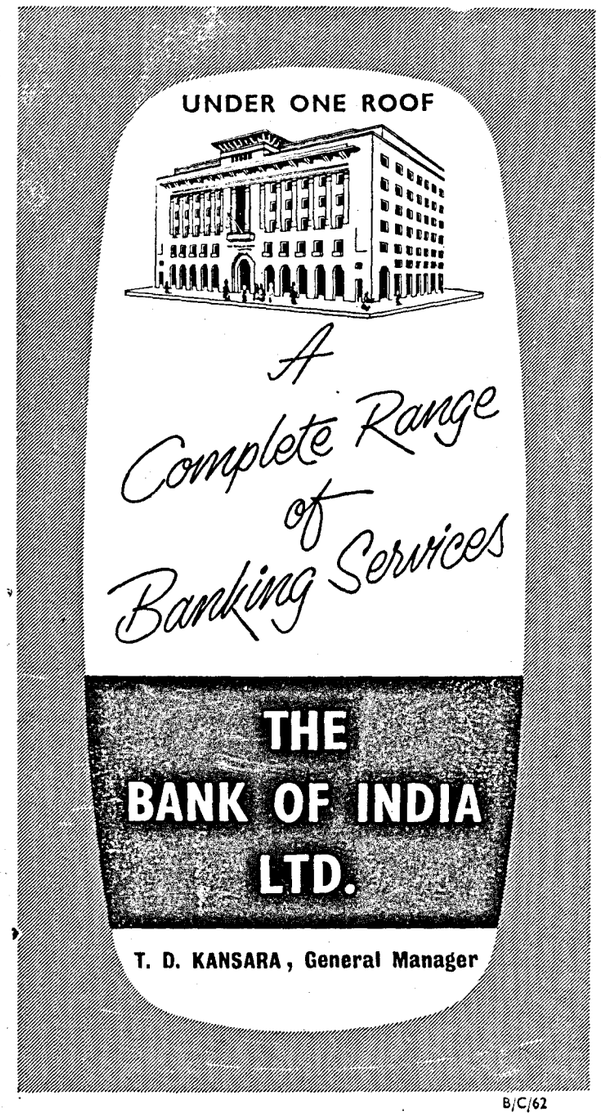
There is a further point about the trend in net absorption of Government securities by the public. The high water-mark of this was apparently reached in 1958-59, when agencies other than the Reserve Bank and Government added Rs 194 crores to their holdings. Since then, there has been a sharp fall, with the public actually reducing its holdings by Rs 54 crores between April 1960 and February 1961. The sale of rupee securities by the State Bank of India, consequent upon the transfer of P L 480 deposits to the Reserve Bank, is undoubtedly a major factor in this. But even allowing for this special factor, it is obvious that the public is not taking in as many Government securities as it used to.

In the main, the credit squeeze has compelled the commercial banks—which in March 1960 held as much as 28 per cent of Government debt — to disinvest heavily. The indications are that in the Third Plan period, banking institutions will be able to invest in Government securities little more than what is necessary for meeting the legal or conventional liquidity requirements. The point once again emerges that the way to the Third Plan targets of long-term borrowing lies through institutions other than commercial banks unless of course the latter are made to take more of Government securities. The Governor of the Reserve Bank has already made it known that the liquidity ratio prescribed by the Banking Companies Act is too low.

Since new flotations cannot assume a continuation of heavy support from banking institutions, their terms have accordingly to be tailored to the requirements of other major investors. While on this point, it may be observed that in the past few years there has been a noticeable shift in the maturity pattern of Government securities held by the different institutions. Between 1957 and March 1960, commercial and co-operative banks moved out of short-dateds (up to 5 years) into longer maturities; the proportion of short-dateds fell from 52 per cent in December 1957 to 40 per cent in March 1960. On the other hand, their holdings of 5-10 years and 10-15 years securities rose in the same period from 38 per cent and 8 per cent to 42 per cent and 15 per cent respectively. Since their aggregate investment in Government paper increased in the meantime from Rs 478 crores to Rs 733 crores, this is not fully explained by the attrition of short-dateds from year to year. Presumably, they exchanged the near-maturities for longer ones either through conversion offers or through switch transactions with the Reserve Bank. Either way, they were apparently not perturbed by the lengthening of the average maturity period.

Concurrently, the 5 to 10 year bonds held by insurance companies, provident funds and 'others' have fallen relatively to both the short-dateds and the longer maturities. In the case of insurance companies, the holdings of 5-10 year securities have come down from 44 per cent in 1957 to 22 per cent in 1960, while the 0-5 year category has improved from 13 per cent to 27 per cent. The shift in the case of provident funds is more in the other direction, towards 10-15 year bonds. It does not, of course, follow from this that insurance companies have suddenly developed a preference for securities of short maturity. The percentage variations are in a measure attributable to the transference of certain issues from one category to another with the passage of time. Even so, given the yield preferences of such institutions, one would have expected them to restore the bias in favour of long-dateds through switch operations.

It is not clear whether this has been prevented by a change in the relative supplies of securities of varying maturities, resulting in an evening out of yield differentials. Here, again, one cannot press the point too hard on the basis of data for the relatively short period covered by the Reserve Bank Survey. For one thing, events since March 1960 have made the Reserve Bank a net buyer of securities on the open market, largely from commercial banks, and this might have necessitated the LIC, etc, holding their hands, for reasons of stability in the security market. Whatever the explanation, the fact remains that future flotations of Government issues will have to be nursed much more carefully than so far if the Reserve Bank is not to be loaded up with unsold or unsalable scrips. And as observed earlier, this is not a matter of rates of interest or issue prices alone; it reaches back into the whole question of savings and monetary policy.



Weekly Notes

Where Are Deposits Gone?

THE stagnation of deposits has been a common theme of all the bank chairmen who have spoken so far. It is not stagnation so much as a very tardy rate of growth and coming after a succession of years of steady rise, the failure of deposits to increase with the demand for advances, which has been mounting, has left all the banks in a very difficult situation. There is broad agreement on the causes which account for the stagnation. Of the short term factors, Shri G D Birla offers the best as also the most provocative analysis. Referring to the vast growth of deposits since 1955 —in June 1959, for the first time, the total deposits of scheduled banks exceeded the currency in circulation — he points out that this trend has now been reversed and the pace of increase in deposits has become slower than that of note circulation. Among the reasons for it, he mentions adverse movements in balance of payments, buoyancy in the revenues of the Central Government, heavier tax collection and reduction in the volume of deficit-financing.

While Government expenditure should normally be expected to provide a fillip to bank deposits, G D complains, "the manner of financing has been such as to greatly reduce the impact of Governmental payments on the rise in deposits." Finally, he suggests that the measures of credit-control instituted by the Reserve Bank have had the effect of diverting financial resources from the organised money market into unorganised non-banking sector. Up to a year ago, he goes on to say, the non-banking sector was losing ground and the organised institutions were gaining strength. But this trend has now been reversed with detriment to bank deposits. The villain of the piece is obviously the Reserve Bank directive to bring down interest rates on deposits at short notice to 2 per cent below the bank rate. Shri Birla has absolutely no doubt that deposits are interest-elastic.

Dr N N Law, Chairman, United Bank of India, however, is equally convinced that, by and large, the growth of deposits does not depend so much on the rate of interest as on (1) the confidence which the banking system inspires; (2) availability of banking facilities; and (3) the quality of service rendered by the banks. Far from stimulating the growth of deposits, higher interests paid on them, it follows, will further add to the increasing expenses of the banks, retard extension of branches in unbanked areas and make it more difficult to improve the quality and diversify the range of banking services. To him "it looks unlikely that the present increase in interest rates will have the desired effect of stimulating bank deposits; it will, instead, become a wasteful dissipation".

On balance, there is much to be said for this point of view, particularly when the United Bank Chairman links it up with the borrowing programme of the Government and the necessity of maintaining parity between short-term and long-term rates of interest to ensure the success of this programme.

Capital Base Inadequate

THOUGH not surprising, it is gratifying, nevertheless, to note that misbehaviour of deposits has made the bank chairmen pay a great deal of attention to the internal problems of their banks. Most of them have welcomed the proposal for Deposit Insurance, all of them have been concerned about strengthening their capital structure and many of them want improvement of the bank associations also. Sir Cowasjee Jehangir has been asking for three years running that the State Bank of India should be drawn into the Indian Banks' Association and join the Inter-Bank Agreement for maximum rates of interest on deposits.

That the present capital base of the banks is wholly inadequate to their vastly increased deposit liability has been strongly stressed by the Governor of the Reserve Bank. In fact, when the Reserve Bank stepped in last year to bring down the interest paid on deposits and simultaneously raise the rates on advances, it was clear that, apart from imposing some restraint on advances, its intention was to help the banks to improve their earnings and thus widen their capital base. The curb on advance did not prove effective to any appreciable extent —it could not be, in the situation in which lending rates were raised —but it did help the banks to improve their earnings. As far as one can see, the higher earnings have not gone to strengthen their reserves to any substantial extent. From the balance sheets of the big five, it appears that profits after bonus and tax have gone up from Rs 208 lakhs in 1959 to Rs 247 lakhs in 1960, while retained profits have increased only fractionally from Rs 42 lakhs to Rs 51 lakhs. The bulk of the increase in profits, viz Rs 30 lakhs, have gone into dividends, the total of which is expected to go up from Rs 166 lakhs in 1959 to Rs 196 lakhs in 1960. One cannot judge very well from these figures for the withdrawal of grossing up facilities in 1959 makes comparison with the earlier years difficult. But the impression one gets is that the higher earnings have been availed of to restore the cut in the net dividends to shareholders effected in 1959 rather than to strengthen reserves.

More Funds for Oil Distribution

A Delhi Correspondent writes :

ANOTHER important step in the Oil Ministry's efforts to develop oil in the public sector will be taken by the end of April when, as is likely, an agreement will be reached with the ENI, the State-owned Italian Oil Company. The Russians and the Rumanians have so far operated as part of the Oil and Natural Gas Commission, but partnership with the Italians will be of a new type. The ENI has proposed the formation of a new company to which it will advance the expenses of exploration, including the foreign exchange costs, for a certain basic period. The Planning Commission's allocation for oil exploration in the Third Plan is Rs 115 crores. If, therefore, the Italians come in with an investment of Rs 50 crores, as is possible, it will be a substantial addition to the resources for oil exploration.

With the progress of negotiations with the E N I, the private foreign oil companies have begun to sit up and take notice. More senior officials of Esso Standard Eastern are expected in Delhi soon to continue negotiations on the firm's proposal for gas exploration in Jaisalmer and oil prospecting in some areas of Uttar Pradesh. Another western firm is said to have decided to post an official of the rank of director in Delhi. Similarly, Assam Oil's seniormost official in the country has shifted his establishment to Delhi from Digboi.

In its negotiations with the Shell Oil Company, the Government is reported to be keen to link Burmah Oil's proposals for concessions in Assam with the reorganisation of Oil India Limited. With BOC holding two-thirds of Oil India shares, the Government is at present a minority shareholder, but Delhi now wants a fifty-fifty distribution of shares. If this rearrangement comes through, the Government is likely to grant Oil India exploration concessions east of Nahorkatiya, Moran and Hugrijan where more than 40 million tons of oil reserves have already been found. The Government naturally wants to put its own price on this prize area.

The Fuel Ministry has now come round to accepting the oil companies' estimate of 14 million tons as the likely demand for oil products at the end of the next five years as against the Planning Commission's earlier estimate of ten million tons. The difficulties experienced with respect to coal may have influenced the revision of the estimate to some extent. The Government is now thinking in terms of a total of 12 million tons refining capacity in the country by 1966. At present, the entire refining capacity of six million tons is with the private sector. How does the Government plan to establish the additional capacity?

Barauni, initially planned to refine two million tons, may turn out to be a three-million-ton plant and Nunmati may process another 750,000 tons. The plant to be set up to refine Cambay oil could also have a capacity of three-million tons. This would mean that the Indian Oil Company which will distribute the products of the public sector refineries will be called upon to handle more than six-million tons of oil products costing nearly Rs 100 crores. But the allocation in the Draft Outline for oil distribution in the public sector is a meagre Rs 5 crores. This allocation will have to be increased several-fold to enable the Indian Oil Company to handle almost half of the total oil needs of the country. Distribution of oil through cooperative agencies has often been suggested. Bearing in mind, however, the magnitude of the task of storing and distributing six million tons of different types of oil products, it is doubtful whether cooperative agencies can be relied upon to any significant extent for handling this colossal job.

Shortage of Ball-bearings to Continue

THE National Engineering Industries Ltd, Jaipur, a Birla concern, is at present the only largescale producer of ball-bearings in the country. During the Second Plan, licences were granted to three new units, one of which was, however, revoked subsequently because of the licensee's inability to take effective steps towards utilising it. The other two licensees were Kamla Shankar P Joshi and Co, Bombay, and the Investment Corporation of India, a corporation within the Tata group. The Tatas have now announced the formation of a new company called the Associated Bearing Co Ltd, to manufacture ball-bearings. The new company has as its promoters the Aktiebolaget Svenaka Kullagerfabriken (S K F) of Sweden, the internationally famous ball-bearing manufacturers, the Skefko Ball Bearing Co of U K, a subsidiary of S K F, and the Investment Corporation of India.

The authorised share capital of the Associated Bearing Co will be Rs 7.5 crores and its issued capital Rs 3.25 crores, of which 60 per cent will be subscribed by the S K F and Skefko between them, 20 per cent by the Investment Corporation of India and its associates or nominees and the remaining 20 per cent will be issued to the public. The Company is being floated with an initial promotional paid-up capital of Rs 10 lakhs to be subscribed by the S K F, the Skefko and the Investment Corporation of India.

The licence to the Associated Bearing Co is for a two-shift capacity of 15 lakh pieces of ball-bearings and 9 lakh pieces of tapered roller-bearings. The Development Wing of the Ministry of Commerce and Industry has estimated the demand for ball-bearings at 11.68 million for 1965-66. On the basis of this estimate, the Tariff Commission in its report on the ball-bearings industry last year calculated the demand in 1963 at 8.5 million to 9 million pieces.

As against this, production by the National Engineering Industries Ltd, the only largescale producer at the moment, is expected to be 1.8 million units in 1962 on a two-shift basis. In addition, a small unit, Dhirajlal & Co, Lonavla, have a double shift capacity of 25,000 bearings. In the smallscale sector, 28 units are known to be in operation with a total capacity of 448,000 pieces.

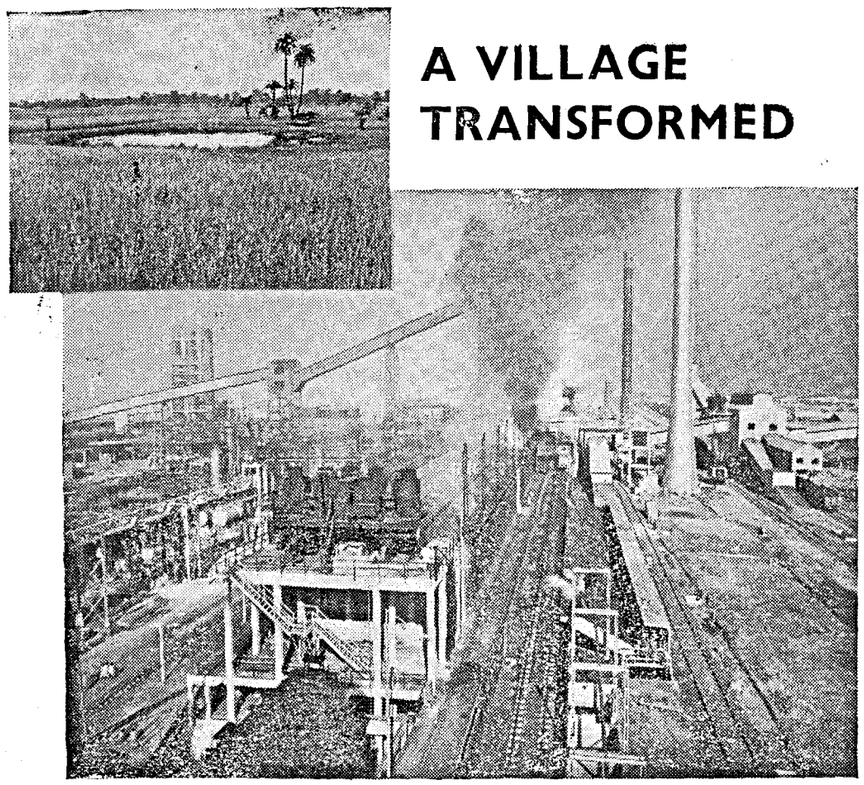
Of the new licensees, the venture sponsored by the Tatas will, as mentioned above, have a capacity of 15 million. Pioneer Bearings, Coimbatore, with a single shift capacity of 4.2 lakhs of ball-bearings and 2.4 lakhs of roller bearings is likely to go into production by 1962. Kamla Shankar P Joshi & Co, the other licencee, has been licensed a single-shift capacity of 8 lakh pieces and are now reported to be negotiating foreign collaboration. The Tariff Commission, however, considered it unlikely that this unit will go into production by 1962.

The existing capacity in 1960 and the capacity expected by 1962 were estimated by the Tariff Commission as follows:

	1960	1962
Largescale Units		
National Engineering Industries	1,800,000	3,600,000
Tata-S K F unit	—	1,500,000
Pioneer Bearings	—	840,000
Smallscale Units		
Dhirajlal & Co	25,000	25,000
Others	448,000	448,000
	2,273,000	6,413,000

Comparing the capacity expected to be created by 1962 to the estimated demand of 8.5 million to 9 million pieces, it is apparent that the shortage of ball-bearings will continue unless fresh capacity is developed.

The ball-bearings industry enjoys tariff protection of 95 per cent *ad valorem*, but the Tariff Commission enquiry, while recommending that protection be continued for a period of two years ending December 31, 1962, expressed themselves against extending the period of protection "for a long time" as substantial reduction in costs was expected when the expansion programme of the industry was completed.



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BRITISH COMPANIES WORKING FOR INDIA

PSIC 25

Our Delhi Letter

Turkish Planning Delegation in Capital

AMONG the latest converts to the philosophy of planned economic development is Turkey. Currently a three-member delegation of the Turkish State Planning Organisation is in the Capital studying the technique and organisation of planning in this country. In fact Turkey was the first non-Communist country to launch on five-year planning in early thirties under the popular rule of Ataturk Kamal Pasha. But the second five-year plan was abandoned when the Second World War broke out. In 1947 another plan was drafted but was never implemented. During the ten years' (1950-60) rule of the Democrats, the very word planning became anathema in Turkey. After the May 1960 revolution Turkey is re-introducing planning under the influence and guidance of forward-looking professors of the Anakara University.

When planning was launched first, Turkey developed a large public sector embracing mining, textile, chemical, transport, sugar, cement and iron and steel industry, mainly with Soviet assistance. Even now, State's investments constitute over 60 per cent of the total investment in the country. However, planning did not take roots in the Turkish soil and no organisation charged with the task of planning was established. With the Democrats coming into power, State interference in economic activities increased but it was entirely on an *ad hoc* basis and on non-economic considerations. This resulted in making the economy lop-sided and high cost and set in a process of a progressive decline in the rate of economic growth.

According to Mr Karaosmanoglu, one of the chief reasons of the May 1960 revolution was the accumulated effect of the irrational economic policies pursued by the previous regime. The new military regime has been alive to the "critical position" of the Turkish economy and it has favourably responded to the suggestion of Ankara University professors to set up a high-powered planning organisation and formulate plans. A committee with Mr Karaosmanoglu as its secretary was set up to prepare a draft bill for establishing the State Planning Organisation. The organisation has now been established directly under the Prime Minister.

The delegation has been favourably impressed by the technique of Indian planning, and particularly struck by the size of the Planning Commission. The Turkish Government, it is learnt, has requested the Government of India to send a planning expert to Turkey to help organise the planning organisation and formulate the plans.

Vanishing Monopolies

MAKING his maiden speech as the Minister for Commerce and Industry, Shri K C Reddy, in the Lok Sabha debate on his Ministry's demands, was somewhat overshadowed by his technically junior colleagues. The more authoritative voices were those of Shri Manubhai Shah and Shri Nityananda Kanungo.

Manubhai sought to dispel the incipient fears among politicians, including senior members of Parliament, over "monopolies" in the country. According to him, there were really no big monopolies any more and in consumer goods manufacture (*sic*) the proportion of output in the hands of any one unit was less than five per cent except in the case of metal containers, cement, matches and industrial gases. In these fields, too, he said, the Government was trying to disperse the ownership.

Metal Box Company had a monopoly, but now the Government had licensed new units, bringing the Metal Box share down to 80 per cent. Whether 80 per cent constituted a monopoly or not was not debated.

The ACC group's share has been brought down from 64 per cent to around 30 per cent, but at the end of the Third Plan, its share will come down further to 25 per cent.

At one time almost the sole producer of matches, WIMCO has had its output kept stagnant for five years; today against WIMCO's 22 million matches other units produce more than 16 million matches.

Indian Oxygen has a virtual monopoly but 14 new units have been licensed.

None appeared to have questioned the Minister on the question of price fixing arrangements among companies in the consumer goods fields. Although production is spread among various units, such pricing arrangements do operate against the consumers. Do such arrangements exist in electric fans, for instance? Is it true that one or two of the fan manufacturers who have modernised production and reduced costs have not reduced prices, because of an understanding among all the manufacturers?

Explaining the social objectives and methods to "check the growth of big business," Manubhai enumerated some essential principles of Government industrial policy. These included : (1) a dominant role for the public sector in industrial investment and (2) refusal of licences to old firms to set up new units in well established industries; in industries such as textiles, paper, and cement, new entrants were to be encouraged.

The first will bring in its wake near monopolies in the public sector, Hindustan Steel being a major instance. The second may mean that the experience of experienced firms will not be utilised fully in fields where they are experts. It was the general complaint some time ago that the automobile industry suffered as a result of production being split among too many units; the British mergers were hailed as a lesson in economising in production cost. The spread of production over too many units in various industrial sectors will necessarily add to the cost and in goods which are planned to be exported, a wide dispersal of ownership will certainly make Indian products less competitive abroad.

Finally, Manubhai proudly claimed that 48,000 small industrial units had been established and that preference would be given to new entrants planning small units. The employment potential and scope for economy in small units are beginning to be disputed and the answer will have to be found to the question how much of planned industrial waste should be permitted in the pursuit of social objectives.

Letter from Moscow

Russia Favours Pooshtoons

Samar Sen

TWICE within a fortnight, the Russians have clarified their attitude towards Pooshtoonistan. They say, the dispute is a legacy of the British policy of divide and rule. When they left undivided India, the British went back on certain assurances to Afghanistan so that the two neighbouring States, Pakistan and Afghanistan, do not come to terms. Border tribes have a right to determine their future, a right for which they have been agitating for a long time. It is regretted that the Government of Pakistan obliged the British by continuing the old policy, by resorting to arms: villages are being bombed from the air, tanks have been moved up. According to reports reaching the Russians, there have been heavy casualties. Russia, it is emphasised, has to take note of these developments, because her border is not very far. The sooner the conflict is settled by peaceful negotiation, the better. There is no hint of any Russian action in the matter. But Russia has made it clear that her sympathies lie with the Pooshtoons and with Afghanistan.

The Russian declaration should not have surprised Pakistan. Khrushchev did not mince matters when he visited some Asian countries last year. What, perhaps, is unexpected is the timing of the new declaration. It came soon after the oil agreement, which seemed to open up prospects of friendly and business-like relations between Moscow and Karachi. There have been signs here of a softer approach to Pakistan; Pakistan Day was observed and reported in the Soviet press and Moscow radio spoke of the sacrifices made by the people who created Pakistan.

This may have jarred on Indian ears—we know what these sacrifices were, we know how leaders turned some legitimate aspirations of the Muslim masses into other channels, into a blood bath, in which we too participated with equal violence. But politics is not always honourable; honesty and expediency do not always go together; and in this matter, Soviet Russia is no exception.

It is difficult to probe the shifts in public utterances here about Pakistan, friendly a month ago, somewhat critical later. Perhaps, note was taken of the anti-Indian outburst in Karachi and East Pakistan and of the visit to the USSR of the Afghan Prime Minister. Perhaps, it was not forgotten that Pakistan is a member of SEATO and SEATO was meeting in Bangkok to discuss possible intervention in Laos.

* * *

Things have not come to a head in Laos. The Russians are pleased. They think the West did not intervene in Laos primarily because of the strength of the peace movement. The strength of the socialist camp was another factor. Between them, they created a wide rift among the SEATO powers, and Kennedy and Macmillan had to retreat from the brink of war.

Strengthening Ties

Meanwhile, Russia is strengthening her ties with the non-aligned powers. The delegates from Mali and Ceylon had had a busy and interesting time. General Ne Win is being shown around. There is no end to delegations, thanks to the mild weather in Moscow and the spread of goodwill among nations. Fraternal parties have been discussing their future in Hungary, Austria, England and India (*Pravda* has carried a long article by Ajoy Ghosh on the Indian situation). According to the Russians, the Belgian Communists have done quite well in the last elections; and forces of reaction are on the retreat everywhere and socialism is marching ahead. To be precise, the Russians are moving forward to the next Party Congress and Communism while others are completing their socialist revolution. And spring has come. Spring sowing, the Party Congress, Communism, heroes of our time, what Khrushchev said—it goes on and on in the Soviet press.

* * *

A remarkable thing about the Russians is their gift of speech. They seldom falter or are at a loss for words. Poets, painters, politicians, engineers, farmers — they are all orators. Sometimes, one is glad that one has not picked up enough Russian to follow them through. It is delightful to see the man presiding at a meeting passing a time-up chit to the speaker. But when one comes to think of it, the gift of speech is inseparable from democracy, from the art of persuasion. And the Russians are fluent at all levels, because they have to argue and persuade at all levels—in the farm, in the factory, in the office, in the party, in the Soviets. Even the dumb and the deaf here communicate their thoughts to each other with an ease that is captivating. Couldn't this sign language be a world language? It is time to attempt that. Tourism then will know no bounds.

But the written word is another matter. Editorials are another matter. Here, repetition is irritating and does curb the intellect by making people think in chorus.

* * *

Journalists were taken to several new construction sites the other day; Moscow, as all know, is growing at a tremendous rate. The stress now is on prefabricated panels of larger size. The entire floor, for instance, is made out of one panel. A sixty-flat panel building takes about three months to complete, with eight people working on two shifts. Five-storey houses are preferred. They will have no lifts. In housing construction on a mass scale, there is little room for variety, but it is being attempted through different colours. For instance, the south-western district of Moscow is pleasing to the eye. But pleasure is still a luxury. What the builders have foremost in mind is utility and the time factor. We were shown some passing old huge buildings whose facade cost quite a lot—monstrosities of the Stalin era.

On either side of the road to the airport, builders are busy. The first structures are visible. Further ahead is the site for the 1967 World Fair. By then many more hotels will open in Moscow.

UNDER SECRETARY 18 APR 1961 PUBLIC DEPARTMENT

Official Papers

The Corporate Sector

R K Hazari

The Fourth Annual Report on the Working and Administration of the Companies Act, 1956, Government of India, Department of Company Law Administration, New Delhi, pp 145. Price Rs 2.05.

The Corporate Sector in India by Raj K Nigam & N C Chaudhuri. Government of India, Department of Company Law Administration, New Delhi. pp 194. Price not mentioned.

THE corporate sector accounted for 11 per cent of net domestic output in 1957 and more than 90 per cent of the output of factories covered by the Census of Manufactures. It also contributed 50 per cent of the tax revenue of the Central Government. Total assets of companies in that year aggregated Rs 3,650 crores. At the end of March 1960, the total number of joint stock ocmpanies at work was nearly 27,000 and their share capital amounted to Rs 1,593 crores. The corporate sector is expected to cover 46 per cent of total private investment and 18 per cent of total Plan outlay in the Third Plan. Company finance and management have, therefore, already attained a position of considerable importance in the economy. This importance will continue to grow. Even during the period 1948-49 to 1957-58, when its growth was not so rapid as it is now, the share of the corporate sector in net domestic product increased from 7 to 12 per cent. The formation of a large number of Government companies — these numbered 125 at the end of March 1960 and had a share capital of Rs 468 crores — has further increased the importance of company finance and management.

The Companies Act of 1956 came into force on April 1, 1956, along with the Second Five-Year Plan. Looking back, this was much more than a coincidence. The Act was a comprehensive piece of legislation and one of the longest ever placed on the statute book. A special department was set up in the Central Government to take over the enforcement of the Act from the States. So great was the apprehension caused in the private sector by the passing of the Act that the number of new companies registered went down for some time and some managements even thought it prudent to wind up a few of their companies before the new Act came into force. The actual experience of the working of the Act and the opening up of immense investment opportunities have set these apprehensions at rest. According to the fourth annual report of the Company Law Department for the year ended March 31, 1960, the number of companies with share capital declined from 29,000 in 1956-57 to 27,000 in 1959-60, largely due to the removal of a large number of inactive companies from the register, but their paid up capital increased from Rs 1,078 crores to Rs 1,593 crores. Excluding Government Companied, paid up capital has increased over these four years at an average annual rate of Rs 41 crores.

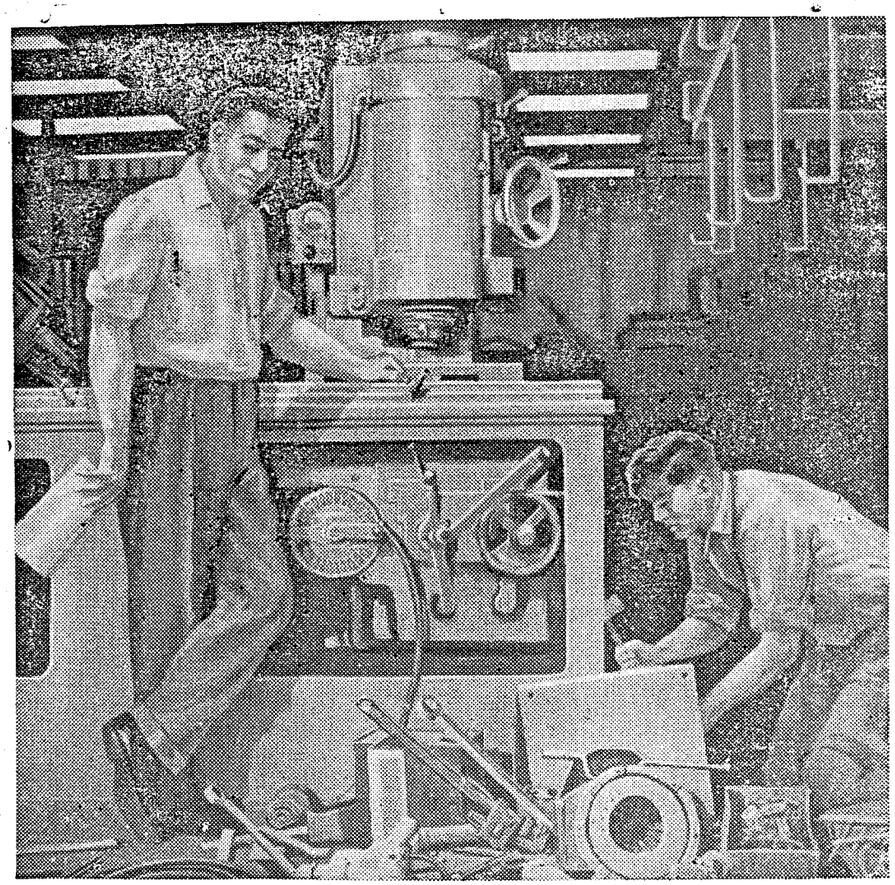
More Bark Than Bite

As in the case of company taxation and the Industries Development and Regulation Act, the private sector has found that Govenment barks much more than it bites. The burdens of taxation are reduced substantially by concessions and rebates. Licensing policy greatly restricts competition if it does not eliminate it altogether. The powers taken by Government under the Companies Act, and its 1960 Amendment which make Government a third party to most agreements between companies and their managements, have, among other things, conferred on unparallelled degree of protection on existing managements and also inspired greater public confidence in the working of companies. Few will, therefore, dispute the claim of the Department that "the transition from the Indian Companies Act, 1913 to the Act of 1956 was unexpectedly smooth and the apprehensions of the business community about the provisions of the Act and the manner of their enforcement (have) proved illusory". The report is frank enough to admit, however, that four years of enforcement have not so far achieved the broad social purposes and objectives underlying the Act.

What were these "broad social purposes and objectives" which the Act was framed to achieve and which have not been achieved so far? To this question, there is no simple, clear-cut answer. If the Act had been framed merely to protect shareholders against fraud and malpractices by managements, it would have been relatively easy to give an answer. But the Act, read with the 1960 Amendment, clearly interposes the public interest as one of the objectives which it has to subserve. This is right and desirable as reputed company managements have themselves recognised for long, though they may not always agree what precisely public interest is. From the other managements, the best that can be expected is adherence to the letter of the law, not its spirit. When a conflict arises between the letter and the spirit of the law, as it is bound to, it is primarily for the legislature and only secondarily for the administrators of the law, to clearly define what the spirit is. The spirit of a particular legislation and the manner and success of its enforcement cannot be divorced from one another, and neither can be divorced from the environment in which the legislation has to operate.

Unfavourable Environment

When the Companies Bill was being debated in Parliament in 1955 and earlier, several members were keen to know if the Bill was to be one of the instruments for achieving a socialist pattern of society. The then Finance Minister, Shri Chintaman Deshmukh, replied that the Bill was concerned merely with codifying and improving Company Law and practices and that the achievement of a socialist pattern of society depended upon other instruments. The Companies Act, in other words, was looked upon as an instrument of correction and regulation mainly through disclosure of certain essential information and prior approval from Government for certain contracts. There were no definite and explicit social objectives beyond correction of abuses.

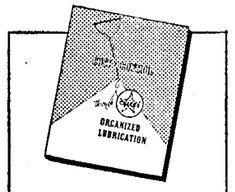


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There is, no doubt, that the Act has succeeded in eliminating some malpractices in corporate management. Most abuses of corporate management arise, however, not so much out of the desire to evade the Companies Act as to avoid or evade taxation. So long as avoidance or evasion of taxes continues to be widespread, and what is worse, no social opprobrium attaches to such practices and known tax-evaders are openly patronised by Government in various ways, the abuses of corporate management are bound to remain and continue to flourish. The more serious of these abuses occur in or through companies which are not public companies. Under the present provisions of the Companies Act, the Department of Company Law Administration cannot generally take action against them on the ground that public interest is involved. Moreover, the Department does not have jurisdiction over the entire area of corporate activity and cannot, therefore, make its policies fully effective. Control of capital issues and stock exchanges, for instance, are outside its purview, unlike in most other countries in which all these functions are performed by a single agency. It is only recently that the usefulness of this Department has come to be appreciated even within the Government and its advice asked for occasionally. Considering its limited jurisdiction, its relative unimportance in Government and the generally hostile environment in which it has to work, the Department's achievements may be considered quite creditable.

More Functions

Those who expect the Department to usher in a millennium of managerial integrity are, therefore, asking for too much. All that the Department can do is to eliminate the more obvious mal-practices and compel greater disclosure of information. Without better tax enforcement, it can do little more. It has to be prepared, nevertheless, for dealing with the more refined malpractices which will, in due course, replace the cruder mal-practices of yesterday and today. We have no special legislation to regulate the operations of holding and investment companies, and to prevent unfair and discriminatory trade practices. Nor is there any provision in law to check the growth of large groups. There is no check on the purchase and sale of shares in companies by their executives, either. Legislation on these subjects will have to be introduced sooner or later. And when that is done, for performing all the extended functions, the Department will have to be much better equipped than it is today. The work of the Department has already increased enormously but the methods of handling it have not been improved correspondingly.

Among the interesting items in the Department's annual report are the record number of new registrations, particularly in the South in 1959-60, a perceptible shift towards management by managing directors in new companies, the registration of as many as 14 new companies by the Orissa Government, a vigorous effort to prosecute errant companies (though most of the prosecutions resulted in nominal fines, especially in West Bengal) and disregard of healthy accounting conventions by Government companies.

Managing Agents

Of the 476 directors appointed to offices of profit in 1959-60, 19 per cent drew a monthly remuneration of less than Rs 250, 26 per cent between Rs 250 and Rs 500, 23 per cent between Rs 500 and Rs 1,000, and 33 per cent received above Rs 1,000. Most of the appointments were to administrative posts. This scale of remuneration indicates not that our company management is cheap but that it is part-time and often perfunctory.

August 15, 1960, was the date on which all old managing agency agreements were to expire under the 1956 Act. Re-appointments could be made only with the approval of Government. Largely as a result of the Act, the number of companies managed by managing agents has declined from more than 5,000 in 1955 to 1,345 in 1960; of these, 120 have appointed managing agents for the first time and 1,225 have re-appointed their former managing agents. Applications of 161 companies for appointment or re-appointment of managing agents were rejected, while those of another 20 companies were withdrawn or deferred. Secretaries and Treasurers now manage 181 companies; of these, 137 were formerly managing agents, but had to resign because they could not act as managing agents of more than 10 companies. There is, however, no ceiling on the number of companies managed by Secretaries and Treasurers. The remuneration of both these types of managers is fixed on a sliding scale, as a proportion of net profits which, strangely enough, has not been made applicable to other types of management like managing directors, committees of directors, etc.

Care Necessary

The Corporate Sector in India by Nigam and Chaudhuri of the Company Law Department is, within severe limitations, a useful compendium. The preface warns that "the views and judgments on the data expressed in the narratives are of the authors and not of the Department". This warning seems quite unnecessary since there are no views on judgements expressed anywhere in the publication. The volume is too lavishly illustrated with charts and graphs for the specialist and too full of statistical tables for the lay reader. A small compact book without the trappings of charts and descriptive text would have been more useful for persons interested in the corporate sector, and could also have been made more uptodate. It is regrettable, for instance, that a book published in October 1960 and made available about six months later should give a rank list of the 100 biggest companies (excluding banking and insurance companies) based on balance sheets for 1956-57. The authors say on page 53 that "information on the number, paid up capital and financing position of the subsidiary companies is almost nonexistent in our country. The Registrars of Companies have reported information in respect of 505 subsidiary companies in the annual statistical returns for the year 1957-58. It is, however, not yet possible to assure the cent per cent count of the subsidiary companies existing in the country". In the Department itself, in the same building, as a matter of fact, the authors would have found copies of balance sheets for later years, including those of subsidiaries, since every holding company must annex a copy of its subsidiary's balance-sheet to its own.

These are not isolated instances of purfunctory collection and pre-

sentation of data, the lavishness of frequency distributions, etc, notwithstanding. What purpose is served, for instance, by two graphs, five tables plus descriptive text on the amounts for which consents have been given by the Controller of Capital Issues when the figures relate only to the authorised capital which the Shroff Committee described long ago as confusing and meaningless ? What is the value of data "expected to be of assistance to all those who are interested in the analytical study of the role of the corporate sector in the Indian economy" on number, type, industrial pattern, etc, of shares and debentures listed at stock exchanges when a fairly high proportion of the listed scrips are hardly traded in at all? Appendix XIII gives a list of the top 11 managing agencies and 208 companies managed by them. In these 11 managing agencies, Bird and Heilgers are taken as one, but Kilburn, though a wholly-owned subsidiary of MacNeill and Barry, is not lumped with the latter. The reviewer is not competent to say how far the products of its research are useful for administration in the Company Law Department. For analytical studies of the corporate sector, however, the products of its Research Division should be used only with great care.

Tax Assessees

THE total number of persons assessed for income tax during 1959-60 for annual income exceeding Rs 10,000 are:

Madras	13,798
Bombay	77,498
West Bengal	34,669
Uttar Pradesh	10,345
Punjab	5,277
Madhya Pradesh	4,009
Bihar	4,799
Orissa	970
Assam	3,208
Andhra Pradesh	7,496
Mysore	6,857
Kerala	3,985
Rajasthan	3,507
Jammu and Kashmir	861
Delhi	13,815
Himachal Pradesh	49
Tripura	149
Manipur	47
Andaman and Nicobar Islands	16
All India	1,91,355 persons

This information was given in the Lok Sabha by the Finance Minister, Shri Morarji Desai, in reply to a question.

The Finance Minister also said that the information relating to collections was not maintained according to the grades of income and categories of assesses. It was not, therefore, possible to furnish State-wise information.



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JWTSTP 42R

The Case for Inflation

V S Mahajan

It is hard to see why, in the face of expanding production, the amount of deficit finance should be cut down to less than half as compared to the Second Plan, particularly when the size of the Third Plan is likely to be nearly double that of the Second.

Perhaps the middle-class bogey of high prices, raised by the Central Government employees' strike and other protests in the press and the hardship suffered by the fixed income group (which, in fact, constitutes a very small portion of our population) has been responsible for introducing a new note of caution.

This caution appears to have gone rather far. If we had been a bit more pragmatic, instead of reducing the figure of deficit financing to half of that in the Second Plan, we could have raised it by half instead, without any danger of inflation.

In any case, the economy is now in a position to bear a far higher dose of deficit finance than it has been during the first two Plans. An over-cautious approach to the Third Plan, instead of doing good to the economy, may rather damage it by generating a deflationary tendency, which would be far worse from the point of view of development than a moderate dose of inflation.

THE case for or against inflation as an instrument of planning and development must be understood in its proper perspective. In other words, we must be clear what kind of inflation we are talking of while analysing its impact on growth. Inflation which crosses a limit (that is, it is sustained one and has set in dangerous instabilities in the economy) is, of course, harmful for development. On the other hand, inflation which is associated with the growing pains of a developing economy need not be harmful. Rather it may be beneficial and even desirable for maintaining the existing rate of growth and for generating the necessary tempo of self-sustained development.

Self-destructive

An objective evaluation of the recent experience in India would indicate that inflation in the economy is mostly of the latter category. That is, a rise of 20 per cent or so of wholesale prices during the past 4 to 5 years can hardly be regarded as a symptom of a conventional inflationary situation. At best, it can be termed as inflation 'necessarily inherent in a developing economy, which is trying to transform its traditional economic organisation and methods of production into modern technology and business organisation.

Thus, from a broader angle, it should be a welcome sort of inflation and has already helped to generate and sustain a high degree of economic activity in the country. This is evident from the high rate of annual growth of industrial output and employment during the past five years. Also if we take into account the amount of capital formation, particularly in basic and heavy industry, it would be evident that any loss suffered because of inflation has been more than counterbalanced by creating such capital assets necessary for long term and sustained growth.

Improving Supply

Further, to borrow Professor Lewis's term — inflation in the long run is self-destructive. That is, if inflation is wisely used to finance capital formation, the output that would follow as a result of such capital formation would, after sometime, greatly improve the supply position in the economy and thereby help to bring down prices. Thus inflation acts as a catalyst in pushing up employment, capital formation and output.

Economic history also bears testimony to the fact that the rapidly growing periods in the West were invariably associated with inflation. This can be found by studying the growth of the British or the U S economy. In Brazil, a less developed economy, inflation has been going on for decades; yet the rate of annual growth of aggregate and per capita income in Brazil is much higher than in India.

This, of course, does not mean that India should follow in the footsteps of Brazil. Conditions in India are a lot different and we have to be cautious while using inflation as an instrument for economic development.

A pertinent question arises. If we say that ultimately inflation is self-destructive, have we used inflation in India to improve the supply position? In particular, have we taken sufficient care of agriculture, as rise in prices is most concentrated on food articles? We have already said that recently we have built up large capital assets, for example we have completed the three steel mills in the public sector and, adding to this the expansion of the steel mills in the private sector, it is evident that the steel capacity in the country is 3 to 4 times higher than it was at the end of the First Plan. Surely the expected rapid growth of steel production, during the Third Plan, will go a long way to improve the supply position of various kinds of machinery and implements (including agricultural), components and spares, and keep the small engineering workshops fully fed with their basic raw material (pig iron). All these activities would have both direct and indirect effect on the development of agriculture.

Built-in Stabilisers

Also looking at the expansion of irrigation facilities, we find that most of the multi-purpose river valley schemes, which are primarily meant to revolutionise our rural economy (by providing power, irrigation and flood control) will start yielding their optimum benefit during the Third and subsequent Plans. Also there has been considerable progress in small irrigation schemes and great emphasis is laid on them in the Third Plan. Both these major and minor irrigation facilities would rapidly increase the area served by artificial (and more dependable irrigation facilities and correspondingly reduce dependence

on the vagaries of the monsoon.

Besides, the full impact of Community Projects and the National Extension programme would be felt now onwards when the whole country has been covered by these programmes, and villagers are awakened socially and mentally to new tasks facing them. Essentially, hitherto, the Community Programme has mostly been of an exploratory nature (or gaining by experince type). The extension service is now fairly organised and farmers have been made familiar with the various facilities available to them under such service.

The rapid growth in steel output and the availability of necessary farm machinery and equipment, development of irrigation facilities on a countrywide scale, improvement in marketing, credit and agricultural extension facilities would greatly encourage the growth of farm output both of food grains and of industrial raw materials. This would, in turn, have a beneficial effect on the industrialisation of the country.

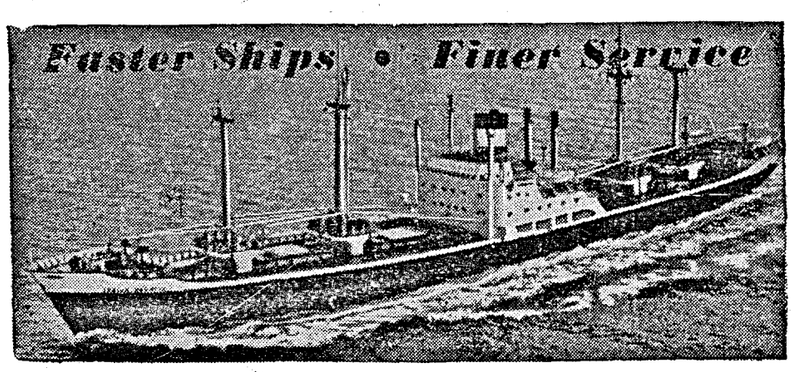
Thus considering the optimistic growth prospects in the Third Plan, it may be asked, would we, with the present cautious approach to fiscal and monetary policies, be able to retain boom conditions at a high level? The climate, unfortunately, does not appear to be as favourable as it should be, considering the stability in the economy which has been built-in during the past ten years.

Risk of Deflation

It is hard to see why, in the face of expanding production, the amount of deficit finance should be cut down to less than half as compared to the Second Plan, particularly when the size of the Third Plan would perhaps ultimately work out to nearly double the size of the Second. Perhaps the middle-class bogey of high prices, raised by the Central Government employees strike and other protests in the press and the hardship suffered by the fixed income group (which, in fact, constitutes a very small portion of our population) has been responsible for introducing a new note of caution. But this caution appears to have gone rather far and if we had been a bit more pragmatic, instead of reducing the figure of deficit financing to half of that in the Second Plan, we could have raised it by half instead, without any danger of inflation.

The effect of raising the limit of deficit finance would also be beneficial for the private sector as it would enable the Government to reduce the existing fiscal pressure on this sector. This, plus relaxation of certain harsh features of the present industrial policy (for example, less emphasis on reservation of output between cottage and large consumer sectors particularly in the case of cotton textiles), would certainly help the growth of aggregate output and employment.

In any case, the economy is now in a position to bear a far higher dose of deficit finance than it has been during the first two Plans. An over-cautious approach to the Third Plan, instead of doing good to the economy, may rather damage it by generating a deflationary tendency, which would be far worse from the point of view of development than a moderate trend of inflation.



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Migration from East Pakistan (1951-1961)

(Contributed)

It is obvious from the phenomenal increases in the populations of Assam, West Bengal and Tripura in the 1961 *Census that they have received migrants from East Pakistan. What has been the extent of this migration?*

This question will not be satisfactorily answered until Indian Tables relating to sex, age, birthplace, periods of continuous residence, and a few other characteristics are available.

But the Provisional Population Totals, district by district are now available and the Population Census Commission of Pakistan has also published with commendable promptitude its Census Bulletin No. 1.

The provisional totals published for each district in East Pakistan make possible a few surmises on the extent of migration out of East Pakistan to the neighbouring States of India on either side.

THE percent increase of population in the whole of Pakistan for the ten years, 1951-61, has been 23.7. The figures are given below :

The Federal Territory of Karachi is presumably the metropolitan area of Karachi city and its growth has to be left out of reckoning. East Pakistan's sex ratio, although quite low, is, however, better than West Pakistan's or Pakistan's as a whole. Yet the former's decennial rate of growth has been appreciably lower than West Pakistan's. A scrutiny of the district figures of East Pakistan will show whether or not the growth rate has been uniformly lower than the average for West Pakistan, or whether there are districts of exceptionally low growth which have depressed what might have been a higher average for East Pakistan.

It will appear from Table 2 that 8 out of a total of 17 districts have each shown an increase more than the decennial average for Pakistan as a whole, and a ninth is very close to it. It is, therefore, clear that if the remaining eight districts of East Pakistan had shown an average increase of 25 per cent, or that which obtains for West Pakistan, the decennial average increase for Pakistan would have probably exceeded 25 per cent. The homogeneity of the population of East Pakistan would ordinarily argue in favour of a fairly uniform rate of natural growth and fail to explain the current sharp troughs and crests from one district to another unless we assume that the districts with appreciably low rates of increase have suffered from out-migration during the decade.

Let us find out what the population in the last eight districts in Table 2 would have been in 1961 had they grown at a uniform rate of 25 per cent during 1951-61.

The States of Assam and West Bengal and the Union Territory of Tripura have shown unprecedented increases in their population during 1951-61. The figures are shown in Table 4.

Table 3: Probable Population in 1961 of Eight Selected Districts of East Pakistan Had They Grown at 25 per cent during 1951-61.

District	Population 1961 Assuming 25% growth. (000's)	Actual Population 1961 (000's)	Difference between (2) & (3)
Bogra	1,601	1,573	28
Mymensingh	7,247	7,016	231
Khulna	2,600	2,450	150
Faridpur	3,400	3,179	221
Bansal	4,557	4,257	300
Comilla	4,746	4,380	366
Sylhet	3,831	3,493	338
Noakhali	2,845	2,384	461
Total:	30,828	28,732	2,096

Table 2: Districts of East Pakistan Arranged in Decreasing Order of Percentage Growth, 1951-61

District	Population (000's)		Percent growth
	1961	1951	1951-61
Chittagong Hill Tracts	386	288	34.0
Kushtia	1166	887	31.5
Rangpur	3797	2929	29.6
Jessore	2199	1708	28.7
Chittagong	2980	2318	28.6
Rajshahi	2814	2214	27.1
Dacca	5103	4090	24.8
Dinajpur	1710	1379	24.0
Pabna	1957	1587	23.3
Bogra	1573	1281	22.8
Mymensingh	7016	5798	21.0
Khulna	2450	2080	17.8
Faridpur	3179	2720	16.9
Bansal	4257	3646	16.8
Comilla	4380	3797	15.4
Sylhet	3493	3065	13.9
Noakhali	2384	22.76	4.7

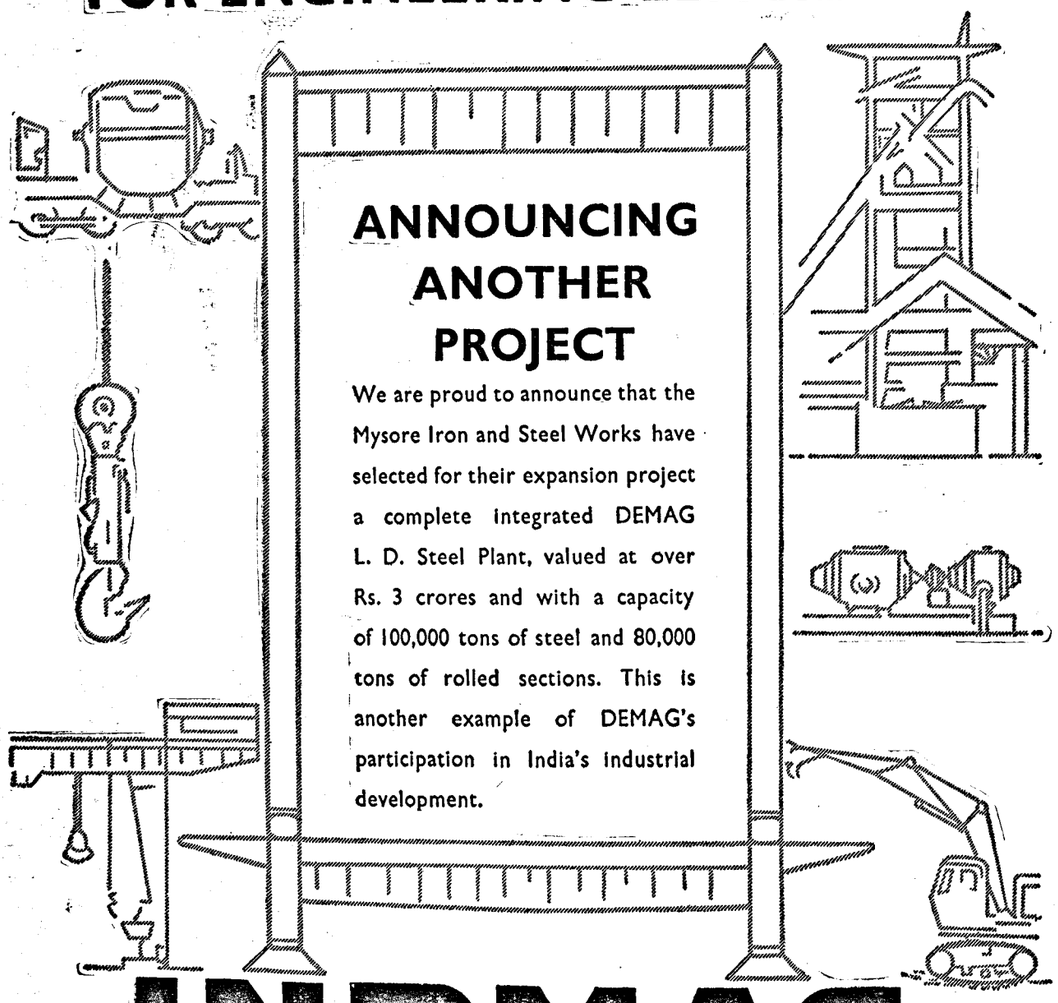
Table 1: Population of Pakistan, 1951-61

	Population (000's)		Sex Ratio	Sex Ratio	Percent increase
	1961	1951	1961	1951	1951-61
Pakistan	93,812	75,866	903	888	23.7
West Pakistan	40,815	32,583	877	868	25.3
East Pakistan	50.844	42,063	917	909	20.9
Federal Territory of Karachi	2,153	1,220	—	—	76.5

Table 4: Increase in Population during 1951-61 in Assam, West Bengal & Tripura

State	Population (000's)		Percent Increase	Sex Ratio	Sex Ratio
	1961	1951	1951-61	1961	1951
Assam	11,860	8,830	34	877	877
West Bengal	34,967	26,302	33	879	865
Tripura	1,141	639	79	931	904
Total	47,969	35,772	34		
Difference:	12,197				

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Since Tripura and West Bengal have improved their sex ratio between 1951 and 1961 while Assam has remained constant, it may be reasonably deduced that migration into these States from East Pakistan has been more in terms of whole families than otherwise.

Pattern of Immigration

The pattern of immigration into Assam and West Bengal has always been of a complex nature since 1901. Indeed, immigration may be held partly responsible for the low sex ratio in the two States. On account of the variety of her industries and the complex demands for labour, the determination of the entire migrant population into West Bengal during 1951-61 must await the publication of sex, age, birth-place and duration of residence tables for that State. Administrative statistics on the influx of displaced persons into West Bengal from East Pakistan are reported as in Table 5.

Table 5: Administrative Statistics on the Influx of Displaced Persons from East Pakistan into West Bengal. 1951-61

Year	Number
1951 (post-Census to end of 1952	477,186
1953	60,647
1954	103,850
1955	211,573
1956	246,840
1957	9,133
1958	4,283
1960	8,629
1961 (up to February 1961)	1,450
Total	1,123,591

This compares with an influx of 2,104,241 displaced persons into West Bengal at the Census of 1951. One may reasonably argue that this figure of 1,123,591 does not represent all the migration that took place from East Pakistan into West Bengal during 1951-61, because it is possible that it does not include those persons who had come away to join their families which had set themselves up on their own or with the help of the Rehabilitation Department at an earlier period. A certain and perhaps not inconsiderable proportion again, which has moved in with valuable movable property, especially ornaments, must have taken care to avoid the scrutiny of check-posts. Still others might have avoided them, because they lacked proper exit permits or visas. This figure, again, certainly does not include the sizeable Muslim population which had left West Bengal on the eve of the census of 1951, which was counted in East Pakistan but missed in the census of West Bengal in 1951, but later returned to West Bengal as soon as apprehensions were allayed.

While any increase in Tripura beyond its reasonable natural increase (say 20%), or a figure of 375,000 during the decade may be said to have been almost entirely due to immigration from East Pakistan and the natural increase of that migrant population, the same cannot be said for Assam which, like West Bengal, has recruited its labour in plantations, oil and construction industries from other parts of India, too. Let us accept as correct the figure of 1,123,591 for West Bengal or in round figures 1,124,000. Residually, Assam's share of migrants from East Pakistan works out at 597,750 or 598,000. This is, of course, on the assumption that the premises for Table 3 and the administrative statistics of the influx of displaced persons from East Pakistan into West Bengal are acceptable. This figure of 598,000 for Assam works out at 6.77 increase on her 1951 population, leaving 27.53 (34.30 — 6.77) per cent for other causes inclusive of natural increase and better coverage.

Changes in Sex Composition

Let us have a look at the changes in sex composition of the districts mentioned in Table 3 from 1951 to 1961. Table 6 gives the sex ratios in 1951 and 1961.

Table 6 shows very clearly that the proportion of males in the population that has migrated from the eight districts must be appreciably higher than that of females to enable a sex ratio of 915 in 1951 to rise to 943 in 1961. For, clearly this steep rise cannot have been due entirely to natural causes in the course of one decade, unless it is assumed that there was large scale under-enumeration of females in East Pakistan, particularly in 1951.

Table 6: Sex Ratios in 1951 & 1961 in the Districts of East Pakistan

District	Sex Ratio 1961	1951
Bogra	955	935
Mymensingh	929	903
Khulna	907	912
Faridpur	956	928
Barisal	949	913
Comilla	958	927
Sylhet	931	913
Noakhali	974	905
Sum of 8 Districts	943	915
Remaining 9 Districts	917	900
East Pakistan	932	909

The sex ratio among displaced population counted in 1951 in West Bengal was 877. The general sex ratio for 1951 for the State was 865. The general sex ratio in 1961 for the State is 879. Until the sex composition of the population of all migrants into West Bengal is tabulated it would be hazardous to guess what the sex composition of 1,124,000 officially registered refugees would be. Granting that the sex ratio would be higher than the average for the State we may assume it to be around 885 to accord with the observed differences in 1951. For Tripura, we may assume for the total of 375,000 a sex ratio that would be the weighted mean between 1951 and 1961. Similarly for a population of 597,750 for Assam. The totals, therefore, work out as in Table 7.

If we added the population composition and sex ratio on the 1961 population of the eight districts of East Pakistan, where increases much below the average have been observed, to make the total up to 25 per cent above the 1951 population, then the sex ratio in 1961 for the eight districts with 25 per cent increase on 1951 would be 939 instead of the observed ratio of 943. This (939) would mean a percentage increase of 2.62 during 1951–61 on the sex ratio of 915 for the eight districts in 1951 and is closer to 2.53 which

Table 7: Possible Sex Composition of Population That May Have Migrated to Assam, West Bengal and Tripura from East Pakistan

State	Total	Male	Female	Sex Ratio
Assam	597,750	318,460	279,290	877
West Bengal	1,124,000	596,286	527,714	885
Tripura	375,000	195,210	179,790	921
Total	2,096,750	1,109,956	986,794	889

is the percentage increase in the sex ratio of East Pakistan and is perhaps a more acceptable figure than the recorded percentage increase of 3.06.

This note merely attempts a very rough connection between the high increases in Assam, West Bengal and Tripura observed in the 1961 census count and the low increases observed in certain districts of East Pakistan. Geographical proximity, observed migrations in the past, size of migration, and closeness of sex ratio suggest that migrations into Assam may have largely occurred from Mymensingh, Comilla and Sylhet, migration into Tripura largely from Noakhali, and migration into West Bengal principally from the other five districts of East Pakistan.



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Sanskritisation

A P Barnabas

As both the processes of sanskritisation and westernisation are going on at the same time, there is a conflicting, or more correctly, a confusing situation.

On the one hand, there are the lower castes trying to take on the traditional values and customs of the upper castes, to raise their status. On the other hand, the upper castes are discarding some of these customs.

Westernisation may be characterised as a movement from the sacred to the secular. It is difficult to characterise Sanskritisation in a 'sacred-secular' of 'folk-urban' frame of reference.

In any case, from the view point of culture content the more important aspect to be noted is that these processes are likely to result in having a common set of cultural elements in all of Hindu society.

At the same time, there is an element of "conflict" between westernisation and Sanskritisation. Most of the castes are faced with a dilemma of making a choice.

With increased industrialisation, greater communication, new occupations, greater education, it seems likely that westernisation will be the more dominant process.

THE form of 'Sanskritisation' was first used by Prof M N Srinivas in his book *Religion and Society Among the Coorgs of India*. This book is a study of the Coorgs—a caste like group of people in India occupying the area called Coorg, located on the south west coast. The Coorgs are divided into two sections, one of which is "highly Brahminised in their customs and ritual".[1] Srinivas says that these Coorgs "exemplify a tendency which has always been present in the caste system; a small group of people break off from a larger whole, of which they are a part, Sanskritise their customs and ritual and achieve a higher status than their parent body in the course of a few decades"[2].

Sanskritisation is defined by Srinivas as follows:

> "The caste system is far from a rigid system in which the position of each component caste is fixed for all time. Movement has always been possible and especially so in the middle regions of hierarchy. A low caste was able, in a generation or two to rise to higher position in the hierarchy by adopting vegetarianism and teetotalism and by Sanskritizing its ritual and pantheon. In short, it took over as far as possible the customs, rites, and beliefs of the Brahmins and the adoption of the Brahminic way of life by a low caste seems to have been frequent though theoretically forbidden. This process has been called Sanskritisation in this book."[3]

The word "Sanskritisation" is rather difficult to understand. The immediate reaction on seeing the word is that it must be related to "Sanskrit", the classical and sacred languages of the Hindus.

The Word Itself

The other word that could have been used is "Brahminisation" but Srinivas rejects this for the following reasons:

(1) Brahminisation is sub-assumed in the wider process of Sanskritisation;

(2) the customs and habits of Brahmins changed after they settled in India; and

(3) the agents of Sanskritisation were not, and are not always Brahmins.

Another factor involved is that the word "Brahminisation" evokes the connotation of Vedic traditions, but not all aspects of sanskritisation are Vedic.

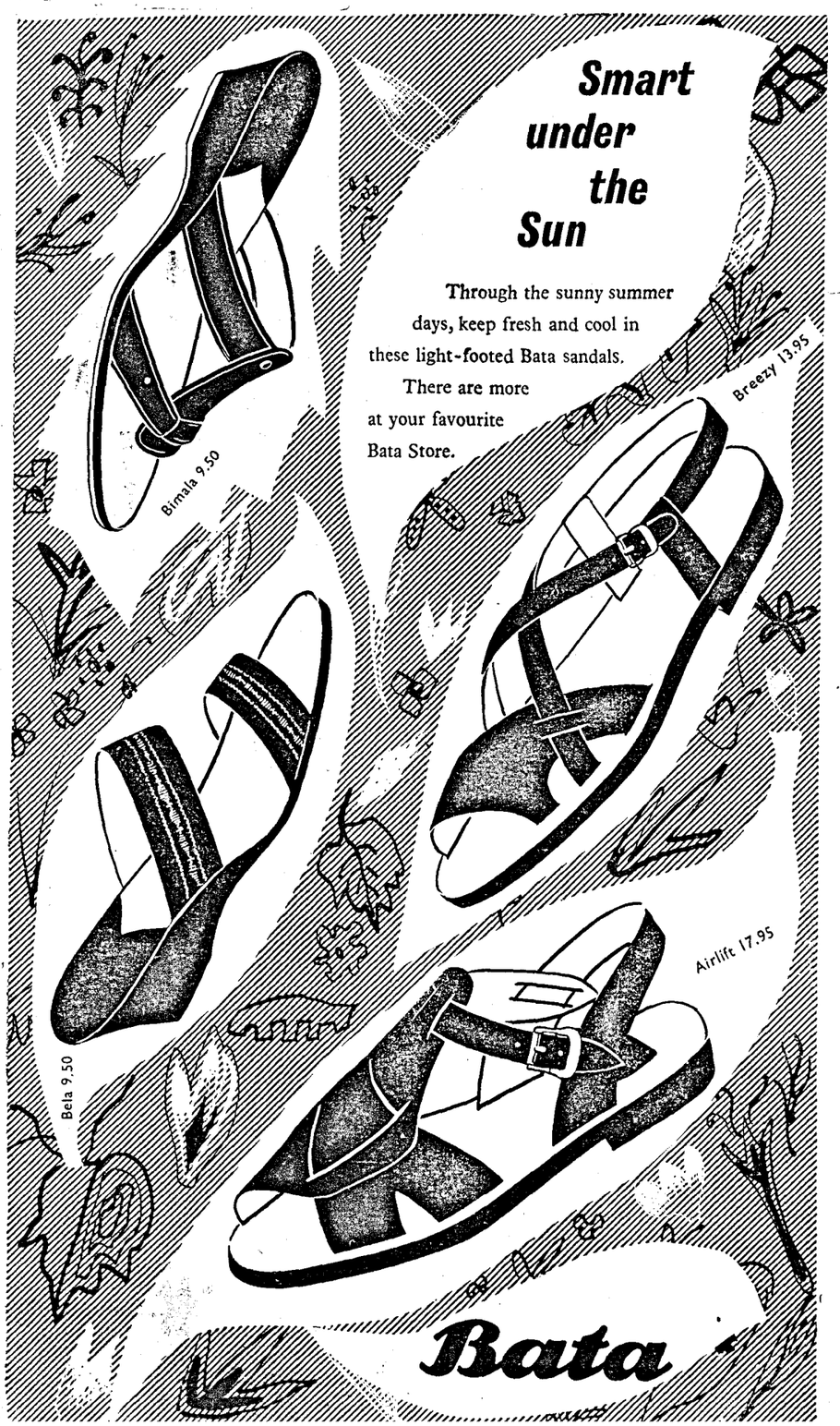
At one of the conferences where the concept was discussed, the word "Hinduisation" was suggested—but as it smacked of proselytization, it was not accepted. Further the word suggests that many of the lower castes are not Hindus which is not true. Also Hinduism includes many non-Sanskrit elements. Another suggestion was "imitation" but the process of Sanskritization involves more than mere imitation.

To the suggestion that "acculturation" be used, Srinivas gave the following reply:

> "There was another suggestion made that we should discard a local term like Sanskritisation for acculturation. I think this should be rejected for the reason that acculturation takes a particular form in Hindu society and we want to characterize this particular form of acculturation..... Generalizations about acculturation all over the world are a bit too premature."[5]

Redfield, who was at the conference, commented as follows:

> "I entirely agree with the suggestion that the process of acculturation that is going on in India should be indicated by a special term because the process itself is special. In acculturation generally, a group takes over elements of culture not practised by that group. Sanskritisation is a process whereby elements of tradition more nearly universal and more reflectively cultivated are communicated to, and some often consciously assumed by a group whose local folk culture has long contributed and drawn from reflective culture. The process is taking place within a civilized community not only characterized by a high tradition but also by a more local and unreflective tradition. There are levels or stages of culture and the arrangements of the stages are affected and altered by the process of sanskritisation. This is quite different from the process which occurred when the red Indians met European traders who came into contact with them. Therefore in



my view it is good we find a special term to express this process."[6] Srinivas himself said the word was "ugly", but at the end of the discussion he felt that nothing that had been said had convinced him that he should change the word.

The Process

"The structural basis of Hindu society is caste and it is not possible to understand sanskritisation without reference to the structural framework in which it occurs.

"Speaking generally the castes occupying the top positions in the hierarchy are more sanskritised than the castes in the lower and middle ranges of the hierarchy and this has been responsible for the sanskritisation of the lower castes as well as the outlying tribes. The lower castes seem to have always tried to take over the customs and ways of life of the higher castes. The theoretical existence of a ban on their adoption of Brahmanical customs and rites was not very effective and this is clear when we consider the fact that many non-Brahmanical castes practise many Brahmanical customs and rites."[7]

As this process was common to all the castes except the highest, it meant that the Brahmanic customs and way of life spread among the Hindus. However, the immediate group that was imitated by the lower castes was the locally dominant group. As the dominant caste began to take on more of the Brahminical customs and rites, the latter slowly seeped down to the lower castes as well and, hence, to the entire society. Among the customs taken over are clothing, jewellery, cooking, vegetarianism, teetotalism and at times the changing of the name of the caste.

According to Srinivas, two legal fictions helped the process of sanskritisation of the ritual aspects. The ban is restricted not to the ritual itself but to the recital of magic chants (mantras) from the Vedas. This was circumvented by the lower castes by using Sanskrit verses from the Post-Vedic period. This substitution in itself was the second legal fiction.

The non-Brahmins not only adopt the Brahminical rites and customs, but also the institutions. Srinivas corroborates this by referring to marriage, position of women, and kinship. Among Hindus, there is preference for virginity in brides, chastity in wives, and continence in widows. This is especially marked among the highest castes. The lower have not been very rigid in their sex code, but as the castes rise in the hierarchy, it becomes more and more Sanskritised and, in sex and marriage, the code of the Brahmins is taken over. Widow remarriage and divorce are restricted. Srinivas himself says, "Sanskritization results in harshnness towards women."[8] In the sphere of kinship, the patrilineal lineage is stressed among the Brahmins, hence the importance of the sons.

Sanskritisation also means the adoption of new ideas and values which have been expounded in Sanskritic literature. Such theological terms as *Karma* (predestination and rebirth), *dharma* (duty), *papa* (sin), *punya* (merit and deliverance) *maya* (illusory nature of the world), *samsara* (universal), and *moksha* (liberation) are used frequently. These were essentially related to Vedas and the discussion confined mostly to Brahmins.

Helps and Hinderances

What has been said so far may seem to suggest that the process of Sanskritisation goes on without hindrances. This is not true. The very fact that it takes decades and decades for a caste to raise its status is indicative of the slowness of the process and slowness is an indication of the opposition. "Once inside Sanskritic Hinduism, the local rites and beliefs undergo Sanskritisation rapidly in a thoroughgoing manner." In the recent past, the process of Sanskritisation seems to have been acclerated.

Among the factors that have helped the process along are the "legal fictions" that have been already mentioned. The second factor is western technology — railways, press, radio, internal combustion engine, and plane. Communication is easier and ideas spread more quickly because of it. Parliamentary democracy also contributed to it. Some of the values of the higher castes were written into the Constitution—such as prohibition and monogamy.

"It is possible that the very ban on the adoption of the Brahminical way of life by the lower castes, had exactly the opposite effect. The forbidden fruit was the tastier one."[9]

"The pantheistic bias in Hinduism also contributes to Sanskritisation of the deities and beliefs of the low castes and outlying communities. The doctrine that everything in the universe is animated by God; that all the various deities are only forms assumed by the same Brahma makes the process of absorption easier."[10]

"The stratification of the Hindu society into castes has in a sense helped Sanskritisation because in any hierarchial system, there is a tendency to imitate the customs, habits, manners of the top group."[11]

The most important factor in the hindrance for the process is the resentment of other castes against any caste that tries to raise its status. Often political and economic pressures are put. At times even physical force is used to prevent the lower castes' taking on the customs and the rituals of higher castes. Cohn mentions the fact that *Thakurs* used political and economic pressure and also physical violence to keep the Chamars in place. In my own study of North Indian Village, one of the more educated Brahmins said, "If the lower castes attempted to disobey Brahmins they would ask them not to walk on their fields. If they do, we can manhandle them physically." As the houses of the lower castes were located in the midst of the fields of the Brahmins, the lower castes would not be able to move out of the houses at all. As the upper castes hold most of the land, are better educated, hence have the economic and the political power to subdue them . . ." A more effective barrier to the taking over of the customs and the rites of the higher castes by the lower castes, was the hostile attitude of the locally dominant caste or of the king of the region."[12]

Functions of Sanskritisation

A second factor that hinders the process of Sanskritisation is westernization—this is in view of the fact that there is a conflict between the Sanskritic and western values—the conflict between "the world view disclosed by the systematic application of scientific method to the various spheres of knowledge, and the view of traditional religions."[13] At present this conflict is implicit, rather than explicit as it is not fully realized.

It could be said that there are

In the first place, as the process was common to all castes except the highest, the Brahminical customs and the way of life spread among all the Hindus.

From this arises the second function, namely that because of the spread of one particular way, a common "culture" was developing throughout the whole Hindu society. "The presence of completely sanskritised worship of rivers, trees, and mountains in Hinduism, and then incorporation in vast mythology of Hinduism, makes easier the assimilation of the ritual beliefs of the lower castes and of communities remaining outside Hinduism."

A third function is to provide for social mobility within a rigid social structure. Too often the caste system and Hindu society are described as non-mobile. This does not provide a total description of the Hindu society. The reform movements, the revolts of the lower castes and Sanskritisation all indicate that the Hindu society is dynamic. Sanskritisation provides the means of vertical social mobility.

The concept of sanskritisation is one of the most widely discussed and used concepts in recent studies. However, I shall confine myself to citing four studies and indicating the findings on the subject.

Cohn studied a village in U P. He states "For the last thirty years the Chamars of Modhopur have struggled consciously to raise their status on another related front—that of caste hierarchy. At least two generations ago, in the vicinity of Modhopur, began to outlaw eating of beef and the carting of manure in what proved to be a futile attempt to gain greater respect for the caste."[14]

Such attempts to raise their caste status are not individual in character or effect. Nor are they necessarily legislated by large formal gatherings. Rather a leader or a group of leaders in the caste in one village feels that some traditional behaviour should be changed and the changes are talked over in the village. Relatives and others who are visiting hear about the proposed change and carry the news to their home villages. If a local group of Chamars decides to initiate the change, it decrees that any Chamar who fails to conform to the new pattern will be outcasted. Active propagandizing follows from the initiating village or villages. Ultimately the initiating Chamars determine that they will no longer give daughters to or accept daughters-in-law from the Chamars who do not conform to the change.

"Consistent with efforts to raise their caste status to gain power, the Chamars of Modhopur in recent years also made conscious efforts to suppress their distinctive traditional religion, to Sanskritise their rituals still further and emulate the specific religious forms of the higher castes. Although they continue to propitiate the Goddess Bhagoti jointly of the whole hamlet and although they continue to worship the other deities, as do members of the higher castes, yet they have made many changes in the rest of their religious practice."[15]

Case Studies

Domestic ceremonies of the Chamars have been modelled increasingly upto leaders and devotees of the Siva Narayan sect. The sacrifice of a pig which began the Chamar wedding ceremony has now been given up and replaced by the cutting of a nutmeg?[16]

Dowry is beginning to replace bride price. A Brahmin conducts the wedding ceremony. Horoscopes are cast at birth ceremonies. Changes have been made in the death rituals. Pilgrimage is emphasized. "..... recent changes have moved Chamar religion directly toward the main stream of the great tradition of orthodox Hinduism."

Berreman studied a village in the Himalayan regions. He states "Increasing contact with Brahmins educated in traditional Hinduism has been sufficient to impel the whole society including all castes towards increasing acceptance of Sanskritic values and aspirations, or at least superficial adherence to these. Where new reference groups have been acquired, they have been largely those within the traditional Hindu culture with which the people have long had some acquaintance. Status improvement here as among the low castes of the plains is perceived as achievable through adoption of Sanskritic practices. That it occurs among all castes almost uniformly is due in part to the relative absence of differential beliefs and practices among castes in this area which in turn is largely attributed to lack of caste community isolation in these hills.

"Therefore, the picture is of the changing caste moving up in the Sanskritic caste status hierarchy, as the higher more advantaged castes move out of the hierarchy into a non-Sanskritic milieu. In Srikanda the picture is of the entire, Pahari community attempting to move up from the low status to higher status in terms of Sanskritic values while castes within that community retain their relative status positions ..... It is however an assertion that the dominant trend is towards society-wide movement upward in the traditional Sanskritic context."[17]

In Srikanda there is little evidence of any one caste making an organized effort to raise its status in the system. This does not mean that the low castes would not like to rise in status, but they see no way to do it. They feel that they are subject to the will of high castes who would never tolerate impingement upon their superior status.[18]

Cohn mentions in his study of the attempt by "Noniyas"[a] to raise their status. Rowe[b] made a study of this caste in the same village[c]. According to him, there is not much of a process of sanskritisation. There are possibly two reasons for this. One may be due to the failure to raise the status through the process of Sanskritisation. The second reason may be that they feel that westernization (discussed later) is a better way of catching up with the upper castes. Rowe feels that there is a greater process of westernization than Sanskritisation. The reaction towards Sanskritisation is characterised by the following statement. "What is the use of calling oneself a Singh (the reference to changing of name to a higher caste) if you can't be a Singh?"

In my own study of a village in U. P. there was not too much evidence of Sanskritisation among the lower castes. There was some indication of Sanskritisation among the middle range caste groups, particularly in matters of food and to some extent in rituals. The middle range caste groups seemed to be observing all the rituals that the Brahmins observed, the difference was in the degree of elaboration.

[a] A higher caste than Chamars studied by Cohn

[b] Information based on personal discussion

[c] Rowe W, Social & Economic Mobility in a low caste North India Community, Ph D thesis (Unpublished), Cornwell University, 1960

In the village studied by me, it is possible to explain the lack of Sanskritisation by using another concept developed by Srinivas—"dominant caste."[20] According to this concept, each village has a dominant caste—dominance may be based on ritual "power" economic power, political power, or a combination of them. In the village studied, the dominance of the dominant caste—Brahmins—was too complete to allow any attempt by the lower caste to try to raise their status. Brahmins wielded power with regard to rituals. They were the land-holders and the lower castes were engaged by them labourers. Numerically, they were the largest. The village council was dominated by the Brahmins—only three out of thirteen being non-Brahmins. The lower castes were too much under subjugation to try to raise themselves.

Westernization

Reference has already been made to westernization. Western influence came to India through the British. There was an attempt by Indians to accept, adopt, or imitate the British customs and habits. "The form and pace of westernization in India varied from one region to another and from one section of the population to another. For instance, one group of people became westernized in their dress, diet, manner, speech, sports, and the gadgets they used, while another acquired western science, knowledge and literature while remaining relatively free from westernization in externals."[21]

The process of westernization was more relevant to the upper castes. Brahmins, Kshathryas and Vaish had a literary tradition which gave them an initial advantage in taking to western education. In most parts of the country Brahmins were the first to take to English. This resulted in increasing (a) the social distance between them and other castes and (b) brought them closer to the rulers which in turn enabled them to acquire political and economic advantages. As the Brahmins were at the top of social hierarchy, it was easy for them to do things without being subject to ridicule. Any attempt by the lower castes to do the same would have been ridiculed.

Aspects Westernized

As stated earlier, not all aspects of "westernization" were accepted. This is in keeping with process of acculturation in which there is always selection and adaptation. Some of the changes which Srinivas mentions are changes in appearance and dress. Crop haircut became normal. The wearing of shirts, and suits became common. The change in dress led to change in certain ideas with particular reference to rituals connected with "pure robes" for eating. The diet changed. Onion, carrot, potato, radish, beet-root became part of the menu. Formerly they were forbidden. New occupations were taken. Medical profession (which involved touching the corpses, treating untouchables) became popular. An indirect effect was the spread of dowry. The demand for educated boys with good jobs brought in "dowry" in place of "bride price". Certainly many ideas of western origin were accepted. "The systematic application of scientific method" had already been mentioned. The legal and political system was accepted.

The process of westernization took place because:

1. British rule and the imposition of legal and political system
2. Increased social value on education which was mostly in English and the functional necessity of studying English—to be able to secure jobs
3. Increased communication and transport system
4. The desire of the upper castes to move nearer to the ruling class and also to increase the social distance with the lower castes

Present Situation

As both the processes of sanskritisation and Westernization are going on at the same time, it would be said that there is a conflicting, or more correctly, a confusing situation. Cohn refers to this condition in his article. On the one hand there are the lower castes trying to take on the traditional values and customs of the upper castes, to raise their status. On the other hand, the upper castes are discarding some of these customs.

Westernization may be characterised as a movement from the sacred to the secular. In the sacred society, the characteristics are folk and prescribed, particularistic, collective oriented, diffuse, quality-oriented (ascription) and affective. In the secular, the factors involved are principles, and normless, universistic, ego-oriented, specific, performance-oriented (achievement), and affective-neurality. It is difficult to characterise sanskritisation in a "sacred-secular of folk-urban" frame of reference.

Trends

Some trends have already been implicitly indicated. However, other aspects need to be made explicit. The fact that the lower castes are trying to "sanskritise" ie, to adopt the traditions and customs of the Brahmins. The Brahmins, on the other hand, are becoming more westernized. The lower castes are faced with a dilemma. As members of the lower castes they have certain privileges which the government has accorded to them (free tuition, preference in selective jobs, scholarships, etc) so as to bring them in line with the rest of the society. The lower castes do want these privileges, but they also want to raise their status. It is a case of wanting to have the cake and eat it too.

Among middle range castes, westernization seems to be gaining rapidly. As indicated in Rowe's study, the attempt seems not to sanskritise. This is possibly due to two reasons. The upper castes are westernizing and naturally if the immediately lower castes are going to imitate them, then naturally there will be westernizing." Secondly, caste names and rituals do not now account entirely for the status. Education, occupation, and wealth are beginning to be considered. Most occupations outside the caste hierarchy do have a high value, e.g., lawyer, teacher, doctor, government service, factory worker, etc.

In brief, the lower castes are still trying to give up the traditions and customs which gave them lower status and are trying to adopt customs and traditions of the upper castes. The upper castes are overlooking their rituals, customs, and traditions and taking to westernization. The middle range castes tend to imitate the upper castes, hence

undergoing "westernization." It is possible that the lower castes will, in the near future, take to westernization.

Implications for Culture Content

In both Sanskritisation and westernization, there is culture accumulation as well as culture depletion.

In Sanskritisation, the lower castes are giving up their own rituals, customs, folkways, and values. Hence, there is culture depletion. On the other hand, there is culture accumulation in view of the fact that they are taking over new values, traditions, and customs from the upper castes. In westernization the new elements which have come into being have been mentioned. The upper castes seem to be giving up the rituals and customs of the past. Hence there is both accumulation as well as depletion.

From the present trends, it would seem that the process of westernization is likely to become the more dominant process. In any case, from the viewpoint of culture content the more important aspect to be noted is that these processes are likely to result in having a common set of cultural elements in all of Hindu society. At present there is great diversity. Both sanskritisation and westernization are a trend towards decreasing the diversity and of unifying the Hindu society from the point of view of culture content.

At the same time there is an element of "conflict" between westernization and sanskritisation. Most of the castes are faced with a dilemma of making a choice. As not many studies have been made, it is not easy to predict which process is likely to be more dominant. With increased industrialization, greater communication, new occupations, greater education, it seems likely that westernization will be the more dominant process.

Footnotes

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18.	Berreman (Thesis)	305–306
19.	" "	506
20.	American Anthropologist (February, 1959)	
21.	Society in India	84
22.	Man in Reciprocity	195

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Life Insurance Business

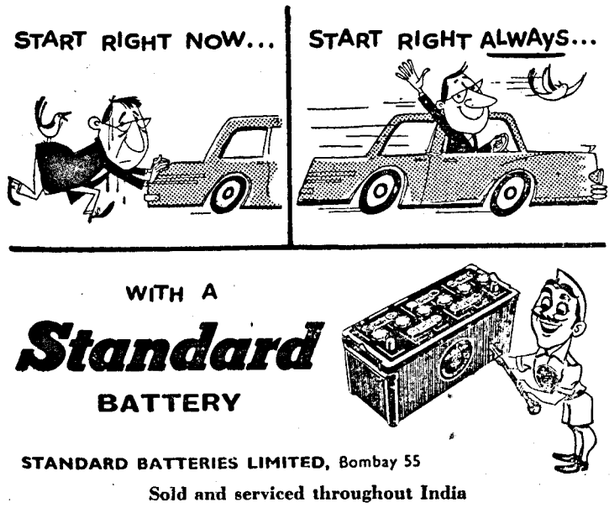
THE Life Insurance Corporation secured peak business during 1960. The new business amounted to Rs 460 crores, according to provisional figures.

The amount of new business completed during 1955, the year immediately preceding the year of nationalisation, was Rs 260.84 crores.

The Corporation will examine in due course whether in view of the high profits earned the premium rates could be reduced.

This information was given by the Minister of Revenue and Civil Expenditure, Dr B Gopala Reddi in Lok Sabha.

Replying to another question Dr Gopala Reddi informed the House that foreign business completed by the Life Insurance Corporation of India during 1960 was Rs 9.70 crores. Foreign business in 1957 was Rs 5.40 crores; in 1958 it was Rs 5.62 crores; in 1959, Rs 9.47 crores.



From the Chair

United Bank of India Ltd

Speech of the Chairman, Dr N N Law

THE following are abstracts from the Speech delivered by the Chairman, Dr N N Law, to the Shareholders of United Bank of India Ltd., Calcutta, at the Annual General Meeting of the Bank held on April 10, 1961:

Gentlemen,

It is my happy privilege to welcome you to this meeting. Last year your Bank has completed the first ten years of its united existence. It is heartening to note that during this period our basic progress has been satisfactory. We have been able to cross the aggregate peak deposits of the pre-merger period. We have closed 55 over-lapping branches and opened 24 new branches, a number of which are in previously unbanked areas.

Despite the tendency of deceleration which marked the growth of bank deposits last year, we have been able to achieve an increase of Rs. 4.06 crores in our deposits, a rise of 8.5% over 1959. Our advances portfolio has also registered an increase of 14.7% over that of 1959.

Monetary Policy

The past year has been a significant one for Indian Banking. On the one hand, it witnessed efforts on the part of the monetary authority in playing its role actively in an attempt to control the effects of various adjustments that were taking place in the economy. On the other, there were certain developments in the country inhibiting banking progress. In the monetary field, by and large, the Reserve Bank showed its alertness and did all that was within its powers to keep the situation under control.

Deposit Insurance

In order to strengthen public confidence in banking, which was adversely affected during the past year, the Reserve Bank by sponsoring a scheme of Deposit Insurance is removing an important lacuna in the Indian money market mechanism. We now learn with a sense of satisfaction that the Government has, at last, made up its mind to give effect to the scheme. The Governor of the Reserve Bank is to be congratulated for having taken this right step for better development and growth of Indian banking. It is hoped that an appropriate scheme, suiting the needs of the situation, will be given effect to without further loss of time.

The importance of Deposit Insurance lies not only in covering depositors' loss in case of bank failure, but more in its ability, as a tranquiliser, to bring about a general climate of confidence. However, this is not the end in itself. It is only a means to achieve the objectives of a healthy expansion and development of the banking system for sustaining the growth of the economy. Any scheme for Deposit Insurance, therefore, to be successful, will have to be designed with a view to taking care of the liabilities side of the banking balance sheet, the Reserve Bank taking care of the assets side.

Capital Structure

Increased capital funds can be achieved in two ways, by augmentation of reserves from profits and by issue of fresh capital. I may point out, as the indices of variable dividend securities clearly show that bank shares are not thought to have growth prospects. In such circumstances it becomes ruinously expensive — and uneconomic too — for banks to secure capital on the only terms on which such issues can be successful. In other words, the strength secured from an addition to capital is dissipated by the higher quantum of distribution required thereon. It would follow that whether for augmentation of reserves or for issue of fresh capital on equitable terms, the profit margins of bank operations must be enhanced.

Again, the liquidity position which the banks are required to maintain has an important influence on the profit levels which can be reached. Thus, capital funds, liquidity and profitability of a banking institution are mutually the cause and effect of one another.

Liquidity

Under compulsion of circumstances liquidity is drifting downward. It is true that the liquidity position of banks in any country, at any point of time, would be a reflection of the state of activity of its national economy, extent of banking habits and coverage and pressure of legitimate demand for credit; the liquidity of banks, in the conventional sense, will reflect the degree of development and integration of the overall economic fabric of the country. In a developing economy like ours with a limited banking habit, banking liquidity will naturally tend to be lower and the pattern comparatively rigid. More so, when massive planned efforts are being made to increase the tempo of economic activities. It is also true that in these days of advanced central banking, immediate liquidity problem no longer has the significance it had in the past. Yet the basic need for liquidity in banking business cannot be ignored or its importance minimised.

Admittedly, economic expansion calls for greater credit requirements for industry and trade. But that should not eventually lead to bank finance replacing, even partly, the functions of owner capital. In so far as high taxation and low saving rate force this distortion, the phenomenon calls for immediate attention; this is important for the basic need for institutional growth. It seems that the low capital structure in the industry is being sought to be supplemented, to a noticeable extent, with bank funds. In so far as this tendency is responsible for the present expansion of bank advances, pushing up the advances-deposit ratio further, it could be said to be unrealistic and even disturbing; unless of course this is considered to be only a transitory phase.

Profitability

Another reason, may be the most important one, for the liquidity being placed low is the need for increased profits. The profit margins of the banks are already very narrow. With a number of major banks the profit, after deduction of taxes and bonus to the staff, for 1960, as ratio to deposits, ranges between 0.17% and 0.30%. To match the mounting

operating costs, therefore, banks tend to seek better earnings through larger advances. Any increase in the quantum of profit has, thus, been the result of 'double shift' in advances. This can neither be regarded as normal nor be looked upon with complacence. That even such profit has evidently failed to allow for ploughing back and make up for the decline in the investment values, is all the more a matter for concern. There is an urgent need for a study of the structure of operating costs and operating earnings with a view to achieving a better differential.

It is surprising to note that while the advance-deposit ratio has been continuing to take an upward turn, the banks have thought it fit further to raise the rates of interest on short and other term deposits. We have been expressing our views against raising of interest rates and we still believe that the recent upward revision has been an extremely undesirable step.

Interest Rates

Over the years it has been our confirmed conviction that by and large the growth of deposits does not depend so much on the rate of interest as on the confidence which the banking system inspires, availability of banking facilities and the quality of services rendered to the community. While most of the people still live at or below the subsistence level, it would seem incorrect to assume that a feasible rise in interest rates will stimulate savings as the base for bank deposits by curtailment of consumption, particularly when the value of the Rupee is declining. The step, on the other hand, will further add to the increasing expenses of the banks. If the increased expenditure were, instead, spent on opening branches in unbanked areas and improving the quality and diversifying the range of services, the banking habit would have been further stimulated resulting in mobilisation of fresh deposits; that would have been a useful investment in the future.

The higher rates of interest paid on bank deposits may tend to push the bond rate upward in regard to the future borrowings of the Government. This will cumulatively add to the burden of servicing charges, which will, for obvious reasons, have to be met by progressive increase in taxation. Any disturbance on this account is likely to reflect itself by further complicating the difficult funding problem. In order, therefore, to prevent the servicing cost of the public debt from rising sharply, the interest rates prevailing elsewhere in the economy, particularly on bank deposits, will need to be kept under close control. The policy of varying the minimum lending rates of the banks, already initiated by the Reserve Bank, can effectively take care of the adjustments in the economy.

Peg the Rates

In this connection, I would also point to the danger of uncertainty about the future course of interest rates. It is our considered view that in the interest of present investment and also in order to bring about a healthy growth of future investment, proper steps should be taken to remove any fears of capital depreciation. To quote Keynes, "the Monetary Policy which strikes public opinion as being experimental in character or easily liable to change, may fail in its objective."

I therefore suggest that the desirability of following the U. S. method of imposing a reasonable limit on interest rates on medium term and long term public debt should be seriously considered. It may not be necessary, however, to adopt the American method of legislative provision; a stipulation as to the maximum rate of interest to be offered incorporated in the National Plans, may, perhaps, serve the purpose equally effectively.

Tax Concession Necessary

Returning to the question of profitability, I think that by increasing the rates of interest on deposits, the banks have again postponed the opportunity of raising their low profitability. It is high time that banks took a more realistic view of the situation, kept interest rates under control and tried other methods of improving their resources and profitability. While undoubtedly banks will have to make their own efforts in this regard, it is also our view that the banking system should receive apposite assistance from the concerned authorities. Tax concessions on that part of profits, which is utilised to build up reserves and thus to strengthen the capital structure, should, for example, be seriously considered by the Government.

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



Around Bombay Markets

Technical Correction in Progress

Thursday, Morning

DALAL STREET which had been moving up and down in quite an indecisive fashion for some time beat a sizable retreat last week. Equities suffered heavy losses all-round, the fall being less pronounced in the cash scrips than in the speculators' favourites. The decline started with anxious bull liquidation but later bears too became quite aggressive. Bulls seemed to have been scared mainly by the heavy carry-forward charges which could not be easily explained away in terms of the prevailing acute stringency in the money market. Money conditions had not been less difficult when the stock market had been pushing its way up recovering within barely three months all the ground lost since July 1960.

The carry-forward charges at the end of the last settlement on Friday, 7th April, were indeed very high and the market developed considerable weakness in Saturday's kerb dealings. There was virtually a stampede for selling when the market re-opened for the new account on Monday. Down came prices almost with a bang, recording the sharpest decline for any single session since the beginning of the year. 'Vyapar's' equity share index dropped from 143.56 to 140.79 in a matter of minutes. Scattered short covering and some cautious replacement buying produced a modest rally on Tuesday but when the market came to know of the record high delivery figure of 8.94 lakh shares it faltered again on Wednesday and 'Vypar's' index showed a net loss of 5 points over the week at 141.56.

Power Shortage

While last week's decline was caused essentially by technical considerations, sentiment was also unsettled by reports of power shortage from various centres. If continued for long, power shortage would adversely affect production. With sentiment very much depressed, stock exchange operators talked of the possible strain on the market as a result of the various new issues that will be in the market in the very near future. The encouraging corporate news attracted hardly any attention during the week.

It is tempting to underline the bearish influences at work when the market is in an uneasy mood. But it would be unwise to regard the recent fall in equity values as anything more than a technical correction of the preceding steep rise. At its last week's low the market has already retraced nearly one-third of the rise since the beginning of the year. How far the market might decline still further, is difficult to say, but a strong market seldom retraces more than 50 per cent of its preceding important move.

Cotton

Bengal Deshi Quota

AT long last the Government of India has released another 60,000 bales of Bengal Deshi for export on a first-come-first-served basis with an individual ceiling of 2,500 bales. Out of this quota, 3,000 bales have been reseved for co-operative societies as usual. The announcement, which was made on the evening of 11th April, came not a day too soon because the trade had long been pleading for the release of a further large quota in view of the substantial exportable surplus. Even more welcome than the quota are the changes that have been incorporated in the licensing procedure. The new procedure is simpler and fair and it will enable all shippers to participate in the business in that shipping bills will be accepted only from 15th April and business put through before the date of the trade notice of 12th April will not be considered valid. If on any particular day, applications are received for a quantity exceeding the ceiling the same will be considered on a pro-rata basis.

In view of the keen demand for Indian Deshi cotton it is almost certain that the ceiling for the shippers' share of 57,000 bales will be reached on the very first day, i.e., 15th April. Japan is expected to lift the bulk of this cotton and the latest quotations are mentioned at around 21.5d a lb. f o b, Bombay, for fine and 23d for superfine choice. In December last, superfine choice had fetched as much as 27.5d a lb and the overseas buyers had reduced their quotation to 25d by the time the second quota was released in February. An earlier release of export quotas would thus have enabled the country earn more foreign exchange for the same quantity of cotton. It is interesting to observe that the prices of Bengal Deshi cotton have recorded a heavy decline over the past several months despite the release of export quotas. Locally, Bengal Deshi superfine choice has declined from Rs 1,000 to Rs 840 per candy. The fear that the release of large export quotas would push up prices has proved baseless. The latest quota brings the total quantity allowed for export up to now to 1.60 lakh bales and considering the supply position of Deshi cotton it should be easily possible for the Government to permit a further quota of 40,000 bales in the near future.

Prices Subdued

The cotton market had a rather dull time last week. Business in the spot section continued to be restricted for want of quotas with the mills. It is indeed time the authorities released the last instalment of quotas for indigenous cotton. Reduced spinner inquiry has imparted an easier tendency to market. Tight money conditions have also had an unsettling effect on prices which continue to sag. Trading in futures last week was notable for the emergence of a premium on the maturing April contract over the distant August position. The April contract was marked up from Rs 571.50 to Rs 585 and receded later to close at Rs 579.50 on Wednesday. After fluctuating erratically between Rs 582.75 and Rs 577 most of the time the August contract touched a low of Rs 575 on Wednesday and closed at Rs 576.25 as against Rs 579.50 a week ago. Tenders issued against April contract so far have totalled only 600 bales of which 50 bales have been rejected. The results of surveys have been discouraging for the bears.

Shipments of cotton since the beginning of the season to 1st April total 1,13,211 bales as against 1,26,211 bales in the corresponding period last season. On this Japan took 92,539 bales, Hong Kong 8,912, Continent 8,608, U S 1,512, U K 1,472 and other 168. Arrivals

during the same period total 6,57,468 bales as against 3,20,491 bales in the corresponding period last season. Out of this the U S cotton accounts for 4,48,630 bales.

Oilseeds

Hesitant Tendency

AFTER a further setback oil-seeds futures staged a sizable recovery but turned easier again and showed all-round small losses over the week. Mid-week rally was caused mainly by short covering but the rise could not be sustained for want of adequate follow-up support. The renewed weakness in rapeseed induced considerable bear selling in linseed and cottonseed and castor futures drifted lower near the week-end due to lack of any important fresh export business in castor oil.

Linseed May which had rallied from Rs 36.75 (per 50 kilos) to Rs 37.69 eased later to Rs 36.91. Cottonseed May rose from Rs 94.50 to Rs 96 but declined again to Rs 93.50. Castor May which had touched a low of Rs 176.87 on 6th April were marked up to Rs 179.75 on 10th April but they were done down to Rs 175.50 on 12th April. In kerb dealings they rallied to around Rs 176.50. Trading in distant contracts was permitted from 9th April and all of them commanded small premiums over the current contracts which is only to be expected. Trading in groundnut futures continues to be at a standstill and nobody need feel sorry for it because futures trading has little utility in conditions of acute scarcity. Lack of hedging facility has not made marketing of groundnut any the more difficult.

Export Prospects

Export houses did not mention any fresh business in castor oil. Even so castor oil prices continued to show a distinctly steady trend and all the offerings were readily taken up by shippers to fulfil their outstanding commitments. With the British East African castor beans quoted at around £ 67 per ton and the U K quotation for castor oil B S S mentioned around £ 140, the outlook for business with the U K seems fairly encouraging, India being the only important source of supply. Whether the Communist bloc will take any further large quantity of castor oil in the near future is difficult to say.

Informed sources say that the Government might allow the export of groundnut oil against the import of certain spices. It will be the manufacturers of oil who will be permitted to export oil and not the importers of spices. Notwithstanding the urgency of earning foreign exchange it would not be unwise to allow the export of groundnut oil because of the serious shortage at home which is reflected in the prevailing high prices. Of course prices have eased somewhat from the highest levels recorded some weeks ago. If the export of edible oils must be encouraged the Government would do well to think of linseed oil instead of groundnut oil. Apart from being less important, the disparity between Indian and world prices of linseed oil is also smaller than in the case of groundnut oil.

Export activity in oilcakes was also limited. Hardly any business was reported in linseed cake and the U K quotation was mentioned around £ 28-15 to £ 29. Saurashtra was reported to have sold about 2,000 tons of groundnut extractions, mostly for distant positions. Exporters expect marked revival of business after the end of the slack season. Considering the prevailing high prices of soyabean meal around £ 38-5 per ton it should be possible for Indian groundnut extractions to realise much higher prices than available at present. The U K quotation for extractions 50 per cent May shipment is reported around £ 27-15 and July to August shipment is mentioned around £ 28 to £ 28-5. Export interest in groundnut H P S was extremely restricted.

Machine Tool Factory

AN agreement was signed last month between the Praga Tools Corporation and the CEKOP, an organisation of Polish machine tool makers, for collaboration in setting up a new factory at Hyderabad for the manufacture of light and medium varieties of machine tools.

This is the first project to be undertaken under the Indo-Polish Economic Agreement signed in May 1960. The cost of the project is estimated at about Rs 1.5 crores.

The Agreement was signed, on behalf of the CEKOP by Mr S Komorowski, and on behalf of the Praga Tools Corporation, by Shri B Venkataraman, General Manager.

The Praga Tools Corporation, a public sector undertaking, produces machine tools and accessories worth Rs 60 lakhs a year.

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Company Notes

Bombay Dyeing

BOMBAY DYEING maintained its premier position in the export of cotton textiles by accounting for nearly 12 per cent of textile exports in 1960. In keeping with its past policy, the company is doing its utmost to maintain its position in overseas markets by diversifying production and improving the quality of goods. During 1960, it exported 60 million yards as compared with 63 million yards in 1959 but the foreign exchange earned was higher at Rs 6.25 crores against Rs 5.65 crores. This was only partly due to better prices realised in export markets. A more important reason was the increase in the proportion of finished goods exported from 38 per cent to 50 per cent. This was made possible by larger output in the new bleach works.

The company spent Rs 168 lakhs on the installation of new machinery and nearly Rs 10 lakhs on construction of new buildings. In addition, it increased inventory by Rs 216 lakhs. The additions to fixed assets consisted, among other things, of blow room machinery, new ring frames and 468 automatic looms. Including the orders placed for additional automatic looms, the company will shortly have 1974 automatic looms. It has also placed orders for combers and ancillary machinery, a variety of finishing equipment and also a 12-colour automatic printing plant. These additions will enable Bombay Dyeing to manufacture a wider range and variety of fabrics, particularly those requiring special types of finishing and processing.

The high level of investment has borne fruit in improvement of sales from Rs 10 crores to Rs 11 crores. Net earnings have gone up from Rs 30 lakhs to Rs 50 lakhs, thanks partly to heavy development rebate, which has made the tax burden quite nominal. The profits for 1960 represent 5 per cent on capital invested, 8 per cent on net worth and 20 per cent on equity capital. Though reserves far exceed the share capital, the chairman has rejected the idea of a bonus issue. The company is continuing with its plans of renovation and re-organisation, though the major part of its modernisation programme has now been completed. It has entered into an agreement with the Indian subsidiary of a Swiss firm for a comprehensive survey to improve layout and to suggest economies and improvements in the process of manufacture.

Sen-Raleigh

IN spite of difficulties of finding foreign exchange for plant, Sen-Raleigh has been able to fulfill the target of installed capacity for bicycles and components. Unfortunately, it has not been possible to utilise the capacity of this plant fully owing to non-availability of sufficient raw material. The demand for bicycles has far outstripped the company's production. According to the Chairman, Shri Abhijit Sen, this position may not continue for long in the case of one or two components since the licensing of industrial capacity for these items has been "more liberal than wise". Shri Sen deplores the fact that the bicycle industry has still to rely on imports of steel and only in the past year has a start been made in increasing the indigenous production of items such as cold rolled strips, mild steel cutting bars and mild steel wires. Licences given for import from East European countries could not be utilised because these countries had made no provision in their 7-year plans for supply of steel to India. The prospects of securing raw material from the US under DLF loan arrangements are, however, bright.

Sales during the year ended September 30, 1960 fetched Rs 356 lakhs and earned a gross profit margin of 11 per cent. The net profit of slightly more than Rs 24 lakhs represents 7 per cent on capital investment, 17 per cent on net worth and Rs 3.14 per equity share. Industrial licences have been received for substantial expansion of chain manufacture and production of dynamo lamps. Import licences for the chain expansion project have already been received and plant is being ordered. The company proposes to diversify its interest in light engineering and has applied for a licence to manufacture electric house service meters. It is also continuing its effort to improve export performance.

Shri Sen has complained that plans for future expansion are clouded at present due to the severe shortage of power and water at Asansol, the civic facilities of which have not kept pace at all with the growth in its importance as an industrial area.

Associated Battery

THE leading producers of batteries, Associated Battery Makers (Eastern) suffered a decline of 9 per cent in sales turnover during the year ended August 31, 1960. According to the directors, the sales figure of Rs 206 lakhs is not discouraging in view of the considerable progress made in the completion of indigenous manufacture of articles which previously had to be imported. The issue of 4,80,000 shares to the public in India at a premium of Rs 5 per share was a great success. Prior to the new issue, the reserves of the company already exceeded the paid-up share capital. Now the reserves amount to Rs 89 lakhs against the share capital of Rs 118 lakhs. Sales during 1959-60 earned a gross profit margin of 27 per cent. Net profit of Rs 28 lakhs represents 17 per cent on net worth and Rs 3.63 per equity share.

The entire share capital of Chloride and Exide Battery (Eastern) was acquired during the year. Sales of the subsidiary are shown at Rs 203 lakhs. How much of these represent transactions between the holding and subsidiary company is, however, not known.

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CURRENT STATISTICS

BANKING RETURNS

(Rs Crores)

	Reserve Bank	Apr 7	Mar 31	Mar 10	Apr 8, 60
1	Note circulation	2039.91	1984.74	1979.96	1896.77
2	Rupee coin	121.82	119.62	118.32	126.49
3	Deposits	222.89	264.25	224.51	252.81
	(a) Central Govt	54.56	76.46	55.42	62.33
	(b) Other Govts	8.31	28.99	6.27	5.57
	(c) Banks	70.60	70.85	73.87	86.80
	(d) Others	89.42	87.96	88.95	98.32
4	Foreign Securities	123.01	123.01	128.01	163.01
5	Balances abroad	11.31	13.24	30.84	24.57
6	Rupee Securities	1687.20	1632.20	1627.27	1501.91
7	Investments	125.21	180.95	118.71	208.45
8	Loans and advances to Govts	70.69	39.02	48.71	34.24
9	Other loans and advances	146.78	185.50	158.24	112.01
	Scheduled Banks	**Mar 31**	**Mar 24**	**Mar 3**	**Apr 1, '60**
1	Liabilities	1740.78	1730.32	1735.67	1909.33
	Demand (net)	714.27	712.46	696.75	794.60*
	Time (net)	1026.51	1017.86	1038.92	1114.73*
2	Cash in hand	45.32	44.02	44.91	57.62
3	Balances with Reserve Bank	70.76	72.30	69.92	79.38
4	(2) + (3) as % of (1)	6.40	6.44	6.36	7.18
5	Borrowings from Reserve Bank	94.53	82.63	62.46	68.30
	(a) Against usance bills and/or promissory notes	45.39	37.15	27.55	15.21
	(b) Others	49.15	45.48	34.91	53.09
6	Advances	1109.37	1100.52	1071.42	949.71
	(a) State Bank	263.92	263.06	250.30	196.01
	(b) Others	845.45	837.46	821.12	753.70
7	Bills discounted				
	(a) Inland	158.92	150.37	142.27	137.93
	(b) Foreign	49.08	50.66	49.49	45.20
	(c) Total	208.00	201.03	291.76	183.13
	(i) State Bank	17.37	17.15	17.24	14.90
	(ii) Others	190.63	183.88	274.52	168.23
8	(6) + (7c) as % of (1)	72.59	72.12	69.92	59.33
9	Investment in Govt. Securities	558.93	559.62	581.40	717.85
	(a) State Bank	233.21	231.43	251.05	354.90
	(b) Others	325.72	328.19	330.35	362.95
10	(9) as % of (1)	30.80	31.01	32.18	37.60
	Cheque clearance	205.04	255.05	199.04	257.70

* Includes deposits of banks and others.

Bombay Money Rates

(% per annum)

(Selected Scheduled Banks other than State Bank)

Call Money	Mar 3	Mar 24	Mar 3	Apr 1, 60
From Banks	5.25	5.25	5.26	4.0
Deposits :				
Seven Days	—	3.00	2.00	3.37
Three Months	—	—	3.50	3.50
Six Months	3.74	3.75	3.50	3.50

Bombay Bullion

(Rs and nP)

	Apr 13	Apr 6	Mar 16	Apr 14, 60
Gold (per ten grams)				
Spot	121.55	118.75	122.45	112.61
Forward	120.90	121.00	123.00	111.51
Silver (per kilogram)				
Spot	203.40	200.35	205.05	187.26
Forward	200.15	198.45	204.90	182.20

COAL PRODUCTION AND DESPATCHES

(Monthly Average or Calendar Months)

('000 *metric tons*)

		Raisings	Despatches	Stock at Pit heads*
1957		3,683	3,190	3,331
1958		3,838	3,416	2,808
1959		3,982	3,513	2,729
1958	Oct	3,807	3,529	2,725
	Nov	3,747	3,428	2,613
	Dec	4,215	3,562	2,808
1959:	Jan	4,151	3,491	2,951
	Feb	4,002	3,162	3,290
	Mar	4,018	3,543	3,246
	April	4,048	3,584	3,203
	May	4,079	3,450	3,333
	June	4,079	3,410	3,331
	July	3,876	3,652	3,132
	Aug	3,922	3,667	2,850
	Sept	3,810	3,641	2,737
	Oct	3,999	3,481	2,466
	Nov	3,848	3,522	2,362
	Dec	4,363	3,549	2,729
1960:	Jan	4,182	3,664	2,739
	Feb	4,365	3,583	3,018
	Mar	4,434	3,818	3,117
	April	4,453	3,807	3,272
	May	4,421	3,663	3,546
	June	4,207	3,749	3,578
	July	4,123	3,701	3,556
	Aug	4,204	3,926	3,306
	Sept	4,212	4,006	3,163
	Oct	4,339	4,134	2,931
	Nov	4,638	4,143	3,015
	Dec	5,180	4,254	—

*At or about the end of each period.

Sources : DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

CALCUTTA TEA AUCTIONS

		1960-61 June 1 to Feb. 28 Packages (Nos)	1960-61 June 1 to Feb. 28 Avg Price* Per kg (Rs)	1959-60 June 1 to Mar 1 Packages (Nos)	1959-60 June 1 to Mar 1 Avg Price* per kg (Rs)
For Export					
Assam Zone	I	413,830	5.78	387,346	5.45
,, ,,	II	228,282	5.51	274,456	5.45
,, ,,	III	301,580	5.39	328,672	5.36
Cachar		137,387	4.66	184,506	4.41
Darjeeling		190,137	6.81	161,416	6.81
Dooars		539,502	4.88	559,387	4.63
Terai		95,324	4.83	104,469	4.59
Tripura		23,854	4.62	22,202	4.32
Total (incl. others)		1,929,944	5.38	2,022,690	5.11
For Consumption in India					
Dusts		648,798	5.23	669,101	4.70
Assam Zone	I	236,569	5.50	245,617	4.78
,, ,,	II	88,549	5.48	112,460	4.89
,, ,,	III	81,221	5.18	88,026	4.70
Cachar		50,366	4.73	51,489	4.45
Darjeeling		8,215	5.03	6,878	4.81
Dooars		165,101	4.93	146,592	4.48
Other Grades		18,386	4.36	30,953	4.12
Assam Zone	I	4,979	4.45	11,044	4.19
,, ,,	II	2,293	4.17	4,262	4.03
,, ,,	III	3,214	4.22	6,319	4.01
Cachar		1,123	4.14	1,063	3.75
Darjeeling		369	5.12	500	4.83
Dooars		4,221	4.20	5,818	4.03

* Exclusive of Excise Duty

Source : DCIS, Calcutta.

OWNERSHIP AND ABSORPTION OF GOVERNMENT SECURITIES

Pattern of Ownership of Central and State Government Securities

(Crores of Rupees)

	Category	End-December 1957 Amount	1957 Percentage to total	End-December 1958 Amount	1958 Percentage to total	End-March 1959 Amount	1959 Percentage to total	End-March 1960 Amount	1960 Percentage to total
I	Governments	218.0	10.9	226.8	10.1	229.0	10.2	262.9	10.2
II	Reserve Bank of India (Own Account)	311.8	15.6	305.9	13.7	313.3	14.0	466.9	18.1
III	Commercial and Co-operative Banks	477.7	24.0	639.2	28.6	618.6	27.7	732.5	28.4
IV	Insurance	269.8	13.5	301.5	13.5	308.5	13.8	334.4	12.9
	Of which, Life Insurance Corporation	246.1	12.3	275.1	12.3	281.8	12.6	305.7	11.8
V	Provident Funds	109.8	5.5	133.4	6.0	141.5	6.3	173.2	6.7
VI	Industrial Finance and State Financial Corporation	3.2	0.2	3.3	0.1	2.8	0.1	3.2	0.1
VII	Reserve Bank of India — held on account of others	27.4	1.4	32.6	1.5	39.2	1.8	41.2	1.6
VIII	Non-Residents	35.9	1.8	33.9	1.5	33.9	1.5	34.5	1.3
IX	Others (Residual)	540.7	27.1	559.8	25.0	551.0	24.6	531.7	20.6
	Total (I to IX)	1,994.2	100.0	2,236.4	100.0	2,237.8	100.0	2,580.5	100.0

Net Absorption of Government Securities by the Public Since 1951-52

(Crores of Rupees)

	Net market borrowings by the Central and State Governments: Cash receipts	Cash payments	Net receipts (1-2)	Cash receipts (net) from the public‡	Open market purchases from (—)/sales (+) to the public§	Net absorption of Securities by the public* (4+5)
	1	2	3	4	5	6
First Five-Year Plan						
1951-52	24.3	49.2	— 24.9	+ 1.7	— 11.3	— 9.6
1952-53	15.8	2.9	+ 12.9	+ 12.9	+ 20.5	+ 33.4
1953-54	60.4	63.9	— 3.5	+ 46.3	+ 34.2	+ 80.5
1954-55	160.7	50.0	+110.7	+ 67.2	+ 25.3	+ 92.5
1955-56	98.6	16.6	+ 82.0	+ 64.2	+ 28.9	+ 93.1
Total	359.8	182.7	+177.2	+192.3	+ 97.6	+289.9
Second Five-Year Plan						
1956-57	143.7	3.0	+140.7	+ 89.7	— 19.1	+ 70.6
1957-58	99.7	29.0	+ 70.7	+ 28.1	+ 85.2	+113.3
1958-59	241.6	14.8	+226.9	+105.6	+ 89.0	+194.6
1959-60	208.3	33.6	+174.7	+ 82.5	+ 60.6	+143.1
1960-61 (April-Febr)	179.1	45.2	+133.9	+ 60.3	—113.9	— 53.6
Total†	872.4	125.6	+746.8	+366.3	+101.7	+468.0

Notes : Figures are inclusive of investment of P L 480 funds. Those for 1960-61 are not strictly comparable to the figures for the earlier years consequent on the change in the arrangements in regard to P L 480 funds from May 12, 1960.

*Figures do not take into account transactions on the State Governments' Cash Balance Investment Accounts, the Bank's operations in State Government loans and repayment of State loans held by State Governments.

†Provisional.

‡Excluding the Reserve Bank and Government

§From the Reserve Bank's investment account & Central Government Cash Balance Investment account.

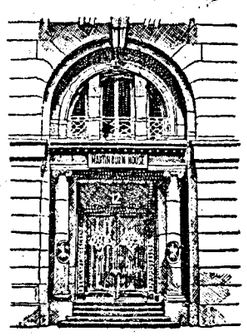
Source : Reserve Bank of India Bulletin, March 1961.



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Let Not U S Write Cuba's Epitaph

JOHN FITZGERALD KENNEDY has been true to his word. In one of his campaign speeches last October, he had suggested all-out aid to the defectors and escapers from Cuba so that the island could be restored to the Platt Amendment. Who knows, that was perhaps among the sincerest of his statements. But his immediate political advisers became jittery over this line of attack, and for the rest of the campaign Mr. Kennedy did not dilate on the theme. He has had now been three months in office, and there is no remaining compulsion to restrain oneself. Earlier this month he declared that the United States must make a move before Dr Castro does "more harm", and the United States has moved. Cuba has been invaded. The week of Yuri Gagarin has been followed by the week of ignominy.

Can it be that the particular timing of the misadventure is explained by Gagarin's triumphant return from outer space? Is it that the United States is in desperate need to assert herself, and to prove to the world that, even if unable to conquer space, she can nonetheless reach out to other conquests? Mr Kennedy admitted last week that "no doubt, we are behind" so far as spacemanship is concerned; is the Cuban landing the way chosen to win way out in front?

The deeper reason for deciding on the invasion must have been a sudden State Department conclusion that the sands of time were running out. It is now twentyeight months since the Cuban Revolution, and all this while the United States Government has waited. It has waited, it has hoped, it has dreamed. The dream has been of the swift crumbling of the Cuban economy, following the U S refusal to lift Cuban sugar, the gradual curtailment of other imports from the island, and the cantankerous attempt to bully its allies into severing economic relation with Cuba.

What actually was fast crumbling, however, was the dream itself. Che Guavera's careful handling of the balance of payments has doubled Cuba's foreign reserves over the past two years, the several agreements entered into with the Soviet Union and China have helped to avert an immediate crisis in sugar exports. The rural co-operatives organised by the Agricultural Reform Institute have seen to it that both the production and the harvesting of existing crops maintain their levels. Furthermore, prospects for the rapid diversification of the economy have been ushered in through the programme of industrial expansion initiated since early 1960. And Fidel Castro has continued to be the inspirer and guide of it all—a proud, lofty figure of both nationalism and Latin American resuscitation.

True, some of the democrats and romantic idealists who had earlier joined the revolution got out of it when Castro was forced to take a turn which they did not like, but—ask anybody who has visited Cuba in recent months—the overwhelming majority of the Cubans remain steadfastly loyal to the Revolution. Let not the Americans fool themselves : today, it is only the Revolution that is Cuba.

The Revolution, unfortunately, does not suit the United States, and what cannot be endured ought to be cured. Since the Revolution would

not oblige the United States by liquidating itself, positive measures were called for. Sabotage, occasional strafings by planes based at Miami and other Florida airports, machinations from the Guantanamo base —none of this proved adequate. So the ultimate coup de grace—a full-scale invasion by so called rebels, trained through U S money on U S soil, armed with U S weapons, transported by U S made vessels which in their turn were protected by U S marines.

A new chapter is now being added to the semantics of pretension. No more the old-world way of landing U S marines to silence this or that Latin American incalcitrant; instead, the invasion from now on would be by hired thugs who would be provided with U S planes, bombers, arms and every possible help but not by U S defence forces. Technically, as the State Department is still claiming, the U S has not invaded Cuba. She has merely instigated, supported, helped to organise, and master-minded the invasion, and the United Nations Security Council can quibble for sessions on end whether the U S Government deserves to be brought to book for the things it has set in motion.

But what about the scorn of the world, the wrath of honest, simple people flung across different shores, who are neither lawyers nor grammarians, who, all the same, can differentiate between candour and cleverness, and who can define truth and falsehood in such precise terms as would bring a shudder in the hearts of State Department spokesmen? Irrespective of whether the United States Government succeeds in making another Guatemala of Cuba—it is extremely doubtful that it would, the objective conditions being so altogether different—this week's inglorious exploit has shattered many illusions about the United States, the great democracy. A Revolution over-run in this manner in Cuba today would have paved way for scores of such Revolutions all over Latin America in the course of the next ten years. And, after this week, now many would prefer to demur when the suggestion is made that the United States *is* an imperialist nation ?

Flexible Fiscal Measures

THE British budget presented last week is a memorable one for a very welcome adaptation of fiscal measures which it introduces to regulate the working of the economy. Fiscal measures as instruments of economic control have so far suffered in every country from a major limitation from the fact that the budget is presented only once a year. The presentation of a supplementary budget is so deeply associated in the public mind with the presence or near-presence of a crisis, that it could never be used in practice as a flexible instrument for control. This has been the major defect. There is another which, though minor, is not unimportant. The budget is an instrument of both the economic as well as social policy of the Government in power and the two cannot be completely dissociated. Therefore, measures which are introduced purely for regulatory purposes are liable to be mistaken as measures of social policy. Since for regulating the economy, one has to operate either on consumption expenditure or on incentives to investment, tax proposals intended to secure either of these ends will never be regarded as neutral in their effects on distribution or the larger social purposes.

In his very first budget, the present Chancellor of Exchequer, Mr Selwyn Lloyd, has cut through these hitherto complicating inhibitions by asking for powers to modify, through executive order in the course of the financial year, taxes bearing on consumption. True, the power asked for to vary these taxes is a limited one, the maximum change in either direction for which he has sought authority is only 10 per cent of the existing charges. But it will enable the treasury to make smaller changes and changes either way within this limit without coming before Parliament with fresh proposals.

The economic wisdom distilled by the Radcliffe Committee has, therefore, percolated, albeit slowly, one may say, considering that, after this Committee reported, one budget had already passed. That would be an altogether wrong way of looking at it, however, remembering the past traditions of White Hall and its resistance to new ideas. In fact, what is remarkable is that economic education has proceeded as fast as it has done. What has made it filter through, of course, is the accumulated experience of operating the bank rate and of monetary controls generally since September 1957, when Britain was forced to take the unusual step of raising the bank rate to 7 per cent and maintaining it at that abnormally high level for what looked like an unconscionably long period. The travails of the bank rate as an instrument of policy are by no means over yet. The conflict between the external and internal effects of the operation of the bank rate, it now looks likely, will be bypassed for the time being. That conflict still remains to be resolved. Whether it will be resolved finally by developing the International Monetary Fund into something approaching a super-central bank or by other means still remains to be seen. For the time being, however, fiscal policies appear to have the better chance of being developed into primary instruments of control in preference to the bank rate.

The significance of another measure which the Chancellor has introduced at the same time cannot be immediately assessed. It may well be the more revolutionary of the two—the power to impose a special surcharge on employers analogous to a pay-roll tax. The Chancellor has asked for auhtorisation but this is not to be imposed immediately but as and when the Government feels it necessary. As an economic regulator, it may have its uses in the short period also, particularly in the present situation of full or over-full employment.

The power is to be taken only for a year. That may be because the idea is still novel and has to be tried out as an experiment, but its long-term implications are so enormous and so obvious, particularly in view of the slow growth of the British economy over years of full employment that its ultimate purpose can hardly be mistaken. That purpose must be to force industry to change its attitude towards obsolescence of plant and to stimulate the productivity of British industry by encouraging it to introduce automation and labour-saving devices.

The immediate impact of such a measure may well be to force employers to dishoard labour and thus make labour supply a little more flexible. The general reaction of the British press seems to be that in a situation of full employment, a tax of 4 shillings per employee per week—that is the upper limit of the surcharge for which authorisation has been sought—will not induce employers to release labour. Hence, it could not be just a Tory device of administering a dose of therapeutic unemployment to make the economy work better and to bring down costs. The results of the operation of this particular device to stimulate growth will be watched with interest in this country also, where both monetary policy and import control contain a concealed but by no means negligible element of disincentive to labour-intensive techniques of production.

Ministers Compete

IN the competitive bidding for uttering the most arrant nonsense, honours have to be divided equally this week between the Ministers of Finance and Agriculture. When Morarji dismissed Kaldor's estimate of tax-evasion as an imaginary tale of the story-tellers of Akbar's time or S K Patil called sugar a milch cow which yielded so much that it was entitled to kick sometimes, it is not possible to say who was surpassing whom. At least, the Minister of Agriculture's statement could be dismissed as a joke or a flight in imagery but what is one to say of the Finance Minister's observations? "What was the magic about Mr Kaldor?" he had asked according to press reports, and "on what basis did he frame these estimates?" Well, the basis was set out by Mr Kaldor in an appendix to his report and, if the Finance Minister refers to his own economic research staff, he will know that the more detailed examinations on income distribution carried out subsequently have confirmed rather than refuted the tentative results of Kaldor's earlier and admittedly inadequate study. From the very nature of the field covered statistics have degrees of probability and their margin of error varies a great deal. There is, nevertheless, a difference in kind between statistics which are not precise enough and the tales of the story-tellers—whether in Akbar's times or today—who draw liberally on their imagination.

Now take the other. Sugar, the milch cow? What preposterous nonsense! Both the sugar industry and the sugarcane-grower have been molly-coddled so long, pampered and nurtured at the cost of the consumer and the tax-payer that Shri Patil himself does not know how to handle the present embarassing situation. The unholy conspiracy between the sugar mills and the sugarcane-growers has gone on so long that it is nothing short of a scandal. The crisis in sugar is the inevitable consequence of this pampering. Sugar has become a major political problem today, because its economics has been flagrantly ignored so long. The first step towards salvaging it from politics and removing it to a sphere where a rational solution will be possible is to hand over the control on sugar industry and cultivation to a statutory body and thus beyond the pale of political patronage. A disgusting exhibition of the latter was made by the Minister of Food and Agriculture when he airily promised on the floor of Parliament that the loss from sugar export will be taken over by Government. It is the Government and the tax-payer who will pay the subsidy, that the form of payment would be indirect in that the State Trading Corporation will be asked to handle sugar exports makes no difference in substance.

Let us follow how the sugar crisis arose. In 1958-59, sugar production declined to 19.19 lakh tons from 19.78 lakh tons in 1957-58 and 20.29 lakh tons in 1956-57, with the result that sugar became scarce in 1958-59 and Government was compelled to introduce price and distribution controls. Opinion is divided on the question whether the 1958-59 shortages were contrived by man or created by nature due to failure of cane crop. In that controversy, the then Food Minister Shri A P Pain was forced to resign. The new Food Minister was led to believe that the shortages in 1958-59 were due to lack of incentives to the grower and the manufacturer to produce more. In his anxiety to get more production, he decided to raise the price of sugarcane from Rs 1.44 per maund to Rs 1.62 per maund and also to offer a rebate of excise duty on excess production over 1958-59. What made Shri S K Patil think that Rs 1.44 per maund was unremunerative to the sugarcane-grower he didn't say. Neither the comparative price, nor the area under cultivation warranted any such conclusion. Nor was there any justification for his assumption that the manufacturers lacked sufficient incentive to produce more. As a matter of fact, the cane-grower was fighting for his share in the excess profits realised by sugar mills and the Tariff Commission had also reported to Government what should be the fair price to the manufacturer. The decision on Tariff Commission report was delayed but concession on excise duty was given to the manufacturer straightaway as an incentive to produce more. These incentives naturally had the desired effect. The production in 1959-60 reached the all-time record of 24.22 lakh tons. And in the current year, the production is expected to reach 30 lakhs. Unfortunately, the demand has failed to catch up with this quick rise in production. The current demand is placed at 20 lakh tons. The cause of the present crisis is thus unregulated production.

Along with freer disposal in the domestic market, some quantities have to be ear-marked for export and it now appears, this is going to be channelled through State Trading Corporation instead of through the Indian Sugar Mills Association. It will not enhance her dignity if India steps into the place rendered vacant by the disappearance of Cuba from the American market and that she should join the queue with Phillippines and others. Since exporting has to be a long-term programme in view of what the country has invested in sugar, export markets which could be the long-run and natural outlets for India's sugar should be cultivated. And the industry which has enjoyed full two decades of heavy protection should share a part of the cost. It is no holy cow either.

Weekly Notes

Heavy Electricals for Kerala?

ACCORDING to the Industrial Policy Statement of 1956, Heavy Electricals come under Schedule A. The future development of industries included in this Schedule is the exclusive responsibility of the State. This does not preclude the expansion of the existing privately-owned units nor does it debar the State from securing the co-operation of private enterprise in the establishment of new units when national interest requires it. The Statement, however, stipulates that, when co-operation with private enterprise is necessary in an industry falling under this Schedule, the State will ensure, either through majority participation in capital or by other means, that it has the requisite powers to guide the policy and control the operations of the undertaking.

In view of the above, considerable speculation has been aroused by the report that Government is considering the issue of an industrial license to establish a factory in Kerala to manufacture Heavy Electricals beginning with high capacity transformers and switchgear. What is intriguing about the report is that none of the conditions under which private enterprise may be employed for the development of Heavy Electricals coming under Schedule A has been imposed or even asked for.

The proposed Kerala unit is to be established in the private sector. It is reported that Kerala Government has been able to come to an agreement with Hitachi Limited, Japan, for technical collaboration and financial participation in the project. According to that agreement, Hitachi and Kerala Government will each take up 25 per cent of the share capital, while a private party will raise the balance of 50 per cent. In this connection, it should be remembered that one Heavy Electrical plant has already been established at Bhopal in the public sector. Two more are contemplated in the Third Plan, both in the public sector, one in the South with Russian and the other in the North, with Czechoslovakian collaboration. It is a well-publicised fact that, like many other States, Kerala was anxious to get the second unit in the public sector established in the State. But unofficial reports indicated that the second unit would go to Andhra. It is not yet clear on what grounds the proposed modification to Government's declared policy is sought, to establish a Heavy Electrical plant in Kerala in the private sector.

This raises certain fundamental issues in regard to industrial policy which require clarification. First, we have already been able to secure adequate technical assistance for the manufacture of Heavy Electrical equipment. Should it be our policy to take full advantage of it and develop on our own for further expansion and the establishment of new units or is it necessary to secure foreign collaboration afresh for expansion and the establishment of new units? If the latter is the case in an industry which is clearly ear-marked for the public sector, the position in the other industries must be a great deal worse. Indiscriminate encouragement for foreign capital and technical know-how to come in into industries which have already been able to secure adequate technical assistance will be undesirable from the cost point of view and it may also lead to the indefinite prolongation of collaboration agreements. It is a delusion to believe that by establishing a multiplicity of units in an industry, competition will be automatically increased and prices will come down. When resources are scarce, there will be limitations to production and free competition will not operate to bring down prices. On the other hand, the multiplicity of units of uneconomic size in any industry will not only push up costs, but the foreign exchange requirements for the import of plant and machinery will also be larger.

A Lot of Bother Indeed!

IN one of its latest reports, the Estimates Committee has suggested that the Life Insurance Corporation should be divested of its investment functions and that its life funds should be taken over as unfunded debt by the Central Government. According to newspaper reports, the Chairman of the L I C, a civilian seconded from the Cabinet Secretariat, agrees with the Committee. The return on Government securities, he feels, would suffice for the policyholders and if direct investment in the private sector is stopped, it would relieve the Corporation of 'a lot of bother'.

In generously offering to relieve the Life Insurance Corporation of 'a lot of bother', the Committee does not seem to have bothered about the complexities either of Plan finances or of the development of life business. Even if one ignores the assurances given by Government at the time of nationalisation and later, regarding the investment of life funds in the private sector, how does the Committee arrive at the conclusion that Government would be able to invest in a more rational and socially purposeful manner than the L I C is doing at present? Admittedly, there is considerable scope for improvement in the investment policy and procedures of the L I C but taking-over of its investments by a Government department or another official body is not likely to improve them. The funds cannot be handed over to agencies like the Industrial Finance Corporation or the National Industrial Development Corporation each of which has specialised functions and neither of which has the competence to enter the capital market for the purchase and sale of shares almost every week.

If the private sector is to get no share at all in life funds directly, it will not help the financing of the Plan, either. For investment programmes of the private sector are as much a part of the Plan as those of the public sector. In fact, the targets of public investment may not be fulfilled if private sector investments, which are complementary, do not come up to the required level. And vice versa. Plan finances have to be looked upon as an integral whole and provision has to be made for a variety of assistance required by the private sector. Neither Government nor the official financing agencies perhaps can render the type of assistance which the L I C is in a position to offer.

That most of the L I C's investment in the private sector go into taking up of existing shares rather than new issues follows from the modified section 27 A of the Insurance Act under which 85 per cent of the L I C funds have to be invested in approved shares which in most cases mean the shares of established companies. It is only out of the remaining 15 per cent at the most that the L I C can take up new issues which have still to demonstrate their worth. The L I C is an investor, not an underwriter, but even the taking up of existing issues does free private capital for re-investment in fresh ventures. To that extent its investments indirectly help new issues. Similarly, the fact that most of the purchases of the L I C are made in Bombay and Calcutta does not mean that these two States alone get the benefit of its funds.

Investment is a necessary and integral part of insurance business, the lot of bother it involves notwithstanding. Safety of funds is the most important consideration, of course, but not the only one in handling of funds. Earning adequate returns is another. Most life policies are with profit policies, which entail an extra premium. Policyholders pay these higher premiums in the expectation of bonuses at least twice that amount. If the profitability of investments out of life funds is reduced and such bonuses are not earned, it will be difficult to develop life business on the scale on which the L I C is expected to develop such business. To secure life business is in any event the concern of divisional and zonal offices. The central office which handles actuarial valuation, staff policies and investments has little to do with it. Relieving the central office of one of its major functions will not release resources for expanding life business, though it may relieve the management of an onerous — and apparently unwanted, if press reports are to be believed — responsibility.

This time clearly the Estimates Committee has gone a bit too far. Its function is not to formulate policies. Should'nt that be better left to Parliament?

Ceylon Tamils Revolt

FOLLOWING the failure of talks between representatives of the Federal Party and the Minister of Justice, the language agitation in Ceylon has entered a critical stage. The Government has reacted sharply to the intensification of the Tamils' satyagraha by declaring a nation-wide state of emergency and banning the Federal Party. It is true that in the situation immediately following the infructuous talks, the Government, as Mrs Bandarnaike claimed, had no alternative but to take recourse to extreme steps. But Mrs Bandarnaike's Government must share a good part of the blame for the events which have inevitably led to the present crisis.

The Federal Party demands regional autonomy in the Northern and Eastern Provinces with Tamil as the official language and safeguards for the rights of Tamils living in Sinhalese majority areas. If the Government wants to prevent a political split-up of the island, the better way to counter the Federal Party's demand for regional autonomy would be to win the confidence of the Tamils on the question of official language. This the Government has clearly failed to do. They have, on the other hand, proceeded to implement the 'Sinhala Only' Act, proclaiming Sinhalese as the official language of the country, with a haste which was hardly in keeping with the spirit of the assurances given to the Tamils earlier. The action taken under the Tamil Language (Special Provisions) Act does not go far enough to offset the disadvantage at which the Sinhala Only Act puts the Tamils. The rules framed under the Tamil Language Act permit that until such time as every Tamil in the country is educated in Sinhalese, correspondence in Tamil addressed to Government officials in the Northern and Eastern Provinces would be replied in Tamil. Further local bodies in these Provinces may conduct business in Tamil, provided the Minister concerned permits it. In the courts, however, Sinhalese would be the only official language throughout the country.

An example of the excessive zeal with which the Government has set about implementing the Sinhala Only Act is the directive issued by the Minister of Justice ordering that administrative reports would now be published in Sinhalese only with a translation in English. Tamils complain bitterly, and rightly too, that even when English was the official language, the administrative reports were printed in all three languages, English, Sinhalese and Tamil. Ill-considered and hasty measures like this have antagonised even that section of moderate Tamils for whom the Federal Party could not have claimed to speak until very recently.

The Federal Party, for its part, by resorting to civil disobedience and compelling the Government to take extreme measures has only succeeded in making the solution of the language problem more difficult than ever before. Any concession which looks as if it has been forced out of the Government will only help the extremist Sinhala elements, like the United National Party, to discredit the Government for having buckled under Tamil pressure. After all, it is the Sinhala population that constitutes the majority of the electorate and the main source to which the Sree Lanka Party must look for support. Mrs Bandarnaike and her Government are therefore entitled to sympathy since both have to function under such severe limitations. But Tamils are no negligible minority either, who can be so easily brushed aside.

Big Five in 1960

THE change in the presentation of banking statistics effected by the Reserve Bank at the end of November last year makes it difficult to compare the trends in 1960 with those in earlier years. The deposit liabilities of scheduled banks are now split under two heads: 'aggregate deposits' and 'aggregate liabilities'. The former excludes inter-bank deposits as well as a new category labelled as 'Others' which is distinct from another category of "Other" deposits. The balancesheets of the Big Five now available do not suffer from any lack of comparability. Their analysis can help in evaluating some of the significant changes that occurred in 1960, subject to the minor limitation that data include business abroad. The State Bank of India is excluded from the analysis below on account of its special position, particularly as the repository of P L 480 funds.

The total deposits (including inter-bank and other deposits) of scheduled banks excluding the State Bank of India amounted to Rs 1,319 crores at the end of 1960 against Rs 1,266 crores a year earlier. Of

this, the Big Five, i e, Central, Punjab National, Bank of India, United Commercial and Bank of Baroda (in order of deposits) together accounted for 47 per cent; their shares in investments and credit were 47 per cent and 57 per cent respectively. The Big Five share in scheduled bank business remained practically constant at the previous year's level barring a decline in their share in borrowings and call loans from 95 per cent and 32 per cent to 66 per cent and 10 per cent, respectively. The table below indicates in broad outline the position of the Big Five in 1959 and 1960. To ensure a degree of comparability as between different banks and between the two years, provision for taxation has been deducted from current earnings.

Deposits of the Big Five increased during 1960 by Rs 22 crores or 3.7 per cent against 4.2 per cent for all scheduled banks other than the State Bank. Two of the Big Five actually suffered a reduction in deposits: the deposits of Punjab National came down from Rs 141 crores to Rs 139 crores and those of United Commercial from Rs 97 crores to Rs 89 crores. Why exactly these two leading banks should have suffered a loss of deposits when all other large banks experienced a mere slowing down of the growth of deposits is difficult to explain.

The Big Five reduced their investments in Government securities by 21 per cent and expanded their loans and advances by 22 per cent in 1960 against 13 per cent and 20 per cent, respectively, in the case of scheduled banks as a whole. The two Bombay banks, Central and Bank of India, actually had credit ratios exceeding 75 per cent at the end of the year.

Largely as a result of the raising of rates on advances and lowering of rates on deposits, together with the maintenance of high credit ratios through the year, the earnings of the Big Five increased by 12 per cent in 1960 while interest paid out by them on deposits and borrowings went up by only 7 per cent. Salaries and wages, however, increased by a higher proportion, i e, 10 per cent.

The need to strengthen the capital base of banks is much greater in the case of the smaller banks than the Big Five. Their bigness may assure stability and security, but even they have to enlarge their capital base since their deposits have expanded very rapidly over the last ten years. It is, however, almost impossible to estimate the actual increase in the reserves of the Big Five since banks are exempted under the Companies Act and the Banking Companies Act from disclosure of their true profits and reserves.

There was no change in the share capital of the Big Five during 1960, barring the increase of Rs 25 lakhs in the capital of the Bank of Baroda following its take-over of the Hind Bank. The disclosed reserves of the Big Five increased over the year by Rs 50 lakhs but of this the United Commercial alone accounted for Rs 30 lakhs. The United Commercial was the only one among the Big Five whose reserves were less than the paid up share capital at the end of 1959. It was, therefore, under some degree of compulsion to make large allocations to reserves. Now that its reserves also exceed share capital, no further increase in its disclosed reserves can, therefore, be expected in the future. It may be mentioned in passing that the Bank of India, one of the most conservative banks in the country, has shown no allocation to reserves for several years.

So far as published figures go, the Big Five appear to have utilised their increased profits in 1960 to restore part of the reduction in *net* dividends resulting from withdrawal of the grossing up facility in 1959 rather than to increase their reserves further. Out of the increase of Rs 39 lakhs in profits after bonus and tax, larger dividends have absorbed Rs 30 lakhs, and retention has been increased by Rs 9 lakhs only over the amount shown in 1959.

Big Five Balance Sheets

Figures in Rs Crores, Including Foreign Business

	Central India		Punjab		United Commercial		Baroda	
	1960	1959	1960	1959	1960	1959	1960	1959
1 Deposits	200	180	139	141	109	101	89	97	85	81
2 Borrowings	15.77	2.81	4.74	3.16	—	3.00	9.32	4.60	2.72	4.96
3 Cash†	21	16	12	11	10	10	6	6	6	6
4 Call & Short Loans	0.11	5.35	0.03	0.89	—	—	0.97	0.37	1.14	1.27
5 Investments in Govt. Secs.	47	46	45	65	17	26	31	37	20	28
6 Advances & Bills	151	120	94	73	84	68	61	56	60	51
7 Interest & Commission earned less tax	10.08	8.81	7.92	7.19	4.90	4.30	5.21	4.83	4.29	3.76
8 Interest paid	4.34	3.86	3.51	3.37	2.17	2.00	2.52	2.47	2.22	2.04
9 Salaries & Wages	3.66	3.34	3.06	2.82	1.43	1.31	1.41	1.23	1.20	1.09
10 Profits after bonus & tax	0.72	0.55	0.37	0.41	0.60	0.48	0.54	0.49	0.24	0.15
11 Dividends	0.64	0.54	0.25	0.25	0.60	0.48	0.24	0.22	0.23	0.17
12 Retained profits	0.08	0.01	0.12	0.16	—	—	0.30	0.27	0.01	0.02
13 Share Capital	3.15	3.15	1.25	1.25	3.00	3.00	2.00	2.00	1.50	1.25
14 Reserves †	3.68	3.60	1.59	1.48	3.10	3.10	2.05	1.75	1.61	1.60
Percentages										
15 Cash ratio (3 as % of 1)	10.5	9.0	8.6	8.0	9.0	10.0	7.0	6.0	7.0	7.0
16 Investment ratio (5 as % of 1)	23.5	26.0	32.0	46.0	16.0	26.0	35.0	37.0	23.5	34.5
17 Credit ratio (6 as % of 1)	75.5	67.0	68.0	52.0	77.0	68.0	69.0	56.0	70.5	63.0

* Includes balances with State Bank
† Excluding surplus in profit and loss account.

Letter to the Editor

The Teaching of Economics

A Comment

NOT merely economists, but anyone interested in higher education, should be grateful to Professor A K Das Gupta for his timely and persuasive plea (*Economic Weekly*, Annual Number, 1961) for raising University standards in economics. Teachers of economics would agree that the current situation leaves much to be desired and that there is an urgent need for a more complete training in economic analysis. They would also agree—while perhaps wondering if they would qualify for that select group, *la creme de la creme of* academic economists, whom Professor Das Gupta would consider as equipped to handle M A classes—that post-graduate and under-graduate teaching are two very different assignments. One only wonders whether the proposed remedy, admitted by the author himself as "drastic", is not really too much so. Certainly, the reduction of post-graduate departments of economics to about *half a dozen is not likely to find favour at a time* when the accent is on expansion of education opportunities. Also, this would only add to the touchy problem of 'regional balance' that appears to pervade all aspects of our national life to-day.

Further, is so much concern warrented for the MA degree only? Apart from the question of the feasibility of stepping up standards at one level and in one subject, there is the fact that while the MA is indubitably the stage for specialization, it is only the initial stage. A Masters' degree—in any subject—means much less to-day in terms of job opportunities than it did some years ago while every young graduate knows *that he can get nowhere* at all with a *mere* BA. It is not surprising then that most of our students take up the post-graduate course in economics with the intent of acquiring "a good Masters' degree". Many of our economics M As do not put their knowledge of the science to professional use; some—often the brightest—pass competitive examinations and thereafter pursue administrative careers far removed from the area of their study.

All these lead one to wonder whether the specialized training by top-class teachers, such as Professor Das Gupta advocates, should not be considered at the post M A level. *The restriction of Ph D* (and perhaps also M Litt) training to a few select Universities is likely to be somewhat less controversial and more practical than the restriction of M A instruction. The requirements for these degrees—now considered as research degrees—should be stepped up and revised to place prime emphasis, as in American Universities, on a "comprehensive examination". Professional economists, for research and for teaching, would have to come mainly from this class. In itself this would make for an improvement in the quality of teaching at all levels, in course of time.

*Yet another pertinent consider*ation is of a somewhat more fundamental nature. Can all the blame for low standards, as evidenced by poor examination performances, be placed on inadequate teaching? Is not the deterioration in the standard of English also responsible for this? Admittedly, modern economics places more value on technical virtuosity than felicity of style. Nevertheless, for rapid and accurate comprehension and clarity of exposition, the student has to be well equipped in the language of instruction. Valuers of examination papers would agree, I think, that the "howlers" are *no longer funny but down*right tragic.

The widely suggested remedy is instruction in the regional language, in the first instance through the under-graduate level. In Madras at least the switch-over appears to be not too far round the corner. The question is, can economics be taught now in an Indian language? Most definitely yes, the authorities would say. We have to make a beginning; besides it is already being done (up to a point) in some Indian Universities; further, economics belonging to the 'liberal arts' group is not beset by the difficulty of untranslatable scientific terminology (But a look through the Madras Government's "Glossory of technical terms of Economics: English-Tamil" leaves me, for one, unconvinced in this regard).

I do not wish to question the proposition that for true comprehension instruction in the mother tongue is essential but only to point out the danger involved in the switch-over of further deterioration in standards. In the first place, it would seem only logical that the medium of post-graduate teaching would also have to change. So comes up the question again: can economics — real, grown-up, post-graduate economics — be taught in India in any language other than English? If English is to continue at the post-graduate level only, can we succeed in raising and maintaining standards in the face of a growing 'language barrier'? These, I feel, are questions that ought to receive more attention from those interested in the future of economics in our country.

MEENAKSHI TYAGARAJAN
Annamalai University
April 4, 1961

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Premium on Rights Issues

DELHI has been concerned for quite some time about the excessive speculation in the stock markets. Speculation in the share and commodity markets, it is being increasingly felt, is assuming such serious proportions as to threaten the healthy growth of the economy as also the socio-political objectives of the Government. A number of measures have been proposed and taken with a view to checking speculation. Recently, the Controller of Capital Issues decided to make public the terms and conditions of capital issue immediately after such permission is granted to company promoters. When a new issue is floated, it is often found that investors are kept in the dark regarding the terms of the new issue by established companies. For months together nothing is known about them. In the meantime, promoters raise unduly high expectations about the prospects of their shares and rig prices up to dizzy heights. Simple-minded investors fall in the trap. But when facts trickle out and the terms are disclosed, prices come down. The unwary investor is, thus, made to suffer.

This unscrupulous practice has become quite common. Recently, a company having a licence for production of a new commodity with an expanding market used the name of its foreign collaborator, backed with a powerful advertisement campaign to raise prices by about 300 per cent. This may be an extreme case. But many cases of a similar nature have come to the notice of the Ministry of Finance. This has led to widespread criticism of the Controller of Capital Issues on grounds of inactivity and discrimination. It is also alleged that the Controller of Capital Issues has been fixing premiums on rights issues quite arbitrarily. Government believes this criticism is uninformed.

The Government hopes to meet this criticism as well as safeguard the interests of investors by publicising the terms and conditions of capital issues as soon as they are sanctioned. The Controller of Capital Issues asked the Federation of Indian Chambers of Commerce and Industry to give its opinion in February. A reminder was sent in March. Another reminder was sent in the beginning of April. But the F I C C I, which always complains of not being consulted in the formulation of Government economic policies, has so far not replied to the Controller's query. Now the Finance Ministry has decided to implement the policy without waiting for the Federation's views.

Extraneous Considerations

The Controller of Capital Issues has also taken steps to discourage established companies engaged in particular lines of manufacture from branching off into unconnected lines.

So far so good. But the difficulty is that extraneous considerations sometimes come in the way of implementing policy decisions. The latest example of political intervention in implementation of economic policy is in the case of a leading bank which wants to expand its capital base by issuing new shares. It is believed that, on the personal intervention of the Finance Minister, the premium fixed by Government has been scaled down to 10 per cent from a much higher figure which was considered justifiable. This dichotomy between policies and their implementations is exposing the Congress to attacks both from the right and the left.

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India's Balance of Payments

Sir Donald MacDougall

The balance of payments may well be the most important factor limiting India's economic development.

Shortage of imported materials is at present seriously holding up production and preventing anything like the full use of the nation's industrial capacity, labour and land. More imports could make possible an increase in production several times as great in value.

There is a real danger that shortage of foreign exchange will prevent the achievement of the output targets of the Third Plan, unless more aid is obtained than has yet been asked for, including aid for maintenance imports, and exports can be rapidly increased during the next five years.

If India is to achieve substantial independence of foreign aid by the Fifth Plan, and yet maintain rapid growth, exports will have to be around Rs 1,500 crores per annum, more than double the present Rs 650 crores.

If Indian products are to compete abroad without prohibitive subsidies, it is essential to go all out for maximum economic efficiency and large-scale plants, even if this means less regional disperson, more concentration of economic power and some apparent loss of employment opportunities.

Even if sufficient supplies are made available for export, they cannot be sold unless prices are competitive. Since reduction in costs will take time, a good many exports—especially of the newer manufactures but also of a few other items—will, for a time at least, have to be sold below the domestic price and sometimes below cost of production.

The selling of vastly increased exports is bound to cost foreign exchange. More will have to be spent by the Government on trade promotion abroad and foreign exchange must be granted liberally to businesses embarking on exports.

I is arguable whether the balance of payments is *the* most important factor limiting the rate of dia's economic development, but will probably at least be agreed it it is *a* major limiting factor. ortage of foreign exchange is tainly holding up production ite seriously at present and there a danger that it will continue to trict output and the rate of growth ring the Third Plan and, looking ther ahead, in the Fourth and Fifth.

The Present Situation

Many factories are to-day lying rtially idle through lack of imrted supplies. A glance at Table hows unused capacity over a wide d, even on a single shift basis. d rather few industries working ltiple shifts. One-third of the lustries covered appear to be work at only 60% of capacity or less. he data refer to the year 1959-60.* it seems unlikely that there has ce been any general improvement; put has increased, but so has capa. The figures may sometimes rstate capacity for statistical sons; on the other hand, the table ates production to capacity at the beginning of the year so that the percentages of capacity utilised would often be still lower if account were taken of new capacity installed during the year.)

There are, of course, many reasons other than shortage of foreign exchange for this state of affairs. New factories inevitably have teething troubles: short runs and breakdowns interrupt production even in established factories; capacity may have been installed in excess of current needs where demand is expected to increase; demand may sometimes have been over-estimated; and so on. But a substantial part of the unused capacity undoubtedly reflects shortage of imported materials, components, spare parts and replacements. This is true, for example, of a good many industries using steel, non-ferrous metals, wood pulp, rubber, and intermediates for cer-

Table 1 : Utilization of Manufacturing Capacity

Production during 1959-60 as per cent of installed capacity at beginning of year in 121 industries.

Production as per cent of capacity[1]	Basis of capacity figures : 2 or 3 shifts[2]	1 shift	Total
	Number of industries		
Over 150	1	4	5
„ 100, not over 150	7	16	23
„ 90 „ „ 100	4	7	11
„ 80 „ „ 90	7	10	17
„ 70 „ „ 80	4	6	10
„ 60 „ „ 70	—	15	15
„ 50 „ „ 60	—	10	10
„ 40 „ „ 50	2	15	17
„ 0 „ „ 40	2	11	13
Total	27	94	121

[1] It is assumed that plants work 300 days in the year, or 330 in some of the three-shift industries.

[2] Including some industries on continuous operations, with allowance for shutdowns for normal repairs and maintenance.

Source: *Monthly Statistics of the Production of Selected Industries of India.*

*Attention is invited to the Current tatistics pages in this issue for the itest available data on capacity and roduction in the major industries.

tain chemicals and drugs; factories in many fields are held up for lack of vital bottleneck items; some firms that have agreed to a "phased programme" of reducing the import content of their production (imposed quite properly to induce progressive import-saving) have fallen behind schedule and are unable to get the imports required for full production.

It seems likely that, say, a further Rs 100 crores per annum could usefully be imported to meet industry's requirements, given the present level of demand for industrial goods, and that this might increase industrial production by perhaps 15-20 per cent, or by several times the value of the increase in imports. Shortages of home produced goods and services, such as coal, power and transport, might limit production in certain fields, but these too could sometimes be overcome by imports, at least after a time, were foreign exchange available. Imported oil, for example, might be substituted for coal in coastal regions, and at the same time save transport, while generating plants to be run on oil or water power might be imported to relieve the power shortage.

Industrial production might be further increased if still more foreign exchange were available for imports of materials, etc; for effective demand might then be allowed to increase with less fear of inflation, since some extra supplies would be forthcoming to meet the extra demand.

Increased imports of fertilisers could likewise increase the value of agricultural output by a multiple of the foreign exchange cost. A still further substantial increase in national production and employment might be possible if large scale public works were undertaken using under-employed labour and indigenous materials, and if the extra demand of the workers employed could be met by increased imports. (Mr Andrew Shonfield recently suggested that such imports, at least of foodgrains and perhaps of cotton, might be obtained from U S as a free gift.)

In these various ways, shortage of foreign exchange is a serious bottleneck holding up production and preventing anything like the full use of the nation's industrial capacity, land and labour. Increased aid or exports could make possible an increase in production several times as great in value and, by raising income, raise savings and investment and thus the rate of economic development.*

The Third Plan

Shortage of foreign exchange will continue during the Third Plan and there is a serious danger that it will make impossible the rate of development that is hoped for and that is absolutely essential. Even if foreign aid is forthcoming on the large scale envisaged in the *Draft Outline* (more than twice that received in the Second Plan), this may not be enough; for the import needs seem to have been substantially under-estimated, as they were in the Second Plan.

The allowance for "development" imports† implies a very rapid increase in the output of capital goods in India, and any estimate of requirements probably tends to under-state the ancillary and unforeseen types of equipment that have to be imported. The growing tendency for aid to be tied to exports from the aid-giving country, especially the United States, will increase the cost. There is no guarantee that the prices of capital goods generally will not rise in the aid-giving countries, as they have done in the past.

The allowance for "maintenance" imports (including capital goods for replacement) looks very low. The average for the Third Plan is put at little more than Rs. 700 crores per annum. (Rs 3570 crores over the five years. *Third Five Year Plan—A Draft Outline*, p 53.) This is probably no more, and perhaps less, than the present rate of importation which is severely restricted and, as we have seen, quite insufficient for the proper maintenance of the economy. Import needs, moreover, seem likely to grow despite the large increase planned in import-saving production, if, as is contemplated, industrial output is to grow by about two-thirds over the next five years and national income by something approaching one-third (*See Draft Outline* pp 31 and 228).

There is also the special problem of getting aid for "maintenance" imports; aid-giving countries usually prefer to finance imports of capital goods for "projects" that will create monuments to their generosity, though there are welcome signs that this attitude is changing. India is probably in rather an unusual position among under-developed countries in that the foreign aid required to supplement her domestic savings tends to exceed her needs for imported capital goods for new investment; for she is an important producer of capital goods. Part of the aid is thus required for maintenance imports.

There is not necessarily anything improvident about taking aid for such imports. It can help to increase investment just as much as aid to finance new capital goods. A large part of the Marshall Aid given by the U S to Europe was in fact used to finance imports other than of capital goods.

(Even if more aid were made free to spend on either maintenance or development imports. there would remain a problem of how much to switch to the former to 'feed' existing unused capacity. For some of this would produce relatively in inessential goods—a legacy of unduly liberal licensing of capacity for such goods in the past.)

India enters the Third Plan, faced with all these difficulties and uncertainties, with no cushion against unforeseen contingencies as there was at the start of the Second Plan. The reserves cannot be drawn upon to any significant extrent—they are little more than Rs. 150 crores compared with nearly Rs. 750 crores five years ago — and there are few remaining inessential imports to be cut.

For all these reasons, it seems unlikely that the Plan can be achieved unless aid, or India's exports, or both, are very substantially increased above the levels contemplated in the Draft Outline. If more aid is not received—and I think it should certainly be asked for—exports would probably have to be increased by nearly one-half during the next five years. Even this would leave a very difficult position during the earlier years, because exports cannot be increased overnight and some of the more important import-saving investments will bear fruit only in the later years of the Plan.

The Fourth and Fifth Plans

Even if more aid, including aid for "maintenance imports", can be obtained in the Third Plan, this should not in any way weaken the export drive. It will still be necessary to aim at an increase approaching one-half in exports during the next five years to provide a base for the further massive increase that will be needed during the Fourth Plan if India is to achieve independence of foreign aid, and yet maintain rapid growth, in the Fifth. This would probably involve exports at the beginning of the Fifth Plan of as much as Rs. 1500 crores per annum, more than twice the present rate of under Rs. 650 crores.

Such a very large increase may come as a shock to some readers and it requires some justification. I cannot give a detailed proof; this would require much further study, and I hope that others will attempt such a calculation. But I believe that an increase of the order mentioned can be shown to be plausible and indeed the minimum required. In brief, exports two-thirds higher are needed merely to pay for present imports; it seems inevitable that more imports will be needed in ten years to maintain the much higher activity it is hoped to achieve; heavy repayments of capital and interest will fall due on loans already received and that will be received during the next ten years.

A rather fuller justification will now be attempted. (Table 2 will help readers to understand some of the figures mentioned.)

*"Maintenance" imports** at present seem to be around Rs. 700-750 crores per annum and should be nearer to Rs. 850 crores to allow industrial capacity to be more fully used. If it is hoped to raise national income by over three-quarters, and to treble industrial production, by the beginning of the Fifth Plan—this would be merely a continuation of the growth rates implied in the Third Plan†, and an acceleration is really needed—it is hard to see how maintenance imports could be kept below, say, Rs. 1000 crores at the very least, despite a rapid development of import-saving activities. This would mean that the increase in maintenance imports (Rs. 250-300 crores) was only about 2½ per cent of the increase in national income.

I should have put down a larger increase, had it not been for the view implied in the *Draft Outline* that maintenance requirements will not rise during the Third Plan. I feel that at least some modest increase must be allowed for, considering that

(a) there have been vary few examples of countries achieving rapid development without an increase in imports (although India might conceivably provide a unique example of rapid import-saving over the next decade);

(b) the present level of imports is severely restricted;

(c) a large expansion of exports will be very difficult unless special types of materials and equipment required to make goods acceptable abroad are imported;

(d) a substantial part of the expansion of exports is likely to be directed to the Soviet bloc on a bilateral basis and to some neighbouring countries on what may in effect be a bilateral basis, so that some imports may have to be accepted that would not be regarded as essential if foreign earnings were freely convertible. (In this context it is important to ensure that goods exported to Soviet bloc countries are not re-exported to other countries to replace direct exports that would have earned convertible currencies. Trade figures suggest that there may have been some deversion of this sort.)

Table 2: Trade and National Income

	1960–61 estimated	1971–72 assumed	Increase.	Per cent per annum
National income, Rs. crores	13,700	24,700	11,000	5.5
Imports*, Rs. crores	1,080	1,400	320	2.4
,, % of 1	7.9	5.7	2.9	....
Exports*, Rs. crores	640	1,500	860	8
,, % of 1	4.7	6.1	7.8	....

Year	National income (current prices) Rs. crores	Imports* c.i.f. Rs crores	% of National Income	Exports* f.o.b. Rs. crores	% of National Income
1951–52	9,970	962.9	9.7	730.1	7.3
1952–53	9,820	633.0	6.4	601.9	6.1
1953–54	10,480	591.8	5.6	539.7	5.1
1954–55	9,610	683.8	7.1	596.6	6.2
1955–56	9,980	761.4	7.6	640.2	6.4
Average 1st Plan	9,972	726.6	7.3	621.7	6.2
1956–57	11,310	1099.5	9.7	635.2	5.6
1957–58	11,400	1233.6	10.8	594.1	5.2
1958–59	12,470	1029.6	8.25	575.9	4.6
1959–60	13,000†	923.7	7.1†	623.3	4.8†
1960–61	13,700†	1080 †	7.9†	640 †	4.7†
Average 2nd Plan	12,376†	1073.3†	8.7†	613.7†	5.0†

* Balance of payments basis (E.C.D.)
† Estimated

* Excluding food imported under P.L. 480.

† *Draft Outline* pp 31 and 228. The rates of growth are over 5 per cent per annum in national income and about 10½ per cent in industrial production; these have been compounded over the eleven years 1960-61 to 1971-72.

*The following very simple example shows how extra exports may increase savings and investment. It ignores many complications. The figures are purely illustrative.

Curtail home consumption of, say, bicycles by Rs 100.

Increase exports of bicycles by Rs 100.

Import Rs 100 extra raw material. Put Rs 75 into production of consumption goods and make an extra Rs 300 of consumption goods.

Put Rs 25 into production of capital goods and make an extra Rs 100 of capital goods.

Extra income (wages and profits) is Rs 225 in consumption goods production, Rs 75 in capital goods production, total Rs 300.

Say, one-third of this is taxed or saved, *i. e.* Rs 100. This finances the extra output of capital goods. Consumption demand out of the extra income goes up by Rs 200 and this is met by the extra production of consumption goods of Rs 300, less the fall in purchases of bicycles of Rs 100.

† Capital goods for new investment together with components, etc. for increasing production of capital goods in India

"Development" imports in the Second Plan seem to have averaged Rs. 300-400 crores per annum and are expected to exceed Rs. 400 crores per annum in the Third Plan[1]; they may well have to be nearer Rs. 450 crores for reasons mentioned earlier. It is hard to believe that they could be less than, say, Rs. 400 crores per annum at the beginning of the Fifth Plan if, as is hoped, investment is to be raised to over 2½ times the present level (11% to 16%[2] of a national income more than three-quarters higher, and a still higher investment ratio is really required). Merely to prevent any increase in the need for development imports will be difficult. Apart from the very large rise required in the output of capital goods *as a whole*, there is the problem of special types of equipment. At the stage of development that India will have reached there seem bound to be many types that she will still be unable to produce, especially as many new things will be developed in the world during the next decade. At Rs. 400 crores, development imports would be only 10 per cent of India's net investment (though a larger fraction of the capital goods required for net investment).

With maintenance imports at Rs. 1000 crores and development imports at Rs. 400 crores, *total imports* would be Rs. 1400 crores. This would be little more than 5½ per cent of the national income. The lowness of this figure may be appreciated when it is realised that in the United States—a large country with every diversified resources, in the van of technological progress, and with a long history of economic development behind high tariffs—imports (c.i.f.) are over 4 per cent of the national income[3] (and were usually 5½ per cent or more until the 1930s). The corresponding figure for the U.S.S.R. may also be of the order of 4 per cent. Apart from China, there is virtually no other country with an import ratio anything like so low. If India's national income were valued at U.S. prices, the ratio of imports to national income assumed for the beginning of the Fifth Plan would be well under 4 per cent.

Import Saving

Although I have allowed for an increase in total imports above the 1960-61 level, and thus assumed no absolute import-saving, there would have to be massive import-saving in a relative sense. Imports would have to fall from nearly 8 per cent to little more than 5½ per cent of the national income. The increase in imports would be under 3 per cent of the rise in national income. The rate of increase assumed in the quantity of imports (under 2½ per cent per annum) is little more than half that required by the U. S. throughout the half century ending in 1929 (over 4 per cent per annum) although the planned rate of increase in India's real national income is much higher than that achieved by the U. S. during this period.

In addition to imports, the *service of public external debt* (including interest and repayments) may well be as much as Rs. 200-250 crores per annum, even if the bulk of the loans received during the next 10 years are on easy terms, and especially if repayments due in the Third Plan are postponed or covered by new borrowing, as was contemplated in the *Draft Outline* (p 55). On the other hand, *net invisible earnings* (excluding interest on the public external debt) together with net inflow of private capital may provide, say, Rs 100-150 crores.[4] *Exports* would then have to be about Rs 1500 crores.

It may be argued that there is no need to aim at such a high figure since foreign aid is likely to continue in the Fifth Plan. But it would seem to be rather a dangerous gamble to count on this. Political conditions can change greatly in ten years. Mr Kennedy, for example, will no longer be President of the United States and there will be many other claimants for whatever aid is available, including many countries whose ability to use aid profitably will be much greater than it is today.

Even if it is assumed that substantial aid will be *available* to India in the Fifth Plan, this will not necessarily change the export target that should be aimed at. For if internal savings have by then been stepped up to a level that can give a satisfactory rate of growth without foreign assistance, India will presumably not wish to accept it; and it would be unfortunate if balance of payments difficulties made this necessary. If, on the other hand, internal savings are still inadequate, it will not be difficult to create a balance of payments deficit, if necessary, by stepping up the rate of investment, so that a balance of payments case for aid can still be made and the aid can be absorbed.

It is possible that there will be important discoveries of oil or other natural resources that can be used to replace imports. But it would be imprudent to count on discoveries that would have a revolutionary effect on the balance of payments until they have actually been made. In any case, such resources would take time to develop. I have, moreover, already allowed for very large scale import-saving. And a completely autarkic policy of import-saving at any cost—of producing anything that it is physically possible to produce in India—would undoubtedly slow down the rate of growth.

This is not to say that investment in import-saving should not have some preference—and perhaps quite a substantial one—over investment in production for export. I think it should, because, for example, of the greater dependence of exports on circumstances outside India's control and of the tendency for a pushing of exports to worsen the terms of trade. But the preference for import-saving should not be absolute. For example, an investment in production for export that required only, say, a 10 per cent export subsidy should normally, I suppose, be preferred to an investment in import-saving that required protection equivalent to, say, a 50 per cent import duty, after allowing a reasonable time for infant industries to grow up in either case.

[1] *Draft Outline*, page 54. Development imports are at present running temporarily at a lower figure.

[2] *Draft Outline*, page 6 and 43

[3] 4.1 per cent in 1959. The more usually quoted figures for imports f o b as a percentage of the gross national product is lower (3.2 per cent).

[4] These items at present yield under Rs 100 crores, net, excluding also official donations. Earnings from transportation and especially tourism should rise, as should private investment from abroad. On the other hand, there may be significant extra payments of income on such investments.

For all these reasons, I feel that a target of around Rs 1500 crores per annum for exports at the beginning of the Fifth Plan is by no means too high. It would mean, very roughly, an increase of one-half during the next five years and a further increase of one-half during the following five years. There is no point, of course, in arguing about the precise figure, for in any case it will probably be agreed that the increase required is very large indeed; but I shall use the figure of Rs 1500 crores for purposes of illustration.

The Magnitude of the Export Task

The rate of increase required would be a difficult task for any country. But it is not impossible. It has been achieved over the past decade by quite a number of countries (in addition to those exporting oil), such as Yugoslavia, Israel, Japan and a good many nations in Western Europe. But how practicable is the task for India?

From the point of view of reserving a sufficient proportion of the nation's investment and additional output for exports, the ask does not look unmanageable. Exports would have to rise by 8 per cent per annum compared with an increase of 5-6 per cent in the national income. Less than 8 per cent of the increase in output would have to be devoted to exports. The proportion of the national output exported would merely have to be restored to the level achieved half-a-dozen years ago.

These figures, of course, refer to output as a whole, and there will for a time be difficult problems in particular fields where home demand will have to be restrained to make room for exports. But the pattern of output can be changed considerably over a period so that, looking ten years ahead, the problem should not be too difficult, provided an appropriate pattern of investment is adopted.

When, however, one considers the problem of selling the goods abroad, the task appears much more difficult, for India's exports would have to increase faster than world trade seems likely to expand. The latter has risen in terms of quantity by about one-third in each of the last two five-year periods (and may perhaps grow more slowly in future); exports of under-developed countries taken as a whole have grown considerably less quickly.

Now, while world trade has been expanding quite rapidly, India's exports have been stagnant during the last ten years (at least in value, though there has been some upward trend in quantity). This is partly because her share in the world market for certain products has been falling (sometimes mainly for external reasons, sometimes in the main because Indian domestic consumption has been catching up with production). In jute manufactures for example, Pakistan has entered the world export market, and Thailand has entered that for lac. In tea, East Africa and Ceylon have been increasing their share of the U. K. market at India's expense. India's share in the world market for manganese ore has fallen; new competitors have been entering the field. In groundnut oil, where once she had a substantial share, her exports have now virtually dried up.

Probably the more important reason, however, why India's exports have fared so much worse than world exports as a whole is that they depend rather heavily on items where world trade is expanding only slowly, if at all. Nearly one-half of India's exports still consists of the three traditional staples—tea, cotton textiles and jute manufactures. World trade in these items taken together seems unlikely to expand very rapidly in future, barring a striking increase in imports by the Soviet bloc; and the scope for increasing India's share is limited because it is already high in tea and jute manufactures, while an attempt to expand markedly her quite substantial share in cotton textiles would be likely to provoke restrictive measures abroad. Exports of the three staples must be vigorously promoted; they are far too important to be neglected. But, while quite a sizeable increase is by no means impossible, it is clear that, to achieve the total exports required, there will have to be a really striking increase in the other items; they may well have to be trebled or more.

Now among these there are some very promising exports even outside the field of the newer manufactures. There could be rapid increases in the earnings from, for example, iron ore, coffee, fish, vegetable oils and, in the field of invisible exports, tourism. These are items where world trade should expand rapidly, or where India's share is small and could be raised substantially, or both. There is also a good number of other quite promising items.

But, even on optimistic assumptions about all these and other commodities, it would seem impossible to reach anything like the level of exports required without a very substantial contribution indeed from the newer manufactures. Exports of these must be increased many times over to several hundred crores per annum. Their present share of only about 5 per cent of exports must be raised to a much more important fraction.

Taking account also of the rapid expansion needed in the other promising items, it is clear that an almost revolutionary change will be required in the structure of India's export trade. When this has become more heavily weighted in favour of products where world trade is growing fast, a rapid expansion of her exports will become less difficult.

I must confess that India's export task looks extremely formidable but I do not think it need be a matter for despair, for cutting down or drastically altering the fundamental nature of the Plan, or for giving up hope of achieving rapid growth without foreign aid within a decade. In products where India's share of the market has declined, it is by no means inevitable that this must continue or that part at least of her previous share cannot be regained, provided really vigorous measures are taken to increase production, to free supplies for export, to make them competitive, and to market them. We have seen that there are a good many exports which could be rapidly increased. In the case of the newer manufactures, it is sometimes argued that the world market will not expand very rapidly in future because of the simultaneous industrialisation of a large number of under-developed countries. But, even if this is true—which is doubtful—it might still be possible for India to carve out the rather small share she needs—perhaps about 2 per cent of the world export market for the relevant products as a whole—a smaller share than that of such small countries as Sweden, Switzerland, the Netherlands or Belgium.

India, too, though poorer than the great majority of under-developed countries per head of population is more advanced industrially than

most. She should thus be able, by keeping one step ahead, to sell them manufactured products that they cannot yet produce. The trading skill of Indians and the numerous Indian traders abroad should be of assistance, as should be the selling organisations and experience built up by textile exporting firms over a long period.

It is possible, too, that more and more international firms selling all over the world will, if permitted to do so, choose India as one of their bases for production and export (as some are already doing). For, among the low-wage countries, India's claims are high. She has one of the largest home markets; the general political outlook is more secure than in many other countries (although the extent of Government control may prove a deterrent); she has a good supply of educated personnel and of industrial facilities generally.

But, while there is no need for despair, the task is certainly a very difficult one indeed. What has to be done if there is to be a chance of success?

II CONDITIONS OF SUCCESS

1 The Role of Government

The first and fundamental requirement is a recognition of the vital need for a rapid and massive increase in exports if India's economic development is not to be seriously jeopardised, and acceptance of this fact as a major basis of economic policy.

While most of the actual exporting will have to be done by private business, the role of Government will be crucial. Some difficult decisions must first be made on general policy, involving much more drastic measures than have hitherto been taken. But these will be fruitless without really effective machinery, which can cut through conflicting departmental interests, to translate them rapidly into concrete measures, including schemes for each product, and then to take quick decisions on their day-to-day implementation and interpretation (for potential customers abroad, in a highly competitive world, will not wait for long while Indian officials make up their mind).

I am no expert on public administration and I do not know how all this can best be done in the Indian context but I can think of some occasions when Britain was faced with similarly urgent problems.

There was, for example, the wartime crisis when U-boats were sinking merchant ships at a rapid rate and Britain was threatened with starvation or at least with a complete dislocation of the war effort at home and overseas. Mr. Churchill formed a small but top-level Battle of the Atlantic Committee over which he presided and which met very frequently to take decisions, to check that decisions taken previously had been implemented and to review their effectiveness.

Then there was the Battle of Britain crisis of 1940 when Lord Beaverbrook was given the task of getting as many fighter aircraft ready for service as he could in the shortest possible time. He was very successful, although his efforts dislocated war production for some time thereafter.

India's export problem is a longer term one, and the drive for exports must not be allowed to dislocate the economy generally, so perhaps another example will be more relevant. When the Conservative Government returned to power in 1951 they were faced with the need to redeem an election pledge to build 300,000 houses a year as soon as possible; the current rate was only 200,000. Whether this was a wise use of Britain's limited resources is beside the point. Mr. Churchill appointed Mr. Harold Macmillan to achieve this task and he in turn recruited a business man of considerable experience and determination to assist him. The target was achieved far more quickly than most people had thought possible and the success added considerably to Mr. Macmillan's reputation. An important condition was the ability of Mr Macmillan and his officers, with the full backing of the Prime Minister and the Cabinet, to prevail over other Ministeries when their interests conflicted with his.

2 Emphasis on Economic Efficiency

If India is to compete in World markets without prohibitive subsidies, it is essential to go all out for maximum economic efficiency, and low costs, even if this conflicts with other considerations.

Where economies of scale are important, it is vital to concentrate on large plants even if this means less regional dispersion of industry, and more concentration of economic power; competition is usually good for efficiency but the deliberate creation of several undertakings where one could produce far more cheaply is unlikely to achieve the desired result. It may be tempting to give preference to smaller firms because they employ more labour; but they may be unable to compete in world markets. Larger enterprises, even if they employ fewer people directly, may, by earning foreign exchange which can be spent on scarce materials, make possible more employment in industry as a whole.

The need for exports may also conflict with the desire for fair play. For example, foreign exchange must be granted quite liberally to would-be exporters for travel and sales promotion abroad, even though this may lead to some abuse. And in so far as reliance is placed on the State Trading Corporation or other Government agencies to sell goods abroad, emoluments will have to be paid that can attract from the private sector the best experts in the various branches of trading, even if these are out of line with governmental salary scales. It will also be difficult for State traders to compete with private traders abroad if they are inhibited by the rules to which other officials, for good reasons, are subject, so that they can be called to account for each individual decision rather than for their performance as a whole.

3 Restraints on Home Demand

Consumption of exportable goods will have to be restrained where supplies are inadequate to meet both home and export demand — and even where supplies could be increased sufficiently through higher investment, if the products are not essential and the resources can be more usefully employed elsewhere. Restraint may be necessary, at least temporarily, on the consumption of such products as vegetable oils, tea, the better grades of coffee, leather and a fairly wide range of manufactures. This will seldom involve an absolute reduction in consumption or, even in *per capita* consumption; a slowing down in the rate of growth will normally suffice. Restraints on home demand will normally mean that prices are higher than they otherwise would have been (though not necesarily higher absolutely). This may result from higher excise duties or from the charging of higher prices by producers who have to sell abroad at a loss.

There is a natural reluctance to restrain consumption, and especially when the goods are produced in India. But the belief that such goods must always be cheap and plentiful reveals a strange asymmetry of thought towards imports and exports respectively. If, say, 90-95 per cent of the country's needs of an article are produced in India, and the remaining 5-10 per cent imported, there will normally be little hesitation in cutting the imports drastically to save foreign exchange and making do with rather smaller supplies, even if this means considerably higher prices and profit margins. It thus seems a little strange that there should be opposition to a moderate slowing down in the growth of consumption of goods produced in India that could be exported and earn foreign exchange, especially if this is done by excise taxes which accrue to the Government.

It must be remembered that restraints on consumption will be recouped several times over in terms of production of other goods, since the extra exports will make possible the import of vital bottleneck items. In general, the public must be convinced that, without such restraints, an adequate rate of development will be impossible and that would be a much more serious matter.

4 Adequate Production for Export

The scope for restraining home demand is, however, limited, especially when the product meets a really essential need of the mass of the people or is a material, component or piece of equipment vital for the country's economic development. It is thus essential, particularly in these cases, that output of exportable goods is adequately expanded. It must not lag behind home demand, as has happened too often in the past. This means ensuring sufficient investment in the industries concerned, that they have adequate supplies of materials, fertilisers, etc., and that any other necessary measures are taken (for example, a modification of the legislation on cow-slaughter could increase supplies of hides and leather for export).

Since resources will remain scarce, and especially imported equipment and materials, an essential corollary is the need for severe limitation of investment in production that is not absolutely essential, and that will not yield substantial net earnings or savings of foreign exchange, and especially when continuing net foreign expenditure would be involved. Only in this way can room be found for the more vital export projects. This means that many other schemes, though desirable in themselves, will have to be postponed till conditions are more favourable, and especially when they would benefit only the higher income groups.

Care must also be taken in the allocation of investment resources between activities than can earn or save foreign exchange. The calculations involved are difficult. Profitability in a narrow financial sense is not a sufficient criterion since, among other things, the value to the nation of extra exports or import-substitutes is considerably greater than it appears to be at existing rates of exchange. It is certainly necessary to work out the initial foreign exchange cost of the investment, the continuing annual foreign exchange costs and the continuing annual earning or saving of foreign exchange. The *net* annual earning or saving of foreign exchange as a proportion of the initial cost will not yet, however, provide a satisfactory criterion for chosing between investments because the use of scarce domestic goods and services must also be allowed for.

Indirect effects must be taken into account as well. For instance, in deciding whether to buy additional aircraft abroad for use on internal services, credit must be taken for the extra foreign tourists who would come to the country (assuming that inadequate air transport within India is limiting their number), and not only for the fares they would pay to Indian Airlines Corporation but for their other expenditure in India as well. Though such calculations are difficult, they should be seriously attempted and perhaps done more carefully than hitherto. This might suggest ways in which a re-allocation of investment would assist the balance of payments. (For example, investment in more ships, which can recoup their foreign exchange cost in a fairly short time, might turn out to be better than investment at the margin in some other export or import-saving activities.)

5 Making Exports Competitive

Even if sufficient supplies are made available for export, they cannot be sold unless prices are competitive. Measures to reduce costs will take time to bear fruit. In the meantime, if India is to achieve the large and rapid expansion in exports that is necessary, it seems essential that a good many exports should be sold below the domestic price and some below cost of production. This will be necessary over a fairly wide range of manufactures and for a rather small number of primary commodities, sugar being an outstanding example.

To make the best use of the nation's resources, preference should normally be given to products requiring a smaller rather than a larger rate of subsidy. (On this criterion sugar looks a bad bet, at least as a continuing export in the long run unless costs can be very substantially reduced, either through a geographical re-distribution of Indian production or in other ways. But in the shorter run India clearly cannot afford not to sell the substantial surpluses that have arisen.)

Direct or indirect export subsidies will arouse some antagonism abroad. The rules of GATT are somewhat strict on this matter (and surprisingly more strict than on import restrictions) but India has reserved her position. Trouble may, however, arise with producers both in rival exporting countries and in the importing nations.

India can, however, make a good case for at least temporary subsidies. The urgent need for increased export earnings is apparent. It can also be reasonably claimed that the "infant industry" argument for protection of import-competing industries applies, *mutatis mutandis*, to infant export industries, of which there are many in India. Moreover, many Governments subsidise exports in various ways; and the sale by industrial firms of exports at prices lower than those charged at home is a very common phenomenon.

(With some commodities, that do not need a subsidy, stable prices are as important as low ones. When prices fluctuate so widely as, for example, those of jute goods, buyers abroad will switch to substitutes with more stable prices; and every sharp rise in price will encourage substitutions and economies which will not be wholly reversed when prices fall again. Measures to reduce fluctuations in such prices are thus necessary.)

6 Investments in Selling

The selling of vast additional amounts of exports, especially of the new manufactures, is bound to be an expensive business, in terms both of rupees and, more particularly, of foreign currencies. Such expenditure must be regarded as essential investment designed to earn foreign exchange and must not be skimped any more than investment in, say, steel works to save foreign exchange. Expenditure of foreign currency both public and private, that can properly be attributed to export promotion probably does not exceed a very few crores. Even a large proportionate increase, say a doubling, though apparently difficult to afford in present circumstances, would be small in relation to the extra exports it might yield.

More Government money will have to be spent on, for example, trade fairs and missions; on trade representatives abroad (who will have to supply much more detailed and expert market information than has hitherto been available, for use both by Government and by business); and perhaps on export credit guarantees (the terms must be fully competitive with those offered by competitors abroad and this may require Government subsidisation of the Export Risks Insurance Corporation).

Foreign exchange must also be granted quite liberally to business firms, including those not yet well established, and to Government agencies engaged in export trade, not only for travel abroad but also for advertising, for building up stocks abroad and for the other needs of marketing; some firms or industries may need offices, showrooms or even foreign subsidiaries. Nor can India afford not to grant credits as long as those offered by other exporting nations, even if this sometimes involves waiting several years for the foreign exchange; this will still be a well worth while investment.

7 The Role of the Advanced Nations

The advanced, aid-giving nations can do much to help or to obstruct India's export drive. They must be convinced that, without a massive increase in exports, India can never achieve independence of foreign aid, while maintaining rapid growth and at the same time repay the larger loans she is receiving. The slogan at the moment must be "aid *and* trade" if it is ever to be "trade *not* aid". In particular, the advanced nations must be convinced of the need for much more competition from the new Indian manufactures, not only in third markets but even in their own home markets. If restrictions are imposed on goods produced with "cheap" or "sweated" labour, as with cotton textiles, India's chances of achieving the exports she needs will be considerably reduced.

Merely to refrain from imposing such restrictions will not, however, be enough. More positive action to *encourage* imports from India (and other under-developed countries) is required. The analogy of the Marshall Plan is relevant. The U. S., while giving massive aid to Europe, embarked in effect on an *import* drive to help sales of European goods to the U. S. (while tolerating severe discriminatory restrictions against her own exports to Europe). For example, U.S. officials abroad actively sought out European products that might be saleable in the U. S.; American tourists were allowed to bring back as much as $500 worth of goods purchased abroad without paying duty; local purchases by American military forces in Europe were encouraged in various ways. (These measures have now, quite rightly, been reversed, as Europe's balance of payments has become much stronger.) The advanced nations could also help by persuading firms with interests in factories in India to waive agreements limiting exports from these factories.

(To be concluded)

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UNDER SECRETARY GOVERNMENT 24 APR 1961 PUBLIC DEPARTMENT

Marketing in Hindustan Lever

Vice-Chairman's Speech

THE following is the text of the speech delivered by Mr P. L. Tandon, Vice-Chairman of Hindustan Lever Limited at the Annual General Meeting of the Company held in Bombay on 18th April 1961.

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 1960 which have been with you for some time. I shall talk to you today about our own Marketing, how we do it and what is our thinking behind it.

We are essentially a marketing company. What we produce we have to persuade the consumers to buy. There is no captive market for us. Successful marketing is our life-blood, and we can say with some satisfaction that our marketing is lively and effective. Marketing to us is a total operation, more than mere selling. It has a wide band of activity, from product development to consumer satisfaction.

The Product

We only go to market when we have a product that is right for the market and is right in itself. This begins with a process of careful discussions among our men and women in marketing, marketing research, technical research and development. The marketing people know their consumer; marketing research makes sure that this is so; the technical research and development people have to develop the product; the advertising people assist in moulding its personality, they give it name, packaging and appeal. There will be many trials and tests with the product; probes into the market to ascertain the size and shape of the demand; till, finally, the product is ready for market testing. Let me begin with marketing research, which is the first link in our marketing chain.

Marketing Research

Marketing research tries to find out what the consumers, the men and women who constitute the market, think and want. It keeps us in touch with the consumers' minds and to study their changing likes and dislikes and habits.

Marketing research operates in a variety of fields. There is conventional research, known as quantitative research, where, with the aid of questionnaires, we find out what products of interest to us people use; how much they buy and how often; who in the family use them; what the qualities are that they look for and what is their opinion of the brands they buy. This type of research gives us excellent surface bearings, but sometimes, what people say is not always why they do it. Quite unconsciously there can be a difference between people's spoken and unspoken attitudes. This is an area where the newly developed techniques of motivation research can help to bring us closer to people's thinking.

Motivation research, instead of relying upon direct questioning, goes deeper into what motivates people's actions and beliefs, especially in areas where there is a good deal of emotional content. That is particularly so with products where the social connotation is equally as important as personal satisfaction. When it comes to finding out women's views on beauty and adornment, direct questions are unlikely to bring out the real answers. But get them together in a group and the discussion will be revealing to the trained ear of our psychologist, who will pick up nuances that are otherwise likely to be missed.

Our marketing research also operates in a variety of other fields. It conducts rural surveys to find out about habits of people in the countryside and the changes that are taking place. It operates consumer panels in towns where housewives are visited regularly for budgetary enquiries. It also conducts surveys of more general, sociological interest to study the growth that is characteristic of our society today.

All this may sound an imposition on the housewife, but it is not. She, in fact, enjoys greatly being called upon by our market research girls and discussing domestic matters with them. These young ladies are well educated, mostly graduates, from good homes, and they are carefully trained by their senior managers, also women. They are therefore very acceptable to the housewives; in fact, their problem often is how to get away from an interview.

We firmly believe in marketing research and we use it extensively. Altogether, we interviewed over 1 lakh people in 1960. We consider it cheaper than making mistakes. We go a stage further and test-market the new product when it is ready for marketing but before we feel it can be launched on a national scale. Both marketing research and market-testing help us by bringing forth ideas for improving the products.

Test-Marketing

In test-marketing we select one or more towns or an area and try out the product under live conditions. Test markets are selected for their representativeness, either of the country or the problem. An area or town may be doing well in the sale of a type of product but not so well for our own brand. When we bring out an improved product this might be just the area to find out how far we can increase our share of the market. If we succeed here we are sure to do well elsewhere. Test-marketing can also help us to try out an advertising approach or a sales promotion scheme on a pilot scale at a small cost.

Yet another form of test-marketing is sampling, where our girls will leave samples of the product and return after a while to ask what the family thought of it in use; how does it compare with other brands they use; and would they buy it when it is available. The opinions we receive can be very helpful, particularly when they lead to a modification of the product.

During test-marketing our marketing research can also help. It may come in with enquiries before and after the launch of the product to study its impact.

At the end of all this, I should like to emphasize, we are using our judgment, and the whole problem is to create men of adequate judgment. These are tools and aids

which, well employed, assist their judgment and decisions. Hunches are good if they are more often right than wrong; and backed by information they are more likely to be right.

Price

While the product is being thus tested, our accounts will be busy discussing with marketing people the likely price and profit margins. Accounting is so much part of our marketing thinking, but our accounting approach here is a little different from the conventional one. We do not go in for a detailed and elaborate allocation of overhead costs in an arbitrary manner, but rely instead upon each product group taking its share of overheads in block.

There are two points about price which I should mention here. The first is price and quality. The widespread impression that India is a price market is no longer wholly true, because there are growing sections of population which demand quality. This is becoming more important as the country's economy and living standards improve. Therefore, to cut quality or packaging in a consumer product and to think only of cheapness would prove a false economy, at least in sections of the market that demand something better. Secondly, advertising and sales promotion are necessary parts of the product price to achieve good demand which, in turn, will lead to high volume of production and a consequent reduction in price. This point, I feel, deserves further attention and I will return to it.

After the product has been successfully developed and tested, both in our research and development laboratories and in the homes of potential consumers, we are now ready to launch it. The first stage is distribution, backed by a selling effort.

Distribution

Our distribution goes deep into the country. Having adequately covered the urban areas, our promotion efforts are constantly directed at taking our products into more and more small towns and villages. In 1954, our distribution covered 1,400 markets with a total population of 38 million. Today, we cover over 6,500 markets with a population of over 91 million, and beyond that is the still wider distribution that is done by the enterprising traders in small villages that we do not reach ourselves. It would be fair to say that there would be very few villages in India where Sunlight Soap does not reach. Interestingly enough, our sales increases in the smaller markets, especially in the rural areas, have been most gratifying. In the last five years the average annual growth of some of our popular products in the rural areas has been more than four times that of the all-India expansion. This is but natural in a growing economy in which there is vastly more room for improvement in the villages than in the towns. Wide distribution, too, helps to keep prices low by increasing sales volume by creating competition among retailers.

And now a few words about our distribution system in general, and how we reach the villages.

The central point of our distribution system is our chain of wholesalers throughout the country. From our five factories, goods are despatched to 60 stock depots which are the primary distribution points scattered over the country. From here they go to our wholesalers. In each one of the 6,500 markets we shall cover in 1961, we have one or more wholesalers for each group of our products.

Our wholesalers are local people who will always know local conditions better than we can. Being neighbours, their contacts with the retailers are close. As our representatives in the towns and as men of substance, their importance as our associates is good for their business and for us. They buy the goods from us outright for cash, warehouse them, distribute them with almost clock-work regularity, and extend credit to the retailers. All this saves us working capital. Belonging to the community, they form an effective and intimate link between us and the thousands of retailers who stock our products, and they do the whole operation smoothly and profitably for themselves and economically for us. They are loyal to us and rarely leave; we, in turn, treat them with respect and keep their interests always before us. Most of our vanaspati and soap wholesalers who began with us over 20 years ago are still with us. And our bad debts in the past have not amounted to even a thousandth of one per cent of turnover.

Selling

At the back of our wholesalers is our own large sales force, which today comprises 511 salesmen and supervisors. They have a set of specific and clear-cut functions. The first is, of course, selling. They visit every market at periodic intervals ranging from 4 to 8 weeks, depending upon the type of product and size of the market. Upon their visit, they discuss local conditions and problems with the wholesalers and then go out in the market to sell alongside them. This stimulates the wholesalers and their salesmen and brings us into direct contact with the retailers. At the same time, they arrange display of point-of-sale advertising material and of our products to attract the consumer's attention when he or she enters the shop. The salesmen have, besides, other functions like inspecting the quality of our goods, their packaging and contents, and withdrawing anything which in their opinion is not in a prime condition. Fortunately, our speedy turnover and distribution methods make sure that our goods are fresh in the market.

I have spoken already about our penetration into the countryside, and our spearhead here is a fleet of 45 motor vans spread over the country. These vans do a pioneering job, mainly covering small towns and nearby villages, working their way progressively deeper into the rural areas. They call at all worthwhile retail outlets; appoint wholesalers in new places where there is a sufficient volume of business to justify it; interest new retailers in stocking our products; and display advertising material and our goods. As soon as a market responds to this pioneering treatment and develops regular sales, it is put on the permanent journey plan of a regular salesman.

At the back of the rural work is another fleet of 12 cinema and 7 demonstration vans which combine the functions of propaganda and consumer sale. They give cinema shows in the villages at which large audiences happily see our advertising films coupled with an entertainment film. In addition, we show a suitable Government of India information film for broad educational purposes.

Advertising

Wide though our distribution is, by itself it cannot sell. It has to be taken to its next logical stage which is persuading the consumer to buy it. Distribution merely makes the product available; the consumer has to want it before the real sale takes place. Between distribution and consumption, therefore, there is the vital area of demand, created by consumer persuasion through advertising.

There is some confused thinking about advertising. It seems to be regarded by some in India as unnecessary and by others as a case of the chicken and the egg: which comes first? Some go even further and argue that advertising is an economic waste and a luxury. We differ from this view.

We believe that by creating and expanding consumer demand, advertising promotes volume which alone can effectively bring down costs. We do not believe in cutting quality to save cost, but to look for saving through increasing sales. Advertising in a free society therefore performs a vital economic function and at a surprisingly small cost. Our own advertising costs us only two rupees and eighty naye paise for every hundred rupees of sale.

Advertising in fact is not even a cost to the consumer, for by the high volume of sales it brings, it actually means a saving to him. It also ensures a regular demand which, in turn, enables our factories to operate with minimum fluctuations. There are other savings too. For instance, the reduction in working capital that accrues from the rapidity with which advertising helps to move the products from our factories, the wholesalers' godowns and the retailers' shelves. This speedy turnover of stocks helps the trade to operate on smaller margins than they would be willing to accept on slow-moving goods.

All told, advertising helps us in many ways. It introduces our products to millions of homes; it gives an assurance of quality to the consumers; and it helps reduce costs and the working capital employed.

With the household products of wide appeal that we sell, our advertising has to be spread over a large area. As it has to reach millions of homes in towns and the countryside, we have to use as many available media as possible, and it takes two forms — direct and indirect. In direct advertising, we go straight to the consumer and make a personal approach by sampling and demonstration, while, in indirect advertising, we use media like the press and cinema to carry our message.

Our advertising thus aims to reach the consumer, usually the housewife, in three ways: by meeting her and explaining to her about our product and how to use it; by reminding her through the daily newspaper and whenever she goes to the pictures; and by the last-minute appeal when she enters the shop and sees our showcards attracting her attention to the goods displayed on the shelves.

It is important that our advertising, while trying to attract, should, at all times, be sincere and correct. We go to considerable trouble to make sure that the claims we make for our products are justified. For this purpose, all written advertising is submitted to both our legal and technical departments who scrutinise each copy to make certain that all claims are tenable. Advertising creativeness has to be given freedom but only up to the point of truth, and no further.

It is not possible to evaluate advertising expenditure as we can our capital expenditure. The effect of advertising cannot be measured as closely as the effect of spending money on new production facilities. Nonetheless, it is very important, when we are spending large sums on advertising, to develop some means of evaluation, and these we are trying to create through our operations statistics department, who are experimenting with the new techniques in measurability of advertising; through our market research who pre-test virtually every new campaign; and through sales analyses.

Staff

And now I come to the most important area in our marketing operations — that of the men and women who run it. I have made a particular reference to women because they are playing a growing part in our organisation. There are 41 women working today in marketing and marketing research, mostly in the latter, and they are trained in a variety of disciplines; one has done a doctorate in psychology, another in social sciences, and a third in nutrition chemistry; there are two who have graduated in domestic science; and of the remaining 36, 27 are graduates in arts and sciences.

We keenly appreciate that although for its vitality and success our marketing will require the use of latest methods and techniques, in the ultimate analysis, we depend upon the calibre of the men and women we employ, upon their proper selection and training. Total efficiency of the operation must be a sum of the jobs well done.

For selection we look far and wide, and process the applications through a carefully designed multi-tiered procedure which aims at ruling out anything other than ability. It looks for those qualities of mind and manner which make for a good marketing type, possessing initiative and yet objectively analytical, resourceful, and with a mind that will grasp a situation quickly and meet it with energy and courage.

For promotion, we attach great importance to developing our own employees at all levels so that as many of them as possible can rise. Among our marketing managers today, 40 per cent joined the Company as salesmen and clerks; 20 per cent joined us as trainees, and 40 per cent were recruited directly from outside. While we are satisfied that our selection and promotion procedures work well, we have to be absolutely sure that we do not allow standards at any level to fall. If that happens, efficiency and morale will deteriorate and that will be injurious not to the organisation, but to the individual whose well-being and future is so intimately bound with it.

Training in the Company is a continual process. Training during probation must first make sure that the person employed is in fact cut out for the job and is capable of making a career with us; and then teach him the job. After confirmation, we are strong believers in developing the individual through devolution of responsibility and training. It takes various forms. We organise courses at our Training Centre in Bombay to which employees from all levels are brought for one-week to three-week courses. These are designed with two purposes in mind: a

broader understanding of the Company's objectives and policies; and the inculcation of skills and techniques. Salesmen and supervisors have quarterly conferences with their area sales managers; branch conferences are held twice a year and bring together all levels in branch marketing; annual conferences are held at all-India management level; and special conventions are organised every year at all-India or branch levels for all staff whenever we launch an important new product.

We encourage our managers to attend and participate in outside marketing and management conferences and seminars, and we also send men regularly to the Administrative Staff College at Hyderabad. In addition, we make use of the considerable training opportunities provided by Unilever. A few have been to the U.S. and Australia, and many to Britain and Europe. Our own training facilities have developed so far that Unilever are using them for sending men from their associate companies from Africa to the Philippines.

This, then, is a brief account of our marketing; the thinking and philosophy behind it; the tools and aids that are made available to the men and women who run it, and of the men and women themselves. It is an operation that has run well, but we are constantly watchful of complacency creeping in. We are always studying change and trying to adapt ourselves to the new.

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

Machinery on Hire Purchase

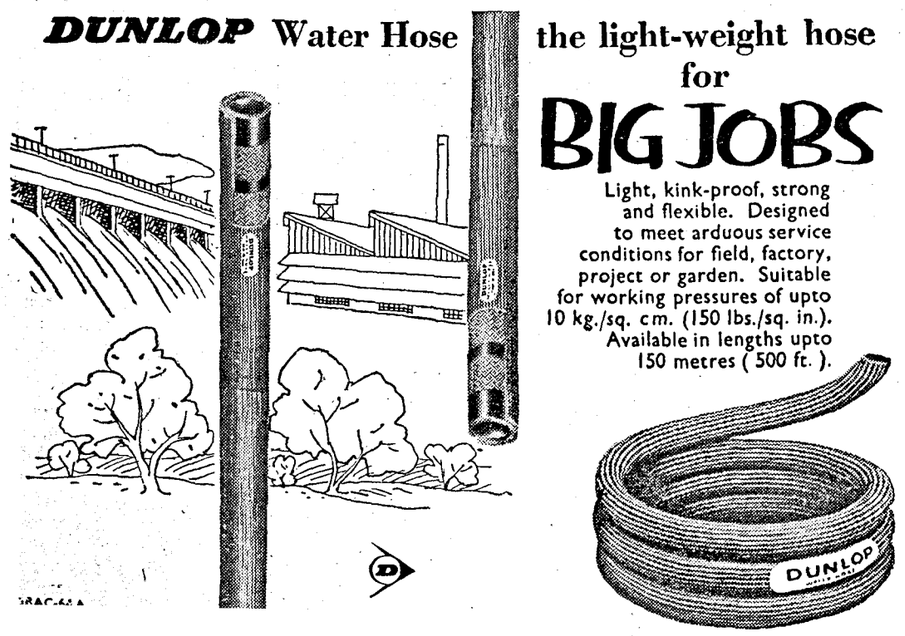
THE National Small Industries Corporation has further liberalised its terms for the supply of machinery to small scale industrial units on hire purchase basis.

The Corporation has now reduced the percentage of earnest money to be deposited by the parties who apply for machinery on hire purchase basis. Where the machinery is valued at less than Rs 50,000, the applicants will be required to pay as earnest money only to 10 per cent of the value. Until now, the Corporation had been insisting on 20 per cent earnest money.

For machines valued above Rs 50,000, the applicants will have to deposit earnest money at 20 per cent. In this case, however, they will be given the choice to pay 5 per cent in cash and furnish bank guarantee for the remaining 15 per cent, encashable at the time of delivery of machines.

It has also been decided that, wherever the period of delivery of the machines is long, the earnest money should be split up in two equal instalments.

The Corporation has also decided to supply machines on hire purchase basis upto a ceiling of Rs 10 lakhs for units, which would manufacture ancillaries and components for certain selected industries. Special concessional rate of earnest money has been fixed for the supply of machinery on hire purchase for these ancillary industries. Ancillary units to industries in the private sector, wanting machinery valued above Rs 50,000, will be required to deposit as earnest money only to two-third of the normal amount. In the case of ancillary units to industries in the public sector, the earnest money will be limited to Rs 5,000, if the value of the machinery is between Rs 50,000 to Rs 1 lakh and 5 per cent for machines valued above Rs 1 lakh.



Extension of Sugarcane Cultivation

Effect of Price Guarantee

Hari Prakash

Comparison of the proportion of costs to returns of a number of crops shows that the rate of return is relatively higher in the case of sugarcane. This is because cane prices are fixed by the Government while prices of other crops are determined by market forces and are, consequently, subject to fluctuations.

The higher return from sugarcane cultivation has led to transfer of land from food crops to sugarcane. This would not occur if prices of other crops are also fixed at comparable levels or, alternatively, if the current price guarantee to sugarcane growers is withdrawn.

FOR some time now huge stocks of sugar have accumulated with factories. This is not the result of any reduction in demand from consumers but is due to a phenomenal rise in the production of sugar during the last two seasons. Again, this rise in production was achieved through an extension of acreage under sugarcane, mainly at the expense of other food crops, rather than through increased yields. The cultivators, finding it more remunerative to grow sugarcane because of the high prices earned from the factories, seemed to have put more and more area under this crop during the last few years. It is intended here to highlight the favourable change in terms of trade to cane growers, mainly because of the fixed price assured, relative to cultivators of other crops for whom the prices fluctuate frequently.

The only reliable and comprehensive data available on the cost of production of sugarcane and a few other alternative crops are from the studies in the Economics of Farm Management conducted under the auspices of the Ministry of Food and Agriculture in 1954-55 in the districts of Meerut and Muzaffernagar by the then Agricultural Economist to the Government of U P. In these two districts, sugarcane is grown over an area of nearly 15 per cent of the total cropped area. The other important crops grown in these districts are wheat (28%), gram (8%), Maize (7%), Paddy (5%) and Bajra (5%). About 90 per cent of area under sugarcane and 75 per cent under wheat receive irrigation from various sources.

To determine the relative terms of trade for a particular crop the proportion of total returns per acre to total cost of production (which includes imputed costs of family labour, interest on fixed capital, rent on owned land etc, in addition to expenditure actually incurred) has been calculated. The rates of return over total cost (termed as cost C) for the two major irrigated crops are as below.

Sugarcane	Rs 501 or	1.61
	Rs 310	
Wheat	Rs 210 or	1.23
	Rs 163	

Effect of High Cane Prices

The high rate of return shown in the case of sugarcane is due to the fact that cane prices are fixed by the Government at a substantially high level. The prices of other crops on the other hand are determined by market forces. In case of wheat, which is the most important crop in these two districts (being grown over 28 per cent of the total cropped area) the net return is only 23 per cent of the total cost. If the same margin of return is also to be allowed to sugarcane, then its net return per acre ought to be only somewhere around Rs 70 instead of Rs 256 at present accruing to sugarcane growers. Even if a slightly larger return of, say 30 per cent is allowed to sugarcane, because of the greater attention and care that it calls for from the cultivators, the net return per acre should only be Rs 93. Apparently, the present rate of net return earned by the cane growers is larger than this reasonable estimate.

In making comparisons two crops (other than sugarcane) which can be grown within a year have been considered and the total returns from these crops were taken into account as against the returns on sugarcane which accrue only once a year.

Data on the cost of production and return per acre are available only with regard to gram, paddy, maize, and cotton in addition to sugarcane and wheat. The combinations of crops that can be grown within a year are; (i) paddy and wheat (ii) cotton and wheat and (iii) gram and wheat. Of course, there are many more crops capable of being raised profitably such as vegetables, peas, oilseeds, pulses, etc but they cannot be considered here due to lack of data on their cost of production. Of the crops listed above, only wheat is a fully irrigated crop while gram is practically an unirrigated crop. Paddy is mostly sown through broadcasting method in the region and manuring is not common and in years of normal rainfall irrigation is resorted to only sparsely. Thus it may be seen that paddy culture in this area is far different from that usually found in areas where paddy is grown under irrigated cultivation. So, the profit per acre of paddy, when raised under proper irrigated conditions would be much more than the figure of Rs 57 reported in the report. Cotton is cultivated mostly under dry conditions. This raises the problem of estimation of profit per acre of irrigated gram and irrigated cotton. It is very common to assume an increase of about 20 per cent in yield rates on account of irrigation. As there is no accepted basis of estimation of the additional expenditure involved in raising crops on irrigated land, we will be on the safe side to assume that this also will be 20 per cent higher than the cost incurred under dry cultivation. If these two assumptions are accepted, the profit per acre for irrigated cotton and irrigated gram turn out to be Rs 48 and Rs 41, respectively compared to which the returns at present are Rs 40 and Rs 36. Then the net returns

from the three combinations mentioned above will work out to Rs 104, Rs 95 and Rs 99 respectively, showing that it would be profitable to raise any one of these combinations instead of sugarcane, which may give a return of only about Rs 93 if its prices were also determined by the market forces.

From the foregoing discussion, it may be concluded that the high prices of sugarcane by factories have been responsible to a great extent in transferring land under food crops to cash crops. The incentive for such transfer being that prices fixed by the Government give a return of over 60 per cent to the cultivators while the return for wheat is usually less. In 1954-55 it was only 23 per cent of the total costs incurred. If price assurances are made to wheat growers or, alternatively, the price guarantee to sugarcane growers is withdrawn the shift in cultivation in favour of sugarcane may not take place.

IBRD Bonds in Swiss Francs

A SWISS franc issue of Bonds of the International Bank for Reconstruction and Development was publicly offered in Switzerland on March 25, 1961, by a syndicate of leading Swiss banks. The banks will offer at par Sw fr 100,000,000 (approximately $23 million) of 4 per cent 18-year bonds. The Swiss Bank Corporation, the Swiss Credit Bank and the Union Bank of Switzerland head the underwriting group as they have done in previous public offerings of World Bank bonds on the Swiss market.

The new issue, to be known as the 4 per cent Swiss Franc Bonds of 1961, will be dated April 15, 1961 and will mature on April 15, 1979. There will be a sinking fund which will begin operation on April 15, 1971 and is scheduled to retire the entire issue by maturity. On and after April 15, 1971, the World Bank may redeem all or part of the issue on any interest payment date on 45 days' notice in case of partial redemption and three months' notice for total redemption. Interest will be payable annually on April 15, with the first payment due on April 15, 1962. The issue will be listed on the stock exchanges at Basle, Zurich, Geneva, Berne and Lausanne.

This is the tenth public issue of the World Bank in Swiss francs. In addition there have been four private placements by the Bank in Switzerland. Giving effect to the present issue, the aggregate of World Bank bond and note issues outstanding in Swiss francs will amount to about Sw fr 787 million (approximately $183 million).



UNDER SECRETARY TO GOVERNM
24 APR 1961
PUBLIC DEPARTMENT

Sociological Research

A Note

S Shahani

IN his *The Sociological Imagination*, which was reviewed by Andre Beteille in the issue of February 18, 1961, C Wright Mills appears to suffer from a rather severe inferiority complex about American sociology in general, a complex quite understandably derived, in particular, from the author's close association with Weber's works as interpreter and translator. The underlying theme of the book appears to be a deep regret that America cannot produce a Weber, or at least has not done so up to now.

To produce a Weber, one needs that kind of social and intellectual environment. So Mills wants a revival: first, of the 19th century liberalism of Western Europe; second, of the historical method. To want to produce good sociology is indeed a commendable motive. But to suggest that this is possible only in environments that have already proved their worth in their output of sociological thought, and that therefore concerted attempts should be made to recreate such an environment seems to ignore the forces of history.

America, a Sharp Contrast

Weber inherited a rich and long-established tradition of learning, and one in which historical studies had a large place. Apart from the importance given to history, Germany and other European countries did have long histories of their own. History, therefore, came naturally to the European thinker and provided tools as much for the theologian and the philosopher as for the sociologist and economist.

In present day America, history is nowhere so important because of its short period of existence. The histories of other countries may excite intellectual curiosity, but can hardly have much social importance. The American intellectual has a brief span of four to five centuries in which to dig, and this too in a country that has grown up in rather unique circumstances, especially in terms of economy and demography. In all this, America presents a sharp contrast to Europe.

Another respect in which America differs from Europe is in its strong empirical bias in all intellectual activity, a bias that is probably related to the shallow depth of tradition and of "history". There is an almost natural avoidance of theoretical problems. That a whole body of social research should grow into what Mills calls "abstracted empiricism" is therefore not surprising. His criticism of such research on the score of its lacking completely either theoretical or historical perspective is perfectly valid. But how can we dispense with the methods used by workers of this type in the study of large-scale communities which, broadly, are characteristic of the United States?

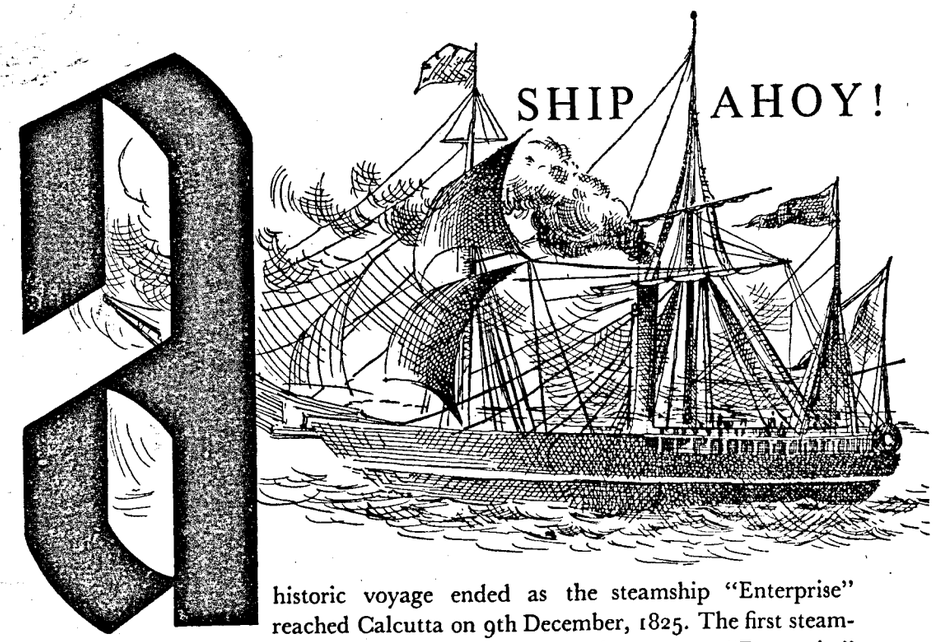
Attack on Grand Theory

The other object of Mills' attack, Grand Theory, seems to have grown out of the same kind of mentality as the one in which "Sociological Imagination" was created. America wants to produce a Weber. In a desire to be deep—as deep and penetrating as the Europeans—some American sociologists have been producing "theory". Mills again reveals the defects of this sort of thinking, where new concepts are created, but become mere words because they take no account of social facts.

Mills' problem is a very real one—how to bring together social facts and social theory. At present, the two are miles apart in his country, being carried on almost as separate disciplines. But the solution he offers seems to be an impossible one. And he does not really develop his theme to show the actual steps to be taken by American sociology. A return to 19th century conditions, as in Europe, is quite impossible. The intellectual environment, every sociologist will agree, is closely linked to the social environment in its economic, technological, political and other aspects. One may regret the passing of the era of liberal thought when individual minds developed along distinctive lines, and were able to make use of wider spheres of knowledge; but in a highly organised industrial society, with its complex specialisation and the development of monopolies whether State-owned or private, and with the increasing specialisation on the one hand and regimentation on the other in the intellectual sphere, American sociology is faced with somewhat different problems which must be solved by a serious analysis of American society and American thought, how they relate to each other, and thence, the lines along which intellectual development can take place.

Liberal Indian Atmosphere

Mills perhaps would approve of the Indian atmosphere, where vestiges of 19th century liberalism, though only imported, have not disappeared as yet. The scope for qualitative studies of structure, and for historical method, is unlimited. Outside of the few big cities and industrial centres, quantitative studies are hardly required. As long as Indian sociologists avoid the normal cultural trap of looking to America for concepts and methods (this does not apply to social anthropology), they may be able to achieve what Mills considers a sound sociology—theory built up on a thorough knowledge of social facts, whether these facts are derived from history or from field research. Even if American sociology had developed so far, it might still be important to remember that sociology, notwithstanding the "natural science of society" stalwarts, is strongly coloured by the society in which or about which it is developed. If serious textbooks talk of German sociology, French sociology, American sociology, the sociology of Oxford and London sociology, we might do well to examine these various sociologies in relation to their societies before we import their concepts, their methods and their general approach, since our own society is a major variable in this situation.

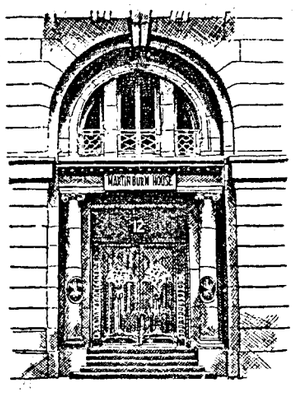


historic voyage ended as the steamship "Enterprise" reached Calcutta on 9th December, 1825. The first steam-powered vessel to make the England-India run, the 500-ton "Enterprise" won a cash prize of Rs. 100,000 offered by Calcutta's trading community for this truly pioneering achievement. Her captain on the hazardous voyage round 'the Cape' was James Henry Johnson, Commander, Royal Navy, and a hero of Trafalgar.

Though the "Enterprise" was the first ocean-going, partly steam-propelled ship to arrive at any Indian port, small steam-powered craft were being built in Calcutta as early as 1823.

Among the oldest and best known marine and general engineering firms in the country, a privately-owned concern known as Reid & Company's Hooghly Dock (founded 1819), the forerunner of The Hooghly Docking & Engineering Company Limited, was already flourishing before the introduction of steam to India.

The 'Hooghly Docks' are a part of the vast industrial and engineering organisation of Martin Burn Ltd., an organisation which is playing an important role in India's industrial progress.



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Letter from America

The John Birch Society

"Our Government has been the greatest single force supporting the Communist advance while pretending to oppose that advance." — Robert Welch

A NEW and different political ideology and approach is being offered to the American people by the John Birch Society which includes among its tenets the termination of all foreign aid, campaign against the United Nations and NATO (!), war on Cuba, end of desegregation, abolition of progressive income tax, opposition to the fluoridation of local water supply, the impeachment of Chief Justice Earl Warren, the denunciation of Eisenhower and his brother for their "membership of the Communist underground" and a repeal of all social and economic legislation of the last 30 years. And this rich, intriguing and diverse fare could be had by joining the Society that asks for an annual fee of $ 24 for men and $12 for women and no more than $100 for a life membership for either sex.

With an idelogy that hovers on a semi-lunatic fringe, the John Birch Society has now openly declared its strategy of communist witch hunt. But the tactics it is advocating have brought a glare of controversial publicity it has never enjoyed since its beginning. Robert Welch, the founder-leader of the Society, in a recent interview with an Associated Press reporter, which made the headlines, accused former President Eisenhower of being a "dedicated, conscious agent of the Communist conspiracy." Soon after, Congressmen were made aware of the "Impeach Warren" campaign by a flood of mail received from the members and sympathisers of the Society. Some time ago the Chancellor of the University of California spoke of a new organization that encourages students to become informers and "take on the task of security agencies".

Senator Eastland of the Senate Internal Affairs sub-committee described the John Birch Society as a "patriotic organization" championing the anti-communist cause. Senator Jacob K Javits has come forth calling for a Congressional investigation of the Birch group which seeks to "undermine the very foundations of the Republic." The Justice Department has disclosed that this ultra-conservative society "was a matter of concern" to Attorney General Robert F Kennedy. Newspaper editorials and columns have suddenly been filled with various opinions on what to do and what not to do with the Society.

Birth of Birchism

Like most great earth-shaking movements, Birchism was born under humble circumstances that have added to the mystery and folklore gathering around the organization. It is said to have been founded after Mr Robert Welch, a candy manufacturer from Massachusetts, had delivered a two-day speech to 11 men that were invited to hear him in a parlour in Indianapolis on the 9th of December, 1958. The speech has since become the manifesto of the movement proclaiming that "the greatest enemy of man is, and always have been, government". It warns the American people that before long "they can no longer resist the Communist conspiracy as free citizens, but can resist the Communist tyranny only by themselves becoming conspirators against Government."

The organization was named after the young fundamentalist Baptist missionary from Georgia. He acted as an intelligence officer in China during the World War II. The organization claims that he was killed 10 days after the V-J day by the Chinese Communists. He was 27 years old. John Birch is now hailed as "probably the first American casualty in that third world war between Communists and the ever-shrinking free world which is still being waged against us."

The leaders and spokesmen of the John Birch Society are far from inconspicuous. The governing body comprises an array of personalities that reveal the sources of strength for rightist movement in the country. Twelve of the twenty-six members of the council are listed in the Who's Who in America, which include former Presidents of the National Association of Manufacturers, a retired Dean of the Notre Dame Law School, a former chief-justice of the Arizona Supreme Court, a personal aide of General Douglas MacArther, a medical director of the New England Mutual Life Insurance Company and others. The organization claims 100,000 Americans as its members organized into 100 chapters in at least 34 states and the District of Columbia.

A recent disclosure in the *New York Times* revealed another source of strength for Birchist ideas. Major General Edwin A, Walker of the Twenty-fourth Infantry Division stationed in West Germany is reported to have established a special office to conduct a "pro-Blue" campaign along the Birch principles. Copies of "The Life of John Birch" by Robert H W Welch, Jr, are being distributed. This indoctrination programme is reported to have been in progress for the last six months.

Undaunted by the Soviets man-in-space triumph, Robert Welch has just returned from a week's tour of California. Again and again he repeated the McCarthy tune and with baffling precision claimed to know that "3 percent of Protestant ministers" and "2 percent of Federal employees are *comsymps* (communist sympathisers)." California, which has long been a hot-house for extremist ideas, seems to have shown modest enthusiasm for Birchism. Several Birch libraries and Speakers Forums have been active on the West coast.

The Birch group has not confined its attention and concern to the growth of communism within the country. Robert Welch documents his allegations of the Communist conspiracy in the rest of the world in his magazine *American Opinion*. On occasion the periodical has devoted the entire issue to "surveys" of Communist infiltration in 107 countries of the world. For each country Welch gives a percentage score on the degree of red infiltration. To avoid embarrassment to the readers, the tables will not be reproduced here. Curious readers will have to wait, perhaps in vain, to obtain such invaluable data in the ever-enlarging United Nations Statistical Year Books or World Almanacs!

Don't forget to close the tube...

Yes, she has to learn a lot of things. Some of them she knows but forgets. Others she doesn't even know yet. For instance, the fact that the tube in which her toothpaste comes is made of aluminium.

And aluminium is vital to her well-being. Chocolates and sweets and medicines are preserved for her in aluminium foil. The windows of her house, the utensils her mother uses, her tiffin box—a hundred other things of daily use—all are made of aluminium. She lives in the age of aluminium.

In the short span of 20 years, aluminium has become the engineer's favourite light metal. It is widely used as a structural material and goes into the making of bus bodies, railway coaches, ships and aircraft.

Indian Aluminium, pioneer and leader of the aluminium industry in India, has continuously striven to promote new applications for this versatile metal. Indian Aluminium today accounts for almost 90% of the country's production, and is helping India attain self-sufficiency in aluminium and aluminium products.





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From the Chair

Sen-Raleigh Industries of India Ltd

Chairman's Review

THE 11th Annual General Meeting of the Sen-Raleigh Industries of India Ltd, was held in Calcutta on the 17th April, 1961. Below are extracts from the statement of Mr Abhijit Sen, Chairman of the Company :

Your Directors have felt that from this year the Chairman's Statement should be circulated in advance so that all members, irrespective of whether they can attend the Annual General Meeting or not, may share the information contained in the Statement.

The profit for the year after providing Rs 20,00,730/- for depreciation amounts to Rs 24,49,361/-. Your Directors recommend that the dividend on the Ordinary Shares be maintained at 8% as in the previous year and that the dividend on the Preference Shares be stepped up to 6.5% in order to comply with the provisions of the Preference Shares (Regulation & Dividends) Act 1960.

Past experience has shown that the capacities installed and worked to at the end of each Plan period are only stepping stones to further expansions in the succeeding Plans and so the Company's policy of retaining a major portion of the profits in the business should be taken as a necessary adjunct to an expanding economy.

Increasingly greater use of indigenous raw materials, wherever available, did allow bicycle production to record a slight increase over the previous year, but this increase was hardly of the order where it could make itself felt in the face of rising demand for our products. Marked increases in production were also recorded in some friction parts where a freer release of raw materials made operation at near capacity levels possible.

Demand in general for your Company's products continued to outstrip the increase in production but this satisfactory position may not long continue in one or two of the components we make, in which saturation point may be reached in the foreseeable future as licensing of industrial capacity for these items has been more liberal than wise. In the competition that is bound to develop, it is felt that our early entry into these lines will stand us in good stead, as our range of products have established a reputation for quality and service.

Shortage of Steel

The biggest single factor limiting production still continues to be the lack of suitable steel in sufficient quantity. Can we hope that the indigenous steel processing plants would be able to rush into production and alleviate the steel shortage from 1962 onwards so that the industry could face the future with greater confidence.

The import licensing policy for steel continued to be on an annual basis but the benefits of this policy were rather lost on the industry as licences were switched in two successive periods to two different currency areas namely the Rupee Payment area (consisting of the Eastern European countries) and the United States of America (against DLF loans).

Foreign exchange problems still dog our footsteps and will continue to do so on an ever-increasing scale both for raw material and for plant requirements in the future. Government policy now appears to favour only such new schemes or major expansions where foreign investment matches the requirement of plant import and as this may very well become the pattern for the day in the 3rd Five Year Plan, your Company may have to consider this feature as a determining factor in undertaking some of its future expansions.

For the present industrial licences have been received for substantial expansions in chain manufacture and for manufacture of a new item —Dynamo Lamps. In the case of the chain expansion, import licences have also been received and plant is now being ordered.

Your Company naturally expects to play its due part in raising the country's bicycle production to 2.5 million in the 3rd Five Year Plan. Schemes for expansion are now under consideration and construction of buildings to accommodate expansions have already begun.

Plans for Expansion

Plans for our future expansions are rather clouded by present shortages of power and water at Asansol. Notwithstanding the fact that our factory is situated in the heart of the Ruhr of West Bengal, and in the midst of various Multipurpose Projects, power is already on ration and no serious consideration seems to have been given to the question of supplying water to a rapidly growing industrial area — not to speak of supply to rural areas about which the Union Government is so concerned today. An Asansol/Raniganj water supply scheme has been in the offing from 1945 onwards, but, two successive Plans have passed it by and residents of Asansol town still have to buy water by the bucket in summer, and industries fear to expand for lack of water.

Considering the important part Asansol plays in the industrial and economic life of the State — if not the nation — it does appear to be the most neglected town in India as far as the planners of the country are concerned. Unless Asansol receives some attention from the planners in the 3rd Five year plan not only will it rapidly deteriorate into the second nightmare city of the State, but industries will hesitate to venture into further investment in this area.

Last year, I mentioned the need for your Company to consider diversification of interests within the Light Engineering range. After careful thought your Directors have now applied for and obtained Industrial sanction for manufacture of Electric House Service Meters. They are satisfied that there will be a continuing demand for such Meters in this country for some years to come, and this is a line where the experience gained by your Company can be profitably utilised.

With the growing shortage of foreign exchange there is a likelihood of imports of materials being linked with export performance. Your Company has been exploring

the possibilities of obtaining a wider export market for some time. Although the export performance in bicycles has not been very good for the industry as a whole in 1960, our saddles have gone out to many new markets and we now await the reaction from the importing countries. Efforts to develop bicycle exports are continuing and it is hoped that 1961 will show better results in this direction than the past year.

I cannot conclude without a passing reference to the provisions of the present Finance Bill in as much as these concern foreign collaboration. To us it appears that an invidious distinction has been drawn between foreign Associates who have helped in developing the industries of the country in the uncertain stages of the First and Second Five Year Plans and those associates who intend to come in after April, 1961 when the country's economy has become relatively more stable. All the benefits in the way of lower taxes on inter-corporate investment and on royalty remittances have been made applicable to arrangements entered into after April 1961 whilst older arrangements remain liable to tax at the higher rates.

Before I close I would like to thank my colleagues, the staff and the workers of the Company, and our foreign associates for the work they have put in to conclude one more successful year of operation.

Note : This does not purport to be a record of the proceedings of the Annual General meeting.

Funds for Backward Classes

ACCORDING to the information received from the States, the Second Plan allocation for the Scheduled Castes and Scheduled Tribes would have been almost spent by the end of March this year.

The total outlay for the Second Plan was nearly Rs 91 crores, Rs 59.30 crores in the State sector, i e, the Centre and the State sharing the expenditure equally; and Rs 32.69 crores in the Central sector, i e, the Centre bearing the entire outlay.

The expenditure in the State sector, according to the information available, is likely to be Rs 53.6 crores and in the Central sector Rs 30.98 crores.

Towards the middle of last year, the States informed the Centre that as much as Rs 1.45 crores would remain unspent at the end of the Plan. The Union Home Ministry then allowed redistribution of the allocation so that there was no shortfall.

The term "Backward Classes" covers : (a) Scheduled Castes, (b) Scheduled Tribes, (c) Ex-criminal Tribes, etc. The Constitution has cast a special responsibility on the Central and State Governments for the advancement of these classes and for eradicating the disabilities arising from untouchability as well as social and educational backwardness.

The population of the Scheduled Castes is estimated at 5.53 crores and that of Scheduled Tribes 2.25 crores. The denotified tribes number about 40 lakhs.

Monetary Matters



With some it is a question of judiciously investing their money, with others it is a question of holding back a few fleeting naye paise. Both are often hard tasks. The UNITED BANK is there to help you in your money matters.

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Around Bombay Markets

Reactionary Trend Nearing End

Thursday, Morning

DALAL STREET had a big jolt last week. The Estimates Committee's recommendation that the entire investible funds of the Life Insurance Corporation should be taken over by the Government in order to realise better the objective of nationalisation sent a tremor through the stock market on Monday (17th April) evening. The wave of panicky selling that followed the next day produced an all-round sharp decline in prices and nearly all the popular counters were marked down to the lowest levels in the reactionary trend which had been in progress since about the third week of March. Short covering and some cautious replacement buying brought about a small rally on Wednesday but closing prices showed all-round heavy losses over the week.

The stock market's reaction to the Estimates Committee's report could not be dismissed as impulsive on the ground that L I C's investments in equities seldom exceed Rs 6 crores to Rs 7 crores a year which cannot be regarded as very large considering the enormous response to most of the new issues these days. The market seems less worried about the possible loss of L I C's support than by the change in the Government's policy in case the Dasappa Committee's recommendations were to be accepted by the Government, which, however, seems very unlikely. The psychological repercussions of a change in policy could be serious and it might disturb the climate for private foreign investment.

Much has often been said about the stabilising influence of L I C's investments. But it would be naive to suggest that the withdrawal of the Life Insurance Corporation, the biggest single investor in the country, from the market would necessitate a reassessment of the basic outlook for equities. The market has continued to thrive and investment activity has continued to broaden despite the abolition of the zamindari system and the princely order which once constituted the most valuable clientele of the stock market. Investors in equities can look to the future with optimism because of the strong expansionary impulses in the economy.

45 Per Cent Is Enough

It is hardly necessary to underline the basic factors behind the major uptrend in equities. The recent setback is merely a technical correction of the preceding steep rise which had taken the market to its 1960 high. 'Vyapar's' equity share index which had risen from its January low of 127.19 to 148.11 on Mrach 20 and had been drifting lower since then touched a low of 138.70 on Tuesday, April 18. The market has thus retraced about 45 per cent of the ground gained since the turn of the year. This is about all that is expected in an important technical correction. Though there is no clear indication yet that the decline has been halted, it seems the reactionary trend has spent nearly all its force.

Confidence, they say, is a tender plant slow to revive once it withers. But speculative markets have a tremendous recuperative power. Once a particular trend emerges it gathers momentum on its own because of the peculiar magic of fluctuations. The heavy decline in equity prices over the past weeks has greatly strengthened the market's technical position. If anything, the market now seems to be in an oversold position. Bulls can derive comfort from Shri Morarji Desai's statement in the Lok Sabha that it would not be wise for the Government to nationalise the general insurance business. The market still awaits his statement on the Dasappa Committee's recommendations about the use of L I C's investible funds.

While the reactionary trend would seem to have spent its force, it is difficult to say how the upward trend will progress in face of the continued stringency in the money market and the power shortage at various places. Anyway, by its recent performance the stock market has once again clearly demonstrated that it contains within itself self-adjusting mechanism to correct the errors of optimism and pessimism from time to time. The authorities administering the market would do well not to bother much about the rise and fall in equity prices. To contain speculative activity within reasonable limits is a different matter.

Cotton

COTTON prices, ready as well as forward, suffered a further sizable decline last week. The August contract declined from Rs 576.25 to Rs 561.25 on persistent selling both by bulls and bears. The week-end closing on Wednesday was a little better at Rs 566.75 mainly because of short covering induced by technical considerations. In March this contract had touched a high of Rs 604.50 per 3 quintals. The maturing April contract was sold down to Rs 560 which brings it very close to its seasonal low of Rs 554 recorded on 14th February. The fall in the maturing contract reflects the de-

Price Changes in Leading Speculative Counters

	1961 low	1961 high	Last week's low
Bombay Dyeing	58.50	68.50	64.50
Century	446.00	599.00	564.00
Kohinoor	259.50	318.00	285.00
Standard	957.00	1680.00	1445.00
Svadeshi	218.00	275.00	254.50
Indian Iron	23.00	27.65	26.10
Tata Steel	138.00	156.25	145.00
Belapur Sugar	272.00	355.00	280.00
Hindustan Motors	18.68	22.32	19.36
Premier Auto	157.50	186.50	165.00
Bombay Burmah	539.50	637.00	598.00
Larsen Toubro	33.75	46.50	40.25
National Rayon	460.50	560.00	500.50
Tata Chemicals	16.56	21.12	18.96
Tata Locomotive	278.00	351.00	322.00
Voltas	248.50	301.00	271.00

terioration in the general trading sentiment. For the tenders issued against it so far have totalled a mere 650 bales and the survey results have by no means been lenient.

The performance of the spot market has been no better than that of the futures market; in fact, it has been much worse. Despite satisfactory reports of cloth off-take spot cotton prices have developed marked weakness over the past few weeks. This is attributable mainly to continued poor spinner inquiry due to lack of fresh quotas for indigenous cotton. Market fears that the release of the final instalment of Indian cotton quota had been delayed because the authorities wanted to link it with the import of short staple U S cotton have proved correct. This is perhaps the only way of compelling the mills to lift American short staple cotton which is reported to be about Rs 150 per candy costlier than comparable domestic cotton.

Import Quota

Full details are now available about the import of 3 lakh bales of cotton from the U S under P L 480. The staple length of this cotton will be 1" and below but not less than 13/16". The contracting period is end-June 1961 and the shipment period is end-July. Allocations will be made to mills on the basis of the spindle point production of yarn of counts 11 to 40 during the calendar year 1959. In order to ensure import of this cotton mills are required to execute a bank guarantee at the rate of Rs 50 per bale within 20 days from the date of the quota letter. The balance of the 25 per cent of Indian cotton quota will be issued to mills only on the production of such bank guarantee.

The trade is very critical of the Government's decision to import a very large quantity of short staple cotton. It is not merely because the 1960-61 Indian cotton crop is fairly good around 52 lakh bales but because the U S cotton is far too costly compared to Indian cottons of similar type. It is arguable that even with a crop of 52 lakh bales the carryover of Indian cotton at the end of the current season will still be below normal. The Government's anxiety to build a large carryover in order to ensure adequate supplies at reasonable prices is understandable. But certainly the price factor should not be completely ignored even when the commodity is being imported under P L 480. The present 3 lakh bales will raise the total import quota for short staple cotton allowed this season up to now to 5.75 lakh bales. Never before had India imported such a large quantity of short staple cotton. Though the quota for indigenous cotton has been linked to the import of U S cotton, uncertainty continues about the exact size of the quota and it will perhaps take quite some time before mills are able to make fresh purchases of Indian cotton against their new quotas. The slow release of indigenous cotton quota, compulsory import of short staple cotton at high prices and monetary stringency — all these have contributed to the easier tendency in cotton prices.

Ceiling and After

The ceiling for the shippers' share of 57,000 bales out of the 60,000-bale export quota for Bengal Deshi cotton was reached on the very first day — 15th April. This was only to be expected because all shippers had enough time to negotiate business and compete for the quota. Applications are said to have totalled about 85,000 bales. Obviously the quota will have to be rationed on a pro rata basis. Since exporters cannot apply for the quota without acquiring physical possession of cotton intended for export most shippers will be faced with the prospect of disposing of their cotton which may not find a ready market and shippers may have to sell the cotton at considerably below their purchase prices. Of course this is all in the game because no shipper can ever be sure that he will get a full allotment of the quantity asked for. But considering that there exists a much larger exportable surplus than the 60,000 bales now allowed for export, the Government could have easily permitted a bigger quota. That would have helped both the country and the trade. Quality of Deshi cotton is likely to deteriorate with time and it would be too much to expect overseas buyers to pay the price they paid on earlier occasions. The time factor is against the exporting country.

Oilseeds

OILSEEDS futures last week moved up and down in an irregular fashion. The undertone was generally subdued, particularly in linseed which seemed mainly to follow rapeseed. Net changes over the week were nominal. Castor and cottonseed closed fractionally higher while linseed were slightly down. Groundnut also were a shade easier. In the absence of any new driving force the volume of business was generally on the low side.

After rallying from Rs 175.87 to Rs 178.50 castor May moved irregularly lower to Rs 174.62 but recovered quickly to wind up the week at Rs 176. Linseed May eased gradually from Rs 37.19 to Rs 36.37 and closed at Rs 36.56 against Rs 36.91 a week ago. Cottonseed May drifted idly between Rs 94.50 and Rs 93.25. Groundnut futures continued to be quoted substantially above the Forward Markets Commission's ceiling of Rs 220 but spot prices were slightly easier reflecting mainly the easier tendency in rapeseed and rapeseed oil prices. Vanaspati manufacturers too were not very eager buyers.

Irregular, Subdued

Export business put through during the week was confined to oilcakes, mainly groundnut extractions. Japan was reported to have purhased a sizeable quantity of groundnut extractions varyingly estimated between 4,000 tons and 8,000 tons for May-June-July shipments. Unconfirmed reports indicated that it is the U K exporters who have sold extractions to Japan and they are now covering their sales from India. Prospects of further business with Japan are considered promising. The prevailing high prices of soyabean seeds and meal seem to have obliged Japan to seek Indian groundnut extractions which are much cheaper. Soyabean meal on the Continent is quoted at around £ 40/41 where Indian groundnut extraction are available around £ 29 per ton. Considering the wide disparity between the two prices it should be possible for India to sell large quantities of extractions at fairly good prices once seasonal demand revives.

Current Statistics

Industrial Capacity and Production—I

Engineering Industries

	Accounting Unit	Number of Units	Capacity							Production							
		1951	1956	1957	1958	1959	1960			1951	1956	1957	1958	1959	1960		
MECHANICAL AND GENERAL ENGINEERING																	
Agricultural Implements	'000 Tons	66	61	42	38	49	58	25.7	26.8	20.0	19.7	26.1	29.4	16.9	14.8	15.2	14.0	16.2	17.1
Ball Bearings	Lakhs	1	1	1	1	1	1	6.0	6.0	6.0	6.0	9.0	9.0	2.3	10.4	16.0	21.3	17.0	26.5
Belting																			
(i) Hair and Cotton	'000 Tons	6	7	8	8	8	8	1.2	1.2	1.3	1.3	1.3	1.3	0.7	0.8	0.7	0.8	0.6	0.8
(ii) Rubber Ply Transmission and Conveyor	'000 Tons	NA	9	7	7	7	8	NA	0.7	0.9	0.9	0.9	1.3	NA	1.7	1.5	1.9	2.4	2.3
Bicycles (Complete)	Lakhs	2	14	18	20	19	19	1.2	6.5	7.3	9.3	10.5	10.7	1.1	6.7	7.9	9.1	9.9	10.1
Bicycle Parts	Mn Rs	—	23	22	22	22	22	—	NA	NA	NA	NA	NA	—	18.2	21.0	23.4	27.4	36.6
Boats and Crafts	'000	—	—	21	21	21	21	—	—	0.9	0.9	0.9	1.0	—	—	0.2	1.2	2.2	2.2
Bolts, Nuts, Rivets and Dogspikes	'000 Tons	13	15	15	22	33	33	30.1	34.7	34.6	37.9	70.1	70.1	6.9	25.5	32.1	34.0	34.7	42.6
Building and Hardware Fittings	'000 Tons	15	18	18	18	20	25	4.0	5.1	5.6	6.4	7.4	10.9	1.5	2.9	4.6	3.4	5.0	7.6
Chains	'000 Tons	—	2	2	3	3	3	—	1.4	1.4	2.6	2.6	2.6	—	0.1	0.3	0.3	0.5	0.5
Clocks	'000	4	3	3	5	5	5	45.6	36.0	36.0	57.0	54.0	66.0	3.6	21.1	23.1	30.4	31.5	54.2
Conduit Pipes	Lakh Ft	7	10	10	10	11	11	7.6	8.1	8.5	8.5	4.5	4.6	4.0	10.9	11.1	10.6	4.2	5.2
Crown Corks	Lakh Gross	6	6	6	6	7	7	37.0	46.0	46.0	46.0	46.4	46.4	25.0	34.6	26.1	32.7	41.6	51.8
Duplicators	'000	3	4	4	4	4	4	4.2	6.2	6.7	6.7	6.2	8.0	1.6	2.8	2.9	4.1	4.0	4.3
Expanded Metals	'000 Tons	4	4	4	4	4	4	2.8	2.9	2.9	7.3	5.0	5.0	1.9	2.2	2.2	1.9	1.6	1.9
Hurricane Lanterns	Lakhs	11	11	16	9	10	11	42.6	40.4	38.0	39.7	46.0	46.0	39.8	51.8	43.5	33.9	45.6	50.9
Incandescent Lamps	'000	8	9	9	8	9	9	85.8	93.6	141.6	135.6	145.6	145.6	62.9	84.2	92.8	77.5	82.8	136.2
Laminated Leaf Springs	'000 Tons	—	4	5	7	7	7	—	5.6	5.7	12.3	12.1	12.1	—	8.8	10.8	14.9	14.7	14.9
Machine Screws	Lakh Gross	NA	7	9	9	10	11	—	10.3	12.4	14.7	18.7	18.8	—	12.8	14.2	18.3	17.8	16.1
Needles																			
(i) Gramophone	Mn	—	—	1	1			—	—	900.0	900.0	900.0	900.0	—	—	206.5	210.1	221.5	335.0
(ii) Hypodermic	'000 Gross	—	—	1	1			—	—	11.7	11.7	11.7	11.7	—	—	2.3	0.9	2.1	0.6
(iii) Sewing Machine	Mn	—	—	1	1			—	—	3.6	3.6	3.6	3.6	—	—	0.4	1.2	0.6	0.8
Razor Blades	Mn	—	—	5	5			—	—	614.6	629.0	629.0	629.0	—	—	336.5	356.2	433.0	568.0
Rolling Stock	'000 Wagons	—	10	8	8			—	14.6	20.1	20.1	20.3	22.3	—	16.0	16.1	13.5	10.1	8.0
Sewing Machines	'000	2	5	6	6			37.5	50.2	81.2	81.2	91.7	133.7	41.5	130.3	167.5	205.2	252.6	292.4
Steel Belt Lacing	Lakh Boxes	—	—	3	3			—	—	10.6	10.6	10.6	10.7	—	—	1.0	1.3	1.4	1.2
Steel Furniture	'000 Tons	18	20	20	20			19.9	32.0	29.8	31.0	31.0	32.8	6.0	22.1	21.3	20.4	21.1	27.5
Steel Structurals	'000 Tons	73	70	70	71			119.4	132.4	148.1	148.1	176.3	341.3	30.5	102.0	84.4	100.0	102.4	145.6
Steel Pipes and Tubes	'000 Tons	—	8	8	8			—	122.5	122.5	131.5	132.0	174.5	—	44.4	77.5	83.5	113.4	107.3
Stoves	'000	5	10	10	8			57.0	141.0	267.0	230.4	256.4	256.4	13.6	116.4	106.9	155.5	167.0	224.2
Typewriters	'000	—	3	3	3			—	32.0	33.0	33.0	33.0	45.0	—	13.4	15.4	15.8	21.4	23.3
Umbrella Ribs	Lakh sets	3	4	5	8			123.6	132.7	92.4	120.7	138.8	126.2	5.6	65.5	82.1	74.4	80.0	108.6
Welding Electrodes	Mn Ft	—	—	3	3			—	—	113.0	233.0	422.7	422.7	—	—	213.0	236.0	313.3	355.4
Wire Products																			
(i) Gauze	'000 Tons	2	7	7	7	7	7	0.2	1.5	1.8	1.8	0.8	0.5	0.1	0.6	0.8	0.7	0.5	0.4

Capacity and Production of Engineering Industries (contd)

	Accounting Unit	Number of Units						Capacity						Production					
		1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960
(ii) Netting	'000 Tons	—	3	5	5	3	4	—	0.7	1.1	1.1	0.9	2.5	—	1.0	0.4	0.7	0.8	0.9
(iii) Chain Link Fencing	'000 Tons	—	3	3	3	1	1	—	0.6	0.6	0.6	0.4	0.3	—	0.1	0.1	0.1	0.1	0.1
Wire Ropes	'000 Tons	—	1	1	2	2	2	—	—	4.5	6.0	6.0	6.0	—	0.7	1.9	2.7	2.1	3.3
Wood Screws	Lakh Gross	9	21	22	19	20	20	15.6	53.4	58.2	58.2	67.2	70.0	8.0	75.0	81.4	71.8	91.2	102.1
Zip Fasteners	Lakh Ft.	1	4	6	6	6	6	9.0	83.2	105.7	121.9	131.0	131.0	1.2	8.4	16.4	37.1	58.3	59.7
Utensils	'000 Tons	—	—	10	10	39	51	—	—	10.3	10.3	20.7	24.1	—	—	4.3	4.2	9.2	10.8
INDUSTRIAL MACHINERY																			
Agricultural Machinery	Mn Rs	—	34	34	34	35	35	Made to Order						—	3.5	5.3	8.3	18.4	19.1
Boilers (Industrial)	Lakh Rs	—	1	1	1	3	3	Made to Order						—	—	5.1	9.2	8.5	37.0
Cement Machinery	Lakh Rs	—	4	5	5	5	5	Made to Order						—	42.4	61.9	61.8	51.1	55.2
Chemical and Pharmaceutical Machinery	Lakh Rs	—	—	22	22	25	31	Made to Order						—	—	40.8	71.0	96.2	120.0
Constructional Machinery	Lakh Rs	—	—	8	12	14	14	Made to Order						—	—	25.6	31.6	7.5	101.7
Dairy Machinery	Lakh Rs	—	—	—	—	2	2	Made to Order						—	—	—	—	5.3	17.2
Sheep Foot Rollers	Nos	—	1	1	2	3	3	—	120	120	140	205	205	—	61	36	89	76	105
Industrial Machinery (Unclassified)	Lakh Rs	—	—	10	10	29	23	Made to Order						—	—	5.6	8.0	23.1	27.4
Jute Mill Machinery	Lakh Rs	—	4	6	8	10	10	Made to Order						—	29.6	106.3	115.0	203.3	218.0
Mining Machinery	Lakh Rs	—	—	3	3	3	3	Made to Order						—	—	8.9	9.4	11.9	19.6
Oil Mill Machinery	Lakh Rs	—	43	43	51	51	50	Made to Order						—	11.4	26.6	28.5	47.6	47.7
Rice, Dal and Flour Mill Machinery	Lakh Rs	—	24	24	35	35	35	Made to Order						—	16.5	24.8	28.6	42.1	42.7
Sugar Mill Machinery	Lakh Rs	—	7	12	14	15	16	Made to Order						—	32.1	162.1	200.0	285.9	325.0
Tea Processing Machinery	Lakh Rs	—	2	2	2	6	7	Made to Order						—	79.3	57.8	71.3	90.1	121.5
Weighing Machines	Lakh Rs	—	5	5	5	5	5	Made to Order						—	16.6	31.0	37.0	47.9	58.5
TOOLS																			
Coated Abrasives	'000 Reams	4	4	4	4	4	5	80.0	180.0	190.0	190.0	200.0	200.0	37.3	99.3	91.5	110.2	104.1	133.2
Grinding Wheels	'000 Tons	1	3	4	4	5	6	0.4	1.8	1.9	2.5	2.9	2.9	0.03	1.1	1.5	1.2	1.2	1.9
Machine Tools	Lakh Rs	16	18	18	20	23	28	100.0	309.0	390.0	402.0	436.0	478.0	47.3	120.2	251.0	476.0	477.4	622.1
Small Tools																			
(i) Threading Tools	'000	—	5	5	5	6	6	—	450.2	450.2	450.2	464.7	478.8	—	113.5	105.6	132.1	191.7	246.0
(ii) Twist Drills	Mn	—	2	3	3	4	4	—	1.8	3.0	3.0	3.1	3.1	—	1.6	2.3	1.5	1.2	1.4
(iii) Milling Cutters	'000	—	7	9	9	10	9	—	45.3	81.3	81.3	97.4	82.4	—	19.6	58.2	73.1	66.5	77.4
(iv) Reamers	'000	—	7	8	8	9	8	—	71.9	97.7	97.7	99.8	90.1	—	21.2	46.0	63.3	63.4	59.9
(v) Hacksaw Blades	'000 Gross	—	—	3	3	4	4	—	—	156.0	222.0	264.0	264.0	—	—	9.8	30.3	62.6	74.0
(vi) Bandsaw Blades	Mn Feet	—	—	1	1	1	2	—	—	9.0	9.0	5.0	6.2	—	—	0.2	0.5	1.3	1.9
(vii) Tungsten Carbide	Kgms	—	1	1	1	1	1	—	545	916	916	2,283	6,000	—	159	534	779	1,549	4,481
(viii) Steel Files	Mn	—	5	5	5	5	5	—	5.6	3.5	4.2	3.1	3.1	—	1.9	2.5	3.0	1.2	1.4
AUTOMOBILES AND ANCILLARIES																			
Automobiles	'000	12	8	6	6	6	7	71.7	49.8	49.8	49.8	57.7	57.7	22.3	32.1	32.1	26.8	36.9	57.7
Cylinder Liners	'000	—	1	2	2	2	2	—	120.0	156.0	156.0	200.0	200.0	—	67.1	75.8	83.3	109.5	100.8
Gudgeon Pins	'000	—	1	1	1	1	1	—	300.0	300.0	300.0	600.0	600.0	—	142.2	159.3	173.9	240.4	257.3
Motor Cycles	'000	—	1	1	1	1	1	—	6.8	6.8	12.0	17.0	23.0	—	1.6	1.8	2.7	3.2	3.8
Piston Rings	Mn	1	1	2	2	2	2	1.2	2.0	3.3	3.3	6.6	6.6	1.4	2.1	2.2	3.3	5.2	6.0
Pistons	'000	—	1	2	2	2	2	—	300.0	376.8	376.8	900.0	900.0	—	160.2	192.2	203.4	263.2	295.0
Scooters	'000	—	1	1	1	2	2	—	6.0	6.0	6.0	—	—	—	4.7	6.5	4.4	3.9	12.5
Three Wheelers	Nos	—	1	2	3	2	3	—	—	—	—	—	—	—	—	852	683	947	244
Trailers	'000	—	—	—	11	11	11	—	—	—	8.5	6.6	6.6	—	—	—	1.9	1.5	2.1
Spark Plugs	Lakhs	—	2	2	2	2	2	—	6.0	6.0	6.0	11.1	15.9	—	2.5	3.7	7.4	8.9	11.1
Brake Assemblies																			
(i) Hose Assembly	'000	—	—	—	1	1	1	—	—	—	15.0	15.0	15.0	—	—	—	39.5	32.8	230.2
(ii) Master Cylinder Kit	'000	—	—	—	1	1	1	—	—	—	15.0	15.0	15.0	—	—	—	21.6	69.4	
(iii) Wheel Cylinder Kit	'000	—	—	—	1	1	1	—	—	—	15.0	15.0	15.0	—	—	—	29.6	63.9	
Brake Linings †	See Note	—	2	2	2	2	2	—	—	—	252.0	405.0	405.0	—	—	—	665.0	1,263.8	1,023.0
Clutch Assemblies																			
(i) Cover Assembly	'000	—	—	—	1	1	1	—	—	—	15.0	15.0	15.0	—	—	—	0.02	2.0	58.6
(ii) Driven Plate Assembly	'000	—	—	—	1	1	1	—	—	—	15.0	15.0	15.0	—	—	—	8.5	27.2	
Clutch Facings	'000	—	1	1	1	1	1	—	108.0	108.0	108.0	108.0	108.0	—	9.9	43.9	63.2	143.8	179.9
Radiators	'000	—	2	3	3	4	4	—	56.0	56.0	56.0	31.2	37.2	—	11.0	14.4	12.4	25.5	34.8
Shock Absorbers	'000	—	2	2	2	3	3	—	34.0	34.0	34.0	25.5	25.5	—	1.9	8.2	13.1	31.3	62.4
Dynamos	'000	—	—	—	1	1	1	—	—	—	7.0	7.0	7.0	—	—	—	0.8	0.6	4.0
Electric Horns	'000	—	—	—	2	2	3	—	—	—	122.0	122.0	146.0	—	—	—	3.7	11.6	12.7
Gaskets	Mn	—	—	1	1	1	1	—	—	—	7.5	8.4	8.4	—	—	—	3.2	6.1	9.9
Valves	'000	—	—	1	2	3	3	—	—	144.0	273.6	552.0	1192.0	—	—	38.5	56.5	290.7	514.6
DIESEL ENGINES, PUMPING SETS, TRACTORS, ETC.																			
Air Compressors	Nos	—	—	—	2	7	7	—	—	—	396	996	2,596	—	—	—	34	537	1,681
Diesel Engines (Stationary)	'000	5	17	17	17	19	21	5.3	22.2	22.2	22.2	23.2	34.7	7.2	12.0	16.9	27.2	30.3	41.3
Diesel Engines (Vehicular)	'000	—	2	2	2	2	2	—	6.0	6.0	6.0	6.0	6.0	—	3.4	3.3	4.3	8.7	10.1
Fans and Blowers	Nos	—	—	—	3	5	5	—	—	—	1,380	1,824	1,825	—	—	—	464	428	929
Filters																			
(i) Filters	'000	—	—	—	2	2	2	—	—	—	69.6	69.6	72.6	—	—	—	13.7	19.7	35.5
(ii) Elements	'000	—	—	—	2	2	2	—	—	—	228.0	228.0	228.0	—	—	—	45.8	125.7	149.0
Fire Extinguishers	'000	—	—	—	3	5	5	—	—	—	—	—	—	—	—	—	10.0	23.8	60.0
Fuel Injection Equipment																			
(i) Pumps	'000	—	1	1	1	1	2	—	10.0	10.0	10.0	22.8	33.6	—	13.8	20.9	36.3	60.2	89.8
(ii) Nozzle holders	'000	—	1	1	1	1	2	—	10.0	10.0	10.0	58.8	69.6	—	24.3	42.1	62.7	118.5	178.7
(iii) Delivery Valves	'000	—	1	1	1	2	2	—	120.0	120.0	120.0	174.6	176.4	—	27.6	78.0	134.7	108.7	289.1
(iv) Elements	'000	—	1	1	1	2	2	—	120.0	120.0	127.0	176.4	176.4	—	31.8	50.2	168.1	128.2	291.8
(v) Nozzles	'000	—	2	2	2	2	2	—	100.0	100.0	100.0	102.0	102.0	—	1.4	40.6	133.7	110.8	339.5
Gliders	Nos	—	—	—	1	1	2	—	—	—	36	36	132	—	—	—	6	6	18
Inboard/Outboard Motors	Nos	—	—	—	1	1	1	—	—	—	4,800	4,800	4,800	—	—	—	7	Nil	Nil
Petrol/Kerosene Engines	Nos	—	—	—	1	1	1	—	—	—	1,800	1,800	1,800	—	—	—	101	742	889
Power Driven Agricultural Implements																			
(i) Ploughs	Nos	—	—	—	—	1	1	—	—	—	—	200	200	—	—	—	—	40	56
(ii) Harrows	Nos	—	—	—	—	1	1	—	—	—	—	—	—	—	—	—	—	54	120

Capacity and Production of Engineering Industries (Contd)

	Accounting Unit	Number of Units						Production						
		1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960	
				Capacity										
(iii) Cultivators	Nos	—	—	—	—	1,800	1,800	—	—	—	—	112	72	
Power Driven Pumps	'000	9	27	29	29	40	46	41.5	46.9	63.8	75.7	85.1	96.9	
Thin Walled Bearings	'000	—	—	—	1	1	1	—	—	—	172.6	164.0	322.3	
Road Rollers (Diesel)	Nos	—	—	1	2	3	3	—	—	100	104	158	388	
Tractors	Nos	—	2	2	2	2	2	—	1,316	2,269	664	303	769	
ELECTRICAL ENGINEERING INDUSTRIES														
Cables and Wires														
(i) Aluminium Conductors	'000 Tons	—	5	5	5	8	8	1.7	11.3	15.4	14.4	16.9	22.0	
(ii) Bare Copper Conductors	'000 Tons	2	5	5	5	5	6	3.0	10.3	8.6	7.5	6.6	9.1	
(iii) Rubber and Plastic Insulated Cables and Flexibles	Mn Yards	2	9	10	10	17	19	41.1	105.6	103.8	128.7	214.1	230.0	
(iv) Winding Wires	Tons	2	3	3	4	7	8	308	761	1,016	2,078	3,894	4,000	
Dry Cells	Mn	3	5	5	5	5	5	143.4	181.0	166.5	168.2	187.28	198.24	
Domestic Refrigerators	'000	2	2	2	3	4	4	0.5	0.75	0.94	2.9	4.0	11.0	
Electric Fans	'000	19	19	19	21	23	24	212.5	338.9	524.6	635.6	731.2	985.3	
Electrical Lamps	Mn	10	11	11	11	11	11	15.5	29.9	32.13	29.50	33.7	38.1	
Fluorescent Tubes	'000	—	1	1	2	2	2	—	880.9	1,018.9	978.7	1,110.0	1,460.0	
Electric Motors	'000 HP	11	14	14	14	20	32	142.8	359.1	469.6	623.5	581.5	691.3	
Electric Steel Sheets	'000 Tons	1	1	1	1	1	1	4.3	7.5	7.3	10.9	12.1	16.0	
Gramophones	'000	1	1	1	1	1	1	10.7	6.8	11.3	11.1	8.2	6.7	
House Service Meters	'000	1	5	5	5	5	5	1.7	230.3	330.4	384.0	376.4	469.0	
Mathematical Instruments	'000 Gross Boxes	6	4	3	3	3	3	9.0	13.1	13.4	12.1	15.8	21.6	
Power Transformers	'000 KVA	6	14	14	14	16	17	195.1	919.2	1,219.1	1,126.2	1,052.6	1,103.5	
Radio Receivers	'000	12	16	17	17	19	20	82.8	150.6	190.7	198.1	216.6	253.1	
Room Air Conditioners	Nos	—	6	9	10	10	10	—	5,824	6,983	10,908	8,480	11,500	
Storage Batteries	'000	11	13	13	13	12	12	212.6	314.2	324.6	355.5	442.2	509.0	
Water Meters	'000	—	1	1	2	3	3	—	18.4	20.6	40.5	41.7	54.5	
Water Coolers	'000	—	—	—	2	4	4	—	—	—	—	1.9	2.3	

* Estimates of production in 1960 are based on actual production for the first 9 months and estimated production for October, November and December

‡ Capacity in tons, production in '000 feet.

Source: Ministry of Commerce and Industry.

BANKING RETURNS

(Rs Crores)

Reserve Bank	Apr 14	Apr 7	Mar 17	Apr 15, '60
1 Note circulation	2038.53	2039.91	1971.97	1902.24
2 Rupee coin	121.44	121.82	118.87	126.50
3 Deposits	240.56	222.89	252.68	272.10
(a) Central Govt	68.68	54.56	72.70	75.08
(b) Other Govts	3.99	8.31	18.12	6.01
(c) Banks	73.70	70.60	71.76	92.35
(d) Others	94.19	89.42	90.10	98.66
4 Foreign Securities	118.01	123.01	128.01	163.01
5 Balances abroad	9.98	11.31	32.19	20.83
6 Rupee Securities	1692.11	1687.20	1627.22	1506.75
7 Investments	120.74	125.21	130.72	203.39
8 Loans and advances to Govts	88.17	70.69	51.00	44.32
9 Other loans and advances	142.61	146.78	168.81	114.99
Scheduled Banks	**Apr 7**	**Mar 31**	**Mar 10**	**Apr 8, '60**
1 Liabilities	1760.96	1740.78	1743.52	1930.97
Demand (net)	721.93	714.27	704.42	790.88*
Time (net)	1039.03	1026.51	1039.10	1140.09*
2 Cash in hand	47.42	45.32	47.07	51.09
3 Balances with Reserve Bank	67.67	70.76	70.38	86.25
4 (2) + (3) as % of (1)	6.26	6.40	6.47	7.11
5 Borrowings from Reserve Bank	60.45	94.53	66.79	41.31
(a) Against usance bills and/or promissory notes	33.64	45.39	29.30	12.24
(b) Others	26.81	49.15	37.49	29.08
6 Advances	1104.09	1109.37	1084.76	950.86
(a) State Bank	263.60	263.92	256.74	198.03
(b) Others	840.49	845.45	828.02	752.83
7 Bills discounted				
(a) Inland	162.41	158.92	144.12	134.09
(b) Foreign	48.85	49.08	48.35	45.13
(c) Total	211.26	208.00	192.47	179.22
(i) State Bank	18.99	17.37	17.53	15.96
(ii) Others	192.27	190.63	174.94	163.26
8 (6) + (7c) as % of (1)	71.51	72.59	70.38	58.52
9 Investment in Govt Securities	551.29	558.93	573.87	717.53
(a) State Bank	225.20	233.21	242.63	354.98
(b) Others	326.09	325.72	331.24	362.55
10 (9) as % of (1)	29.97	30.80	31.62	37.16
Cheque clearance	297.12	205.04	219.00	221.23

* Includes deposits of banks and others.

Bombay Bullion

(Rs and nP)

Gold (per ten grams)	Apr 20	Apr 13	Mar 23	Apr 22, '60
Spot	119.25	121.55	120.65	116.10
Forward	118.45	120.90	121.15	110.45
Silver (per kilogram)				
Spot	202.65	203.40	202.70	190.22
Forward	198.40	200.15	202.50	185.28

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53 = 100)

	April 1	March 25	March 4	April 2 '60
Food Articles	118.2	118.1	117.2	116.3
Cereals	99.9	100.3	100.3	103.1
Pulses	90.0	91.9	92.8	87.5
Fruits & Vegetables	111.9	108.8	108.9	134.4
Milk & Ghee	119.6	118.4	115.1	110.6
Edible oils	162.5	164.3	161.6	136.5
Fish, Eggs & Meat	122.3	120.0	123.0	114.6
Sugar & Gur	116.7	117.1	118.5	140.2
Others	171.3	169.3	165.7	151.9
Liquor & Tobacco	113.5	114.6	112.8	96.5
Tobacco	110.8	112.0	110.2	94.2
Fuel, Power, Light & Lubricants	120.8	121.0	121.1	118.2
Industrial Raw Materials	155.5	158.5	159.2	132.3
Fibres	168.1	175.6	178.9	126.6
Oilseeds	159.9	160.0	157.7	139.6
Minerals	95.3	95.3	95.2	98.2
Others	127.1	127.3	128.4	131.7
Manufactures	127.4	128.8	129.1	117.5
Intermediate Products	136.0	137.3	136.1	122.6
Finished Products	126.0	127.4	128.0	116.7
Textiles	130.4	132.7	133.7	115.7
Cotton	126.6	126.6	126.6	125.0
Jute	147.1	156.1	161.4	99.7
Woollen	110.1	110.1	110.1	104.2
Silk & Rayon	117.9	118.4	115.7	102.5
Metal Products	146.9	146.9	146.9	148.3
Chemicals	105.4	105.2	104.6	104.8
Oil cakes	142.7	144.2	144.6	141.6
Machinery & Transport Equipment	112.6	112.6	112.6	111.6
Others	118.6	118.5	118.5	114.6
All Commodities	126.6	127.5	127.2	118.6

FOREIGN TRADE

(Merchandise Value)

Rs Lakhs

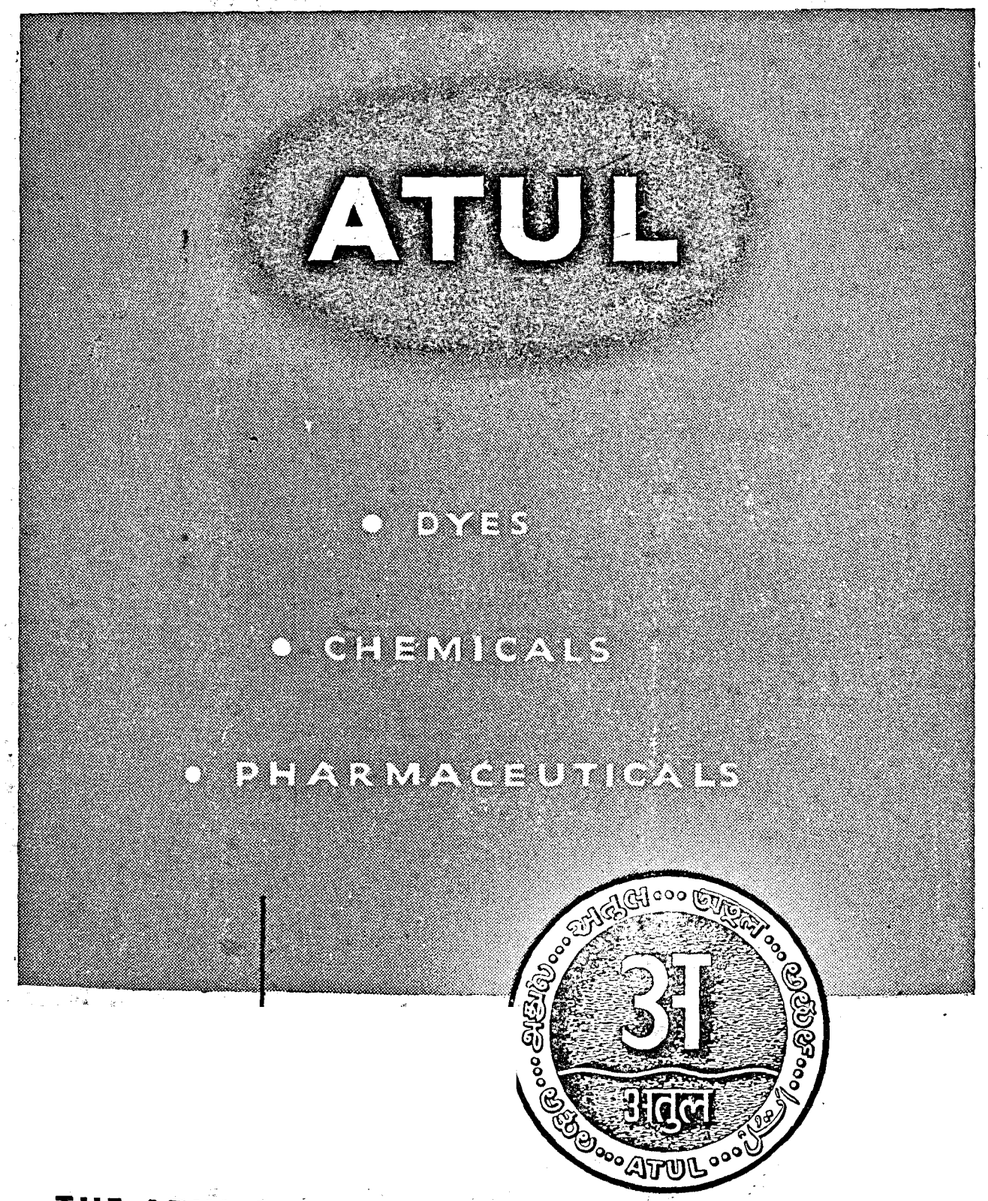
	Imports	Exports*	Balance of Trade
1961 February	74,32	53,59	— 2073
1961 January	8342	5454	— 2888
1960 Oct-Dec	21717	18746	— 2971
Jul-Sep	23143	15892	— 7331
Apr-Jun	24969	14832	—10137
Jan-Mar	20741	15528	— 5213
1959 Oct-Dec	23184	18851	— 4333
Jul-Sep	20646	16590	— 4056
Apr-Jun	24637	13213	—11424
Jan-Mar	20562	13417	— 7145
1960	90570	65048	—25652
1959	89029	62071	—26958
1958	87281	58505	—28776
1957	102582	64285	—38297
1956	80873	61346	—19527

* Including re-exports

Source : D C I S, Calcutta

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To Save Calcutta

THE CONSTRUCTION of a barrage across the Ganges to divert a small part of the waters of the Ganga to the Hooghly has been advocated by many experts for well over a century. The proposal was mooted first in order to prevent the silting up of the Hooghly which is not a recent phenomenon. What has added urgency to the project is that in addition to maintaining the navigability of the Hooghly, the strengthening of the river has become essential for ensuring the city's water supply.

In a very badly produced booklet—bad, judged even by the standards of the Government of India Press, New Delhi—an account has been given of the history of the proposal which goes back to 1853. That was the year when Sir Arthur Cotton, an eminent engineer from South India, concluded that "if additional water were thrown into the Hooghly and kept flowing down it . . . . such an additional water might just make the difference of preventing the Hooghly from silting up . . . .". Sir Arthur was probably the first to suggest the construction of a barrage across the Ganga and a canal from the Ganga to the Bhagirathi to increase the fresh water supply into the Hooghly. Probably no other river has been the subject of so many investigations and reports by experts and committees. Nor has any project been under consideration for such a long period.

The port has barely been kept open by heavy dredging, but dredging cannot keep pace with the silting with the result that the draft of the river has been going down steadily over the years. During the last few years, hardly any ships of 26 ft draft have been able to enter or leave the port. The mean drafts now permissible have come down to 21 ft to 23 ft, while the minimum in dry weather months is as low as 18 ft. Since reduction in draft means heavy loss of cargo-carrying capacity, and shipping is crippled, there has been an unanimous demand for years by all the Chambers of Commerce, both Indian and European, that high priority should be given to the implementation of the Farakka Barrage project.

It is probably not so well known that Murshidabad district, in which Farakka is situated, was allotted to the Indian Union in the Radcliffe Award after the Partition, though it had a Muslim majority following the representation of West Bengal engineers who had urged before the Bengal Boundary Commission that the Ganga and Bhagirathi opening should remain within the Indian Union in order to save the Calcutta port. The Chairman of the Commission fully appreciated the force of this contention and awarded Murshidabad to the Indian Union while compensating Pakistan by awarding to it the Hindu majority district of Khulna.

Just as the progressive decline in the draft of the Hooghly measures the threat to shipping and to the port, the progressive increase in the salinity of the waters of the Hooghly during the past quarter of a century pinpoints the threat to the city's water supply. The proportion of salinity in parts per million increased from 400 in 1936 to 1,300 in 1956 and in 1959 it was nearly 2,500. The significance of these figures can

be readily judged when it is remembered that the maximum limit of tolerance of salinity, by normal health standards, is no more than 250. The WHO which reported last year on Calcutta's public health problems investigated possible alternative sources of water supply and finding none, gave it as its considered opinion that the only way to save Calcutta was to increase the flow of water in the Hooghly river

Some confusion has been created in the public mind by the manner in which the Farakka project has been handled by Delhi. The project has now been formally incorporated in the Third Plan. This was done at the last meeting of the National Development Council when the targets for the investment in the public sector was raised by Rs 100 crores under the head 'Transport and Communications' as "additional provision among others for ports and harbours (including the barrage at Farakka)". Appropriately enough, at the same time, an additional Rs 60 crores was allotted from which "some provision might also be made for several schemes relating to the development of Calcutta". The allocation both for Farakka and for the development of Calcutta, it will be noted, are merely token ones. They are, nevertheless, significant in that it may be reasonably assumed that since the importance of these schemes have been recognised and they have been accepted for execution, implementation will no longer be delayed.

The meeting of the National Development Council which approved this project was held in the middle of January. Two months later at the Commonwealth Prime Ministers' meeting in London, President Ayub Khan took up the matter of the Farakka Barrage and various schemes connected with the Teesta river and suggested, to quote Pandit Nehru "that it would be advantageous to both the countries to cooperate in connection with the scheme". Pandit Nehru had agreed. This did not mean that India considered the proposal to constitute any violation of Pakistan's water resources or riperian rights and Pandit Nehru has subsequently clarified his stand that though he had agreed to discuss such matters with Pakistan, there was no question of the Government going back on its decision to go ahead with the construction of the Barrage. Meanwhile, Pakistan has formally lodged a protest. This follows a press campaign in Pakistan which, according to newspaper reports, were intensified by President Ayub Khan's meeting with the editors in Dacca on March 22. Pakistani officials are now in Calcutta to study the project. From press reports, it appears that it is being impressed upon them that the project is absolutely essential to save Calcutta. It seems more to point to examine with them how the Barrage can adversely affect Pakistan.

Where Are the New Frontiers?

LIKE Franklin Roosevelt, John Kennedy was installed as President of the United States on a particularly bleak and wintry day. But it was not just the weather which prompted many to compare the beginning of the Kennedy regime with that of the Roosevelt era. Both of them replaced tired and irresolute men at a time when the nation longed for energetic and decisive leadership. Kennedy, like Roosevelt, made a noble inaugural speech which seemed magically to sweep away the enveloping gloom. While Roosevelt a New Deal to the American people, Kennedy spoke in terms of New Frontiers to be reached and new energies to be released, for an enrichment of the content of life in America — indeed, in the world as a whole. And again, in the manner of Roosevelt, Kennedy sought for his aides not crusty old party-men but those likeliest to give a new momentum to government and the people, to experiment with new ideas or unorthodox means. These and many other similarities of circumstance and character made it appear that the new incumbent at the White House was one who, like Roosevelt, could and would transform the days.

But three months after inauguration, the mantle of Roosevelt seems too large for Kennedy. Between March 4, 1933 and June 16, 1933 —in the celebrated Hundred Days —Roosevelt did, in fact, change the American scene beyond recognition. He put the American banking system back in business, set up a national relief system, established a national agricultural policy, brought the Tennessee Valley Authority into being, provided for a Federal Public Works programme, took America off the gold standard — and did many things besides. He stormed the Congress, swept away the cobwebs in the Administration and gave a new meaning and a new philosophy to 'government'. True, not all of the 13 million odd people who were unemployed at the beginning of 1933 had found work by the middle of that year; but, their faith in the future revived as more and more of them understood what the President was trying to do. And in that moment of clarity, "the American people threw off a sick conviction of defeat and began to believe in themselves again."

Kennedy has obviously not performed a like miracle and, at first blush, the change from the Eisenhower days seems more a matter of style than of substance. But, this may not appear quite fair to Kennedy, because his starting point is substantially different from that of Roosevelt. The American economy has since 1960 been undoubtedly in a "recession", with capacity in many industries under-utilised and unemployment in excess of six per cent. The dollar has, for a longer period than anybody relishes, been under heavy pressure from abroad. But, with all that, the state of the economy cannot be described as one of depression, much less of great depression. It has, therefore, not been open to Kennedy merely to take a leaf out of Roosevelt's book and formulate his strategy for winning new frontiers. On the eve of his inauguration, he was advised by Professor Samuelson that "the Roosevelt New Deal inherited a bankrupt economy that was in desperate straits. Whatever the wisdom of anti-depression 'make-work' projects in such an environment, they are definitely not called for at the present time ..... More fraught with significance for public policy than the recession itself is the vital fact that it has been superimposed upon an economy which, in the last few years, has been sluggish and tired." The President has, apparently, accepted Professor Samuelson's reading of the situation.

This is not all. Between 1933 and 1961, a whole lot of stabilizers have been built into the American economy, which more or less obviate the need for spectacular "pump-priming". The innovations of the Roosevelt era have become now the commonplaces of fiscal and monetary policy; the battles for compensatory budgets, federal assistance for housing, road-building, etc have all been fought and won. In consequence, the crux of the problem in *several areas* seems to consist in making the existing instruments of policy function more effectively rather than in adopting new instruments or revolutionary attitudes.

In another sense also, Kennedy's world is vastly different from that of Roosevelt. It is a world in which every move of the great powers becomes by design or accident a move in the cold war. Roosevelt was by no means an isolationist; but he could conveniently subordinate everything else to the supreme task of putting the American economy back on its feet. Not so Kennedy; he cannot forget for a moment America's need to catch up with the USSR in outer space, or to checkmate it in the field of foreign economic or political relations. He has to solve the problems of unemployment and depreciation of the dollar without endangering the defence programme or resiling from the tremendous responsibilities assumed by the United States in the international field.

President Kennedy has, therefore, some reason to avoid the flourishes and overtones that might have been appropriate in an earlier period. Yet, when allowance has been made for all this and more, no clear-cut evidence of progress towards New Frontiers emerges. Certainly, there is more politeness between the United States and the Soviet Union, but no major step taken towards ending the cold war. Indeed, the so-called 'invasion' of Cuba has suddenly taken off the wrappings and shown that Russo-American relations and strategies remain more or less what they were in the days of John Foster Dulles. When President Eisenhower broke off diplomatic relations with Cuba last year, it was thought too precipitate an action for an outgoing President. It was thought so because many believed that Kennedy's approach would have been different — in form if not in the ultimate goal sought. But the way things have gone on in the Congo, Laos, and now Cuba show that the containment of Soviet power and influence remains, as always, the over-riding factor in American foreign policy. What happens in the meantime to the small nations is a matter that seems to worry Kennedy no more than it did Dulles.

This may sound harsh on Kennedy and would indeed be so but for the fact that in other areas, too, President Kennedy's doings have lacked the freshness promised by Candidate Kennedy. In the matter of civil rights, improved unemployment compensation or minimum wages; in respect of medical care for the aged or grants for hospital construction or finance for educational programmes — all of which were essential planks in Kennedy's election platform, and all of which have enthusiastic supporters among Kennedy's aides and advisers —the President has shown a concern for the susceptibilities of the Congress which makes it hard to believe that he will ever push the Congress into action like Roosevelt. In economic matters, once again, Kennedy's attempts at staunching the outflow of gold have been mostly along the lines accepted by the Eisenhower Congress — that of exerting pressure on West Germany and tying American aid more resolutely to dollar purchases. Kennedy seems unable to forget that he was a Senator or remember that what a Senator cannot do, a President can and perhaps should often do.

That there is no clear-cut break from the Eisenhower programme in most matters is perhaps attributable partly to the strong view held by Kennedy and his advisers that it is wrong to over-emphasise the short-term problems. A corollary of this would naturally be that policies for the long-pull can be worked out at a comparatively leisurely pace. But even so, the initial preparation ought to be such as to confirm the certainty of a change in direction or in speed in a foreseeable period. Except possibly in the matter of aid to underdeveloped countries no long-term programme seems clearly in the making.

May be, three months are too short a period to assess all this. But they are certainly not too short a period for changing the mood or climate of things. That indeed was the distinct achievement of Roosevelt in 1933, of Churchill in 1940. It is this contrast which casts doubt on the possible effectiveness of Kennedy. The hope kindled in many hearts last January of the beginning of a new age in America and in the world at large has not yet died down; but, unless Kennedy shows clearer evidence of a capacity to lead a confused world as clearly as other great leaders have done in the past, it will not be long before men's thoughts turn sadly to what might have been.



Weekly Notes

Selling Skills and Village Industry

MARKETING is a total operation. What that means for consumer products like soap, vanaspati and toilet articles Hindustan Lever sells, Shri P L Tandon brought out in his speech at the Annual General Meeting of the Company last week. Marketing is not mere selling. In fact, selling would appear to be the least part of it. There is technical research and development of the product, building up the "personality" of the product by giving it a name, right packaging and appeal. Then, there are trials with the product, probes to ascertain the size and shape of the demands and finally, market testing. In this total operation, a variety of techniques are used and aides from many disciplines are drawn upon, ranging from motivation research to village surveys.

This is last week; this week, a devoted band of Bhoodan workers and a number of distinguished economists met in Poona in a joint conference with the Gokhale Institute to discuss how villages could be revived, how the sense of community could be restored and the rural economy made viable. The Third Five-Year Plan had made the whole of India one unit. That was too large. The units should be the villages or, at best, a group of villages. In this conference, a paper by Mr E F Schumacher, the official Economist of the British Coal Board, was circulated in which it was argued that India was divided into two parts, one metropolitan, inhabited by about 15 per cent of the population and the other rural, containing the rest of the population — and that each part was poisoning the other, the metropolitan areas by killing off the non-agricultural products in the rural sector, while the flight from land was creating quite unmanageable problems in the metropolitan areas which no feasible amount of industrialisation seemed capable of mastering. Mr Schumacher's main point is that it is not sufficient to aim merely at development of agriculture. The deepening poverty of the rural sector is primarily due to the progressive destruction of non-agricultural production, "the decadence of agriculture itself being the inevitable result of the cultural starvation due to this destruction." Agriculture alone cannot sustain a fully human life; it thrives only when in contact with industrial crafts of all kinds. The paper received a great deal of attention from Bhoodanis. Mr Schumacher is by no means the only economist who has endorsed broadly the objectives and programmes of the Bhoodan movement. True, many intellectuals run away from the alienation which modern industry has created in the West. There are thoughtful people in this country also who look for 'the good life' and don't find it in the sort of development that we are planning. In the heart of our own plans, there is a great divide between the sector of urban-organised industry and that of rural economy. It was sought to be bridged rather feebly by the 'household and handindustries' of the Draft Plan Frame and a shaky rural industries programme later which is now being supplemented by experiments with Panchayati Raj and Pilot Projects for more intensive rural development.

Among the village or cottage industries which find a place in the Plan and which have been singled out for special help, there is soapmaking. What happens when Hindustan Lever, with its battery of the latest gadgets of selling and research, moves in, as it has been moving in? That is not, of course, Shri P L Tandon's headache, but it should be somebody's headache by now.

Not to end on a negative note, could one suggest that this deadly apparatus of selling be moved in the reverse direction, to finding export markets for our handicrafts, for example? From the national view point, that would certainly be a better utilisation of these high-grade skills which have been so efficiently organised and developed.

Pentagon-C I A Activists

Our American Correspondent Writes:

After the Cuban debacle, this ha been a gloomy weekend for a sad der and, let us hope, wiser President of the United States. After three months of refreshing changes in the Washington mood, which have raised world's hope and good-will for the young President, all was endangered by the abortive invasion of Cuba engineered by the powerful machinery of the Central Intelligence Agency.

The full story behind the "episode" that lasted no more than 12 fateful hours, still remains to be told but the major developments and events can be pieced together to study the anatomy of a failure.

Back in late 1959 the Eisenhower administration had worked out "the Guatemala solution" that was applicable to the Cuban situation. Instructions were given to CIA Director, Allen Dulles, to organise the Cuban exiles, train a military force and plan an invasion of Cuba. Then a Revolutionary Council was organised that embraced the two major factions of anti-Castro exiles. The *Frente* (Democratic Revolutionary Front) worked for an invasion from outside, while the M R P (People's Revolutionary Movement) was alleged to be linked to the Cuban underground and working toward a mass revolt within Cuba.

Last spring, the *Frente* had begun recruiting volunteers in New York and Florida for military training. Bases were set up in Florida, Lousiana, Texas, Guatemala, Panama, Swan Island (off Honduras), the Corn Island (off Nicaragua) and elsewhere. The exiles were trained by U S military specialists and armed with ground, sea and air weapons. The "impressive preparations" included guerilla training camps, arms carrying P T boats that average a trip a week to Cuba, and a group of some 80 fliers who reportedly fly out to the mystery field at Retalhuleu in Guatemala. The exiles were encouraged by men and material to invade Cuba.

The new administration in Washington inherited a well-established plan to secure a sizable beachhead in Cuba. The President barely three months in office is reported to have struggled with the dilemma of going ahead on the plan or postponing it indefinitely. Overruling the opinions of Dean Rusk, Chester Bowles and others in the State Department, President Kennedy succumbed to the Pentagon-CIA activities. The latter feared that new Soviet weapons (including a hundred Soviet MIGS) scheduled to arrive soon may make Castro invulnerable, the official CIA intelligence estimate was that exile landings would immediately produce popular uprisings that would overthrow Castro.

Only a few months ago Premier Fidel Castro was being ridiculed for his reported insistence that Cuba was in imminent danger of military invasion. And when the invasion did come, Castro must have been pleasantly surprised at the imagination of American military leaders to bring his downfall by landing 1200 ill-prepared exiles on a remote beach. This ill-fated attempt, for which Kennedy has taken personal responsibility, suggests a number of things. First, it was unwise to let the United States be identified so closely with a counter-revolution which completely lacked any broad popular support within Cuba. And second, as the *New York Times* has put it editorially, "American policy must never again be based on wishful thinking or on stupid miscalculations by activists or the Central Intelligence Agency". These and other lessons are clear; it is the willingness to learn them that is not so clear.

Power Failure in Calcutta

WITH the failure of the second, and last, generating unit at the DVC's Durgapur station, electricity supply in Calcutta and the adjoining industrial areas has very nearly collapsed. The Tata and Burnpur steelworks and the Dalmianagar industries have been instructed to restrict consumption. DVC authorities have cut their supply to the Calcutta Electric Supply Corporation by another 10 mW and warned the Eastern Railway that their electric traction might be affected. The Calcutta Electric Supply Corporation, in turn, has advised bulk consumers in South Calcutta and Howrah to restrict consumption by 20 per cent and curtailed power supply to many parts of the city.

The immediate cause of crisis was the simultaneous failure three weeks ago of a 40 mW DVC generator at Bokaro and a 30 mW Calcutta Electric Supply Corporation generator at New Cossipore. But basically the present difficulties can be traced to inadequate realisation of the growth of demand for power. This is not peculiar to that part of the country alone. Experience elsewhere also shows that power supply has failed to keep pace with the growth of industries.

The load on the DVC power system has risen rapidly due to the fast pace of industrial development in the Greater Calcutta and in the Damodar Valley. The aggregate demand on the DVC system rose from 22,280 kW in 1953 to 3,00,515 kW at the end of November 1960 and is expected to rise further to 7,21,000 kW by 1965-66. As against this the capacity of the DVC Power System, taking into account the two units of 1,25,000 kW each to be installed at Chadrapura, will be 7,29,000 kW with a corresponding salable firm capacity of 5,24,000 kW. It will be necessary, therefore, to install additional generating units with associated transmission and distribution systems to meet the expected demand.

The latest report of the Ministry of Irrigation and Power admits this. It is surprising then to be told that a request from the Calcutta Electric Supply Corporation for setting up a supplementary station to produce 120 mW was turned down, apparently on the belief that DVC supplies would be adequate. The Calcutta Electric Supply Corporation has also complained that it has been denied licenses to replace obsolete equipment. Adequate attention to overhauling and replacement has not been paid at DVC either, it would appear. According to the General Manager of the DVC, each generating unit needs overhauling after every 20,000 hours' run, but the last time the three units at Bokaro were overhauled was in 1956. It would not be surprising, therefore, if the present power crisis were to be followed by a spate of intermittent power breakdowns which would naturally take a heavy toll of industrial production.

Another Spokesman for Tamilnad

WITH the formation last week of a new party, the *Tamizha Deshiya Katchi* (Tamil Nationalist Party), by the dissident D M K leader, E V K Sampat, and his supporters, the long-standing split in the Dravida Munnetra Kazhagam has now become irrevocable. Dissension within the DMK leadership had been brewing for some time. Sampat, DMK member of the Rajya Sabha and second in command of the party had threatened to quit the party at the Madras meeting of the Party's General Council last year if his candidate for General Secretary-ship, the vital office in the DMK organisation, was not accepted by other Party leaders. A tenuous last-minute compromise was then effected and Annadorai became General Secretary and Sampat Chairman of the General Council.

This, however, did not close the rift between the two leaders. Their personal differences inevitably took on political and ideological colours. Sampat set about to present himself to the rank and file of the party as the radical, impatient with moderation and inactivity of Annadorai and his group. He insisted that more attention be paid to economic policies and that the DMK movement be given a "socialistic orientation". Above all, he wanted "constant agitation" to achieve the ends of the Party. According to him, "Politics is dynamic, not static. It cannot be enternally run on slogans. We have to formulate our policies with a sense of realism and with an eye on the changing needs and ideals of our fast-moving times. But in the peculiar predicament of the party leadership, even a suggestion to that effect is viewed as high treason".

Annadorai denied the charge of inactivity. He warned his "impetuous younger brother," Sampat, that "constant agitation invites ruthless repression; and repression in a democratic set up assumes the character of lawful action on behalf of the people who elect the Government of the day. It is not, therefore, necessary or advisable for us to invite repression and allow ourselves to be branded as antipeople. We can grow only by the strength of our arguments and by converting people to our ideology".

The argument was lost on Sampat who pressed for a discussion of the Party's economic programmes and its attitude to other opposition parties in the State, especially the Communist and Swatantra Parties, at the last meeting of the General Council at Vellore. As the Council's deliberations got going, Sampat did not get the discussion he wanted but got, instead, a severe man-handling from Annadorai's supporters. The break was complete. Sampat resigned as Chairman of the General Council and as member of the party's Parliamentary Board.

The new party has been described by its founder Sampat, as a "non-sectarian" organisation pledged to the cause of Tamil Nad. He has sought to emphasise the party's economic programme which, according to him, consists of support to all "progressive policies designed to lead the country towards socialism". The party would also work for the industrialisation of Madras State as early as possible. But the primary objective of the party will be the creation of a Tamil Nad and securing for it, by Constitutional amendment, the right to secede from the Indian Union. Apparently, Sampat's non-sectarianism consists in merely claiming the right to secede without insisting on secession straightaway. "Whether we want secession or not is a different matter", he told a press conference. To most people, the distinction between insisting on the right to secede and secession itself will appear nebulous and, in any case, the new party, like the DMK and the Dravida Kazhagam of E V R Naicker, will rely on exploiting the anti-north and anti-Hindi sentiment of the people for its support. The *Tamizhar Desiya Katchi* does not, therefore, constitute a new element, ideologically, in the political scene in Madras State.

Regulation of Coffee Output?

THE Estimates Committee's report on the Coffee Board is timely. The coffee industry's problems have received considerable attention in recent months and the demand for a review of the Coffee Board's pricing and marketing policies has been made repeatedly. Between 1954-55 and 1960-61, production of coffee more than doubled itself, increasing from 25,500 tonnes to 53,400 tonnes. Internal consumption and exports, however, have failed to keep pace with this phenomenal increase in production. The Coffee Board's development plan had set a target of 36,000 tonnes for 1960-61, but production exceeded this figure even in 1956-57. Similarly, the target of 59,000 tonnes for 1971-72 fixed by the Board is also likely to be attained much earlier. The Working Group on Coffee appointed by the Government have, therefore, suggested a more realistic target of 80,000 tonnes by the end of the Third Plan.

The present system of pricing and marketing was introduced at a time when production was very much below demand. Under the Coffee Act, all coffee produced by an estate in excess of a small specified quantity is taken over by the Coffee Board and pooled. The pooled quantity is then sold by or through the Board which controls internal prices. The selling price is fixed so as to give a fair return to the grower and assure a reasonable price to the consumer. As a result of rapid increase in production and the fall in export prices, the price received by coffee-growers has declined steadily during the last few years though it is still above the "minimum return" calculated by the Board to cover cost of production and 10 per cent return on working capital. To arrest the fall in the payment made to growers, the internal release price had to be raised in October 1958. But any further increase in the internal price, it is felt, would lead to consumer-resistance at a time when the need to increase domestic consumption is imperative. At the same time, it is feared that world prices of coffee would soon fall below domestic prices, making it impossible to maintain a minimum release price calculated according to the Coffee Board's present practice. The Estimates Committee has, therefore, recommended that "the present pricing policy should be examined to see in what way it required modification to give a fair return to the grower and to encourage exports while avoiding too high an internal price".

On the question of exports, the attitude of the Coffee Board has always been different from that of the Government. The Ministry of Commerce and Industry has been urging the Board to release higher quotas for export. The Board, on the other hand, has taken a depressing view of export prospects and has concentrated on nursing the internal market as the "stable factor". The Board's attitude is clearly reflected in the disparity in its propaganda effort in the country and abroad. The expenditure incurred on promotion of sales during the last few years is as follows :

Year	In India (Rs)	Abroad (Rs)
1956-57	2,78,647	4,220
1957-58	6,34,947	4,360
1958-59	13,99,201	8,399
1959-60	7,30,045	11,512

The Estimates Committee has warned that, in view of the keen competition that Indian coffee now faces in foreign markets, special measure may be necessary not only to increase exports but even to retain them at present levels. It may even become necessary to export coffee at comparatively lower prices even though that may mean pegging of domestic consumption.

Having arrived at this conclusion, it is surprising that the Estimates Committee failed to grasp its implication. If domestic consumption of coffee has to be pegged in order to expand or even maintain exports and if exports remain more or less stagnant, as they are likely to, what is to happen to the rapidly increasing production which will reach 80,000 tonnes by 1965-66? The Estimates Committee, like the Coffee Board and representatives of the industry, has fought shy of facing the fact that in such a situation it might become necessary to regulate expansion of production according to the capacity of the domestic market to absorb the output at prices high enough to support exports.

Production, Consumption and Exports of Coffee
(in '000 tonnes)

Year	Production	Internal Consumption	Exports
1954-55	25.4	21.9	10.3
1955-56	35.0	22.6	4.4
1956-57	42.6	24.2	7.8
1957-58	44.5	26.6	13.4
1958-59	46.6	27.6	14.9
1959-60	49.4	30.1	14.4
1960-61	53.4	30.0	N A

Note: Production figures relate to the crop year (August-July) and consumption and export figures to the calendar year.

Letters to the Editor

Business Saving in India

THIS has reference to your review of my book on *Business Saving in India* in *The Economic Weekly* of February 25, 1961.

I naturally feel gratified at the complimentary tone of the review. I am quite sure the book is open to many valid criticisms. However your reviewer seems to have missed the point about the nature of the data of company finances presented by the Taxation Enquiry Commission and by the Reserve Bank. As far as I can see, they can be said to be not comparable in one sense only, viz, that the average size of the units of the two samples is not the same. This would affect the representative character of the two samples, and therefore the estimates blown up from the two samples would have different orders of error. But this would be hairsplitting, when we consider that neither of the sample is representative of the entire company sector; and moreover, commonsense would suggest that the RBI sample includes most, if not all, of the TEC sample. There is no qualitative difference in the method of presentation of the balance sheet and other data by the two authorities. In fact, the data were not collected by two separate agencies, but by one single agency — the Reserve Bank of India. Continuity of the estimates is achieved by using two different raising ratios. If there are any respects in which data of the two samples are uncomparable, other than the one just mentioned, I would like to be enlightened. In fact, I have mentioned the possibility of different saving practices due to differences in the unit size (see p 186) but have not worried overmuch on this account while presenting the estimates.

Your criticism of the assumed saving-income ratio for the unincorporated enterprises sector also does not bring in any information. Everyone concerned with economic research knows that one cannot dispense with assumptions. The point is to evaluate how realistic the assumptions are. There is no attempt in your review to evaluate that. In fact, they can be tested with the results of several surveys that are in progress. The moment firmer ratios can be worked out, or firmer alternative estimates are available, I will be among the first to abandon the assumed ratios. Perhaps a more informed comment on the methods adopted in the book was called for.

I might tell you that even the Reserve Bank estimate is based on certain very drastic assumptions. The saving-income ratios that it offers are highly fallacious, and are definitely underestimates. The assumptions pertain to its estimate of rural saving. The fallacy of the saving-income ratio presented by the Reserve Bank lies in the fact that their estimate of saving represents monetised saving only whereas the estimate of national income to which this saving estimate is related represents both monetised and non-monetised income.

You seem to have completely missed the point about including a part of personal saving in the savings of the unincorporated enterprises sector. My problem was to estimate the savings of the entire business sector which includes unincorporated enterprises. For statistical difficulties, these unincorporated enterprises are usually lumped under the residual category of personal sector. One should not find it strange if I have tried to put logic into the problem of cross-classification.

H Mazumdar

Indian Statistical Institute,
Calcutta.
April 25.

The Long View of Growth
A Reply

ACCORDING to Mr Sirkin (*Economic Weekly*, March 25, 1961), I have "taken a misconception and expanded on it" in my article on 'The Long View of Growth' (*Economic Weekly*, March 4, 1961). To substantiate this charge he summarises Galenson and Liebenstein's well-known article (Quarterly Journal of Economics, August 1955) and shows a fallacy in their reasoning. The implication is that I am guilty of the same error. Mr Sirkin is clearly off the mark.

Mr Sirkin has obviously confused the concept of the productivity of capital with the capital output ratio. The productivity of capital is different from the capital output ratio which reflects not only the productivity of capital as such but also that of other factors of production, specifically labour. This distinction is fundamental in my reasoning which is consistently in terms of the capital output ratio and the rate of reinvestment. Nor do my arguments assume any unique correlation between the capital output ratio and the rate of reinvestment.

No circular reasoning is involved in my paper. Within the framework of the assumptions the conclusions follow logically; there is no misconception involved.

VINOD DUBEY

National Council of Applied Economic Research,
New Delhi.
April 11.

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Our Delhi Letter

Avro - 748 Flops

THOUGH army promotions still generate the maximum of heat, as evidenced in the last Parliamentary debates, this is not what is going to embarass the Defence Minister seriously. What may and should are the disturbing developments in the field of defence production.

At Kanpur the Defence Ministry has set up a factory to manufacture Avro-748 planes. But the prototype plane — on which the aircraft factory is going to base its production — has proved a flop. The empty weight of the aircraft has been found to be 2,000 to 3,000 lbs heavier and its speed, too, much below specifications. Experts have also found that the main span requires a major modification. In fact, the second prototype of the plane was severely damaged and it has not yet flown. The contract with the Avro enjoins that the plane must get certification in U K by July 31 next. It is now being doubted whether certification will be obtained next year or ever.

The Kanpur factory is causing the biggest headache to the Defence Ministry at the moment. There is considerable speculation in the Capital over how the Ministry will clear up this mess. The contract stipulates that if the Avro company fails to get the certification by July 31, the Ministry will be entitled to secure compensation from the firm and revise the terms of the contract. The Avro company, it is reported, is trying to persuade the Indian Air Force to revise its specifications of the aircraft which will permit a plane inferior in weight and speed to be approved.

Difficulties at Kanpur may well be the Ministry's own creation. It is contended that the Ministry had a better offer from Lockheeds. Under the offer, the proposed factory would have turned out twin-engined, turbo-prop, pressurized aircraft of a new Lockheed design. Unlike the present project which is only to copy Avro 748 — the Lockheed offer envisaged the production of designs including executive, agricultural and jet aircraft as well as commercial airplanes and helicopters. Lockheed claimed that the designing bureau of the proposed factory would be able at a later stage, to design rockets and missiles for space exploration. They also promised to train Indian personnel in such a way that after five years the factory could be managed entirely by the Indian staff.

The U S Government, it is also contended, was prepared to give dollar credit to meet the foreign exchange cost of the project. The case for Lockheeds, however, is over-stated when it is maintained further — as some are doing — that Lockheeds had been released from the export ban and that they would have assisted India in marketing the India-made aircraft. Now about export ban, it is common knowledge that none of the NATO countries will give us the best; it is only the second best that we can aspire after, whether it is in aircraft or tank or guns — second best that is judged by the performance, e.g. speed, hitting power, etc, — since we have no military alliance with NATO powers. The equipment which is not good enough for the NATO can alone be passed on to us, whether for purchase or for assisted domestic production. Not that we can get the best from Soviet Russia either. Here also, we take the second rank, while the best perhaps may go to China, as in other case it is Pakistan which should be entitled to the NATO quality of armaments or aircraft.

Avro or Lockheed?

For the past two years, a controversy has been raging in Government circles whether to go in for Avro or Lockheed aircraft for the commercial lines. The Ministry of Transport was all for Lockheed. The Ministry of Defence not only treated the Lockheed offer shabbily but saw to it that the Ministry of Transport also shelves the proposal, on the ground that at present two aircraft factories in the country will be uneconomical.

Now an interesting situation has arisen. The Indian Airlines Corporation, it is reported, has refused to buy Avro-748 planes to be manufactured at the Kanpur factory as according to its experts, the quality of planes will not be up to the mark.

The Avro muddle has brought into limelight the economics of defence production and its scope. There is a strong feeling here, even in circles otherwise well-disposed to Shri Krishna Menon personally, that the Defence Ministry is building "an empire within an empire". True the "defence life line" of the country should not be entrusted to monopolists and the defence requirements, as far as possible, should be met from the Defence Ministry's own establishments. But there is hardly any justification for Defence enterprises to undertake the production of non-essential commodities like hair clippers, pressure cookers and small cars which are already being produced in the country.

The Defence Ministry is also insisting, it is learnt, on setting up its own aluminium and special alloy steel plant. Lately it has been showing an interest in production of teleprinter also. As these projects are only to meet defence requirements, production will be on a small scale. Hence all of them will be un-economic. Why can't the Defence organisations buy teleprinters and alloy steel — the production of which is being taken up in the public sector — as also aluminium at an economic price? There is no satisfactory reply to this question. It is held in Defence Ministry's circles that other Ministries are very slow and even halting in taking up and executing projects. But what the Defence Ministry is doing is no remedy.

Another aspect of Defence production which is commented upon is that it is undertaken on non-commercial lines. Cost accountancy is something which is unknown in Defence production organisations. In these circumstances, there is a poor case for the Defence production organisations to go beyond strictly strategic goods. Unfortunately the atmosphere is so vitiated at the moment that even a dispassionate analysis of the situation in Defence production will expose one to the charge of being either anti-Menon or pro-Menon. And for this, Menon's critics more than his provocative, controversial personality, are to be blamed.

Book Review

Land Reform in China

Surindar Suri

Agrarian Policy of The Chinese Communist Party by Chao Kuo-chun. Asia Publishing House, Bombay. 1960. Pp xii + 399 Price Rs 25.00.

IN 1945 Mao Tse-Tung describing the role of the Chinese peasantry, said : "The peasants are predecessors of the Chinese worker, and millions of them in future will go to the cities and into factories..... The peasants are a market for China's industry. They alone can supply it with richest food and raw materials, and absorb the vast quantities of industrial products.....The peasants are the source of our armies. . . .The peasants, at the present stage, are the main foundation of China's cultural movement. Divorced from the 360,000,000 peasants the illiteracy elimination campaigns, universal education, popular literature, and the national health campaigns, are all empty phrases".

Rural Social Structure

Taking a general view of Chinese agrarian development and programmes it is surprising how much attention was paid by the Chinese revolutionary leaders to the definition of the agrarian classes. Among the earliest documents mentioned by Dr Chao is one entitled 'How to Analyse Class Status in the Countryside", which was issued by Chinese-Soviets in 1933. In this document a landlord was defined as a person "who owns land but does not engage in labour or engages in supplementary labour, and depends on exploitation for his means of livelihood chiefly in the form of land rent, money-lending, hiring of labour or the simultaneous carrying on of industrial and or commercial enterprises." The rich peasant was defined as the landowner possessing "better means of production and some floating capital and (who) takes part in labour himself, but constantly depends on exploitation [of others' labour] for the major part of his means of livelihood." Below him stood the middle peasant, defined as the person who "generally owns a portion of the land which he cultivates, has a certain number of farm implements, and depends wholly or mainly upon his own labour for his living. If one's income from exploitation does not exceed fifteen per cent of the total annual income of the family, he will be considered a well-to-do middle peasant. "The fourth rural social class was that of the poor peasants who owned some farm implements, although not in adequate quantity, and owned only a part of the land he cultivated or was a tenant farmer. He was exploited in land rent, interest on loans and had to perform farm labour. At the bottom of the rural social structure stood the farm labourer who did not possess any or only a few implements and little or no land and who, consequently, depended mainly upon his labour for existence.

In 1948, to mitigate the excessive harshness of the land reform programme initiated by the Communist Government in the areas controlled by it, the 1933 documents were re-issued and certain modifications were made in the definitions. The crucial problem was that of differentiating rich peasants from the middle peasants by defining latter as "those engaging in slight exploitation, such as, hiring others to herd cattle or sheep, hiring part-time labourer, or perhaps renting out a little land or making small loans, from which the income does not exceed 25 per cent of their gross income".

Classes Redefined

As a prelude to the land reform after their capture of power in the entire mainland, the Chinese Communist Party redefined the agrarian social classes. The emphasis was laid on the degree of exploitation involved in the livelihood of the different classes. The landlord depended "on exploitation for his means of livelihood. Exploitation by the landlords is chiefly in the form of land rent, money lending, hiring of labour or other ways." The rich peasant engaged in labour himself but was "constantly dependent on exploitation for a part or the major part of his means of livelihood." On the other side of the dividing line between exploiters and the exploited, the middle peasant depended mainly or wholly upon his own labour and a well-to-do middle peasant, whose income from exploitation did not exceed more than 25 per cent of his total income, was differentiated from the rich peasant. The poor peasant was mostly a tenant, i. e, he rented land for cultivation, but was exploited by the higher classes in one way or another. Lacking any land, rented or otherwise, the farm labour was the proletariat of the rural society.

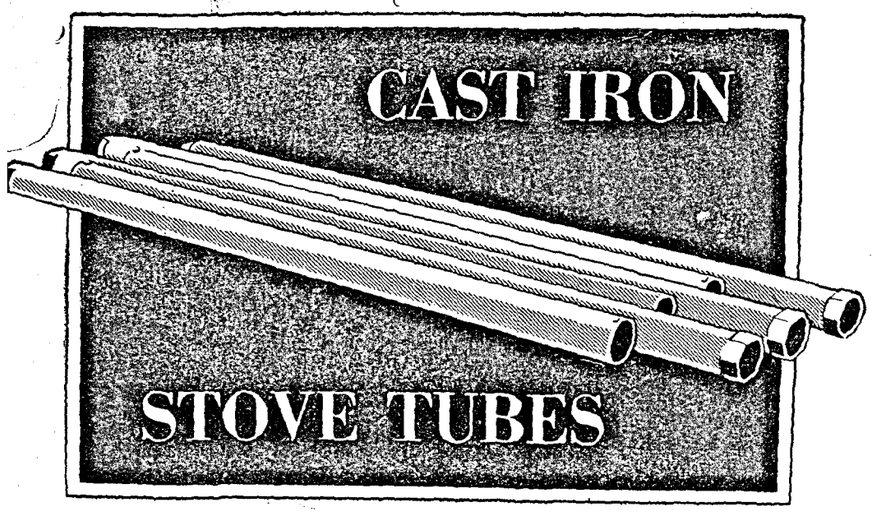
These definitions, as may be seen, were functional. Before the conquest of the mainland, the purpose was to build a solid social base in the area occupied by the Communist forces : after the revolution the definitions were intended to guide the rural social transformation by eliminating the exploiting classes. Clearly, no consideration could be shown to those who were wholly or mainly dependent upon the exploitation of others. The fight against the landlords had to be relentless; the rich peasants were treated somewhat differently. The extent of unalienated humanity in the middle peasants was much larger and could be retrieved without the full treatment. The poorer peasant and farm labourer were the mainstay of the Communist power— they were its shock troops and its army.

The land reforms were carried out considerately on the whole. The reason may well be that the revolutionary masses were on the march and the problem was not one of provoking them to fight but rather of chanelling and controlling their revolutionary enthusiasm. Moreover, with the power finally in the hands of the revolutionary regime, there was no point in creating confusion or disorder by an all-out assault on the exploiting rural classes. Thus the Agrarian Reform Law of June 28, 1950, protected the property of the landlords held in the form of cash, jewellery, industrial or commercial investments, while it confiscated their

land, draught animals, farm implements, surplus grain, surplus houses in the rural area. Similarly the land worked by the rich peasant was protected and that rented out was confiscated only if it exceeded the area which was farmed by him. All the land and property of the middle peasants was protected while the poor peasants and farm labourers received land from out of that confiscated from the landlords or rich peasants.

Some of the political problems arising from the land reforms were tackled in a regulation issued in 1952 for the supervision and reformation of the landlords in the central south area. While the landlords who indulged in counter-revolutionary activities were to be arrested, and those who had no skills or means for any other activity after their land was confiscated had to work as farm labourers, those who obeyed laws might invest their non-farm property in agriculture or commerce and industr Good behaviour over a period five years after the land refor enabled the landlord to efface th stigma of having been one and l re-classified according to the typ of work he was engaged in.

Dr Chao's study is a piece first rate socio-political scholarshi A great amount of labour has gon into its making and he has bes owed much care in its writing which is marked by clarity, prec sion and readability.



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India's Balance of Payments

Sir Donald MacDougall

(Concluded)

With low wages and potentially cheap steel, India should in time be able to compete abroad over a wide range of manufactured products. Already the range is significant but the pull of the sellers' market at home seriously weakens any incentive to export. Powerful measures are thus necessary to make the export market more, and the home market less, profitable.

This can be done by a combination of measures such as drawbacks of customs and excise duties; lower prices for steel used to make exports; additional excises on home sales; remission of taxes on exporters' profits and currency retention schemes.

Against a background of such general measures, specific measures to increase exports of individual industries, export houses, etc, will have much more chances of success.

Getting into foreign markets for manufacturers can be a slow and difficult business. It is thus vital to get producers in many fields to make a start now.

The greater emphasis now required on investment in exports must be at the expense, not of import saving, but of less essential production that will neither earn nor save foreign exchange.

A given expansion of output could be obtained with less expenditure on imported equipment if (a) there were higher taxes on such equipment, to induce more careful use; and (b) more double or treble shifts were worked in industry.

[The first part of this article appeared last week.]

I CANNOT discuss here the measures required to promote exports of each individual item of India's trade, but it may be useful to explore in a little more detail the special case of the newer manufactures, which will have to play such a vital role in the expansion of India's exports. During the Third Plan their contribution, though important, may not be a major one, but it must be during the Fourth.

How Competitive Are They?

There are various reasons why a significant range of these newer industries seems likely to be capable of exporting at competitive prices and why the range is likely to widen steadily:

a) With very high grade iron ore, India should be able to produce cheap steel, although at present the prices charged by Indian steel works seem to be higher than those charged by many foreign producers, at least for steel to be made into exports.

b) Indian wages per worker are a very small fraction of wages in the main exporting countries of Western Europe and North America (and probably less than half of wages in Japan). Even if output per worker in manufacturing as a whole were a still smaller fraction, so that labour costs per unit of output were in general higher in India, one would expect to find a fair number of industries in which Indian labour costs were lower. For international comparisons show that the relationship between output per worker in one country and another usually varies widely from industry to indutsry, and one would thus expect to find industries in which India's lower output per worker was more than offset by her lower wages.

In fact, I have found quite a number of firms in which this is so and even some where output per worker appears to be higher than it is abroad, although allowance must sometimes be made for higher costs resulting from lower efficiency of labour that are not reflected in figures of output per man, for example, where tools are used up more quickly. The quality of some Indian products may also be lower than that of foreign goods but again I have found quite a number of cases where users of Indian products have no complaints on this score.

c) The reports of the Tariff Commission suggest that, while the ratio between costs at home and abroad varies greatly, a significant proportion of India's industries may, in fact, be competitive. The "fair ex-works price" of Indian products was found to be lower than the c.i.f. price of imports, excluding duty, in more than one-third of sixty-two cases studied (see tables 3 & 4). Conclusions about individual products cannot be drawn without further study — for comparisons of this sort are fraught with many difficulties* — but the general picture shown may be correct, unless the list is seriously unrepresentative of industry generally. The "fair ex-works price" refers not to the most efficient undertakings in each industry, but to a representative firm, and allowance is made for a reasonable profit.

To get a fair picture of India's competitive position in third markets, allowance should, however, be made for the cost of transporting manufactures from Indian factories to overseas countries — perhaps 5-10 per cent of the ex-works price *on average*, including handling, insurance and miscellaneous charges. (To assess India's ability to sell to countries now exporting to her, it would be necessary to make a further allowance for the cost of transporting their exports to her.) If appropriate allowance could be made, it might show that India was competitive in only perhaps one-quarter or less of the products.

* While most products where the Indian price is lower are exported, there are also some exports of a fair number of products where the Indian price is shown to be higher and sometimes substantially higher.

d) A wide range of manufactured products (in addition to cotton and jute manufactures) is in fact already being exported, though usually in very small quantities. It is not difficult to draw up a list of around fifty such products, or groups of products. Some may admittedly, however, be sold at prices that do not cover costs, for example, to secure import licences for machinery under export incentive schemes, to fulfil undertakings to export entered into when the plant was licensed, or to relieve temporary shortages abroad when a foreign collaborator cannot meet the demand in full.

e) India's manufacturing costs should progressively decline, and the quality of her products improve, as the scale of production is increased, as managements acquire greater experience, as labour is trained and as better equipment is installed. The process should be faster than it is in the advanced countries since the rise in scale of production should be more rapid in India, since the advanced nations have largely exploited the economics of mass production in many industries, and since India can benefit greatly merely by taking over techniques they are already using, while they must rely much more for further cost reductions on new technological discoveries.

The growth in India's relative advantage, or the decline in her relative disadvantage, will, however, be retarded by the need to rely more and more on materials and components produced in the country which, initially at least, may often be more expensive than the imported product. Much will depend, too, on the rate of increase of wages, but despondency on this score can be overdone. What figures are available suggest that, in the engineering industries for example, labour earnings have risen substantially less quickly than labour productivity over the past decade; if true, this compares favourably with the experience of many other countries.

For these various reasons, it seems likely that Indian industry is capable of competing in export markets over a significant range of products, and that the range will widen. Even where industries are not yet competitive, the margin of disadvantage is often not very large. India is thus more favourably placed than a good many under-developed countries where the great bulk of manufacturing industries is sometimes still hopelessly uncompetitive.

Promoting New Manufactured Exports

The range of competitive industries does not yet seem wide enough, however, to make possible the rapid expansion of exports required, and to induce sufficient firms to enter foreign markets, even in a small way, early in the Third Plan, so that they can gain experience of marketing which will enable them to achieve the really massive expansion of exports that must come during the Fourth. Concentration on a narrow range of products will not be enough, especially as this would mean securing more *substantial* shares of markets for individual products and so increase the danger of protective reactions abroad.

In the U S A, which still relies substantially on exports of primary products, probably nearly half the manufacturing industries can produce more cheaply than their competitors abroad. In countries like the U K and Germany, which rely mainly on manufactured exports, the fraction is probably substantially higher. It would seem that, if India is to achieve the rapid expansion of exports she needs, something approaching one-half of her industries must now be made competitive, especially as her manufacturers will often have to sell below ruling prices to get an entry into new markets. Some measure of subsidy is thus necessary until costs have been sufficiently reduced.

In addition, even where Indian producers are competitive, the pull of the sellers' market at home, with its strong demand and good prices, seriously weakens any incentive to export. In countries like the U K, Germany, Belgium, Sweden or Japan, where a substantial fraction of output is traditionally exported by many manufacturing industries, producers will continue to make efforts and sacrifices in the export market even when home demand is strong. But in India there is no such tradition of exporting manufactures on a large scale outside the cotton and jute industries. Powerful measures to make the home market relatively less attractive are thus necessary.

It may be that a change in the relative profitability of home and export sales by as much as would result from a devaluation of about 25 per cent is required, and that the measures taken should include direct and indirect export subsidies of more than half this amount. These guesses are based partly on evidence given above and in tables 3 and 4, partly on general experience of the degree of devaluation required in the past by countries needing a large expansion of exports. A twisting of the relative cost and price structure of this order through *general* measures seems necessary to provide the background against which specific measures can be effectively operated to bribe, bully or cajole individual producers or industries, export houses, etc, to sell more abroad.

Such specific measures will also be essential, but it would be unwise to rely on them alone, if only because of the time required to put them into operation on a sufficient scale, since so many industries and firms are concerned. The administrative problems, too, are formidable and the dangers of abuse probably greater than with general measures. Moreover, while business men may

Table 3: Fair Ex-works Price as Per Cent of C I F Import Price Excluding Duty, for 62 *manufactures*

	No. of items	Per-cent of total	Per cent Cumulative
60% and under 70%	1	2	2
70% " " 80%	7	11	13
80% " " 90%	8	13	26
90% " " 100%	7	11	37
100% " " 110%	5	8	45
110% " " 120%	7	11	56
120% " " 130%	6	10	66
130% " " 140%	5	8	74
140% " " 150%	3	5	79
150% " " 200%	8	13	92
200% and over	5	8	100
	62	100	

Note: See Table 4 for details.

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be persuaded to export provided any financial sacrifice is not too great, they are much less easily persuaded, and much more likely to find ways of getting round a directive, if the sacrifice is substantial.

General measures may, it is true, give a few exporters more subsidy than they need; but they will normally be the ones with the greatest comparative advantage who should be encouraged most. In any case, any resulting inequities, and any demoralising effects of subsidies generally, would seem to be a much less serious matter than a failure to expand exports sufficiently.

The choice of general measures will depend on administrative and political considerations and on how far a particular method of, in effect, subsidising exports is likely to provoke unfavourable reactions abroad. Whatever methods are chosen, it is essential that, taken together, they give an incentive to export of the required magnitude. Five possible types of general measures may be mentioned (and others are conceivable) together with some illustrative orders of magnitude.

(i) Drawbacks of customs and excise duties on materials used are already given to some exporters (as are certain rebates on railway freights), but the field covered is limited and the procedure often complicated and prolonged; and while an exporter is waiting for refunds, he may be short of working capital. Drawbacks might be simplified, consolidated, applied to more products, and perhaps to materials contained in components bought by exporting firms. They might also be made more generous and to cover more taxes. I do not suppose, however, that the assistance to exports would much exceed, say, 5 per cent on average.

(ii) A difference of, say 20 per cent between the prices of steel for the manufacture of home and export goods (obtained partly by raising the former prices, partly by lowering the latter) would reduce the relative costs of engineering products for export by around 5 per cent, assuming that steel accounts for about one-quarter of the cost on average. In some engineering industries the effect would, however be smaller — it seems, for example, that iron and steel account for only about one-eighth of the cost of electric fans and bicycles and about one-sixteenth of the cost of sewing machines — and the effect would be negligible in most non-engineering industries. Similar schemes might thus be introduced for other materials.

(iii) Additional excise or purchase taxes on an appropriate range of manufactures would help to restrain the growth of consumption, release supplies for export and force manufacturers to seek out export markets. They would also tend to reduce the price to the manufacturer of sales in the home market and thus the gap which often exists between home and export prices; but a tax of, say, 10 percent would not usually reduce the home price to the producer by as much as 10 percent since part at least of the tax would be passed on to the consumer. Taxes on manufactures seem to be moderate and not very widespread, at least in comparison with a country like the United Kingdom.

(ix) Exporters of manufactures could be given a remission of tax on profits. Ideally one would like to reward only those making *additional* exports but the danger of collusion might rule this out. (For example, two exporters might agree that one would increase the exports made under his name while the other reduced his by an equal amount, and that the gain from tax remission would be shared between them.) Since, however, exports of the newer manufactures are at present small but should grow rapidly, tax remission on *all* such exports would come to more or less the same thing, and involve only a small loss to the revenue for some time to come. Any danger of over-invoicing could presumably be largely avoided if the tax-payer were given credit only for foreign exchange turned in to the authorities.

If, say, 20 percent of export proceeds were allowed to be deducted from taxable income, this would be equivalent to an export subsidy of nearly 10 per cent. The loss of revenue (together with that on the drawbacks mentioned earlier) could be financed many times over by the indirect taxes proposed above or, alternatively, by a somewhat higher rate of tax on profits generally, so that the profit-earning class as a whole would not benefit while, the general public was making sacrifices as a result of higher indirect taxes and in other ways. It should also be remembered that the additional exports resulting from the tax remission would make possible extra imports of scarce materials which would in turn allow an increase several times as great in production and incomes; and taxes on these might go far to offset the initial loss of revenue.)

Schemes of this type are in operation in some other countries, including Germany, Japan and Ireland. Ireland has been able to administer a scheme applying to *addtional* exports of manufactures and, incidentally, nearly doubled her industrial exports between 1958 and 1960, from the equivalent of Rs 23 crores to Rs 45 crores, although the tax relief cannot, of course, be given full credit.

(v) Exporters could be allowed, in effect, to retain a fraction of their foreign exchange earnings and use this to buy imports which could be sold at a substantial profit, as has been done with success in, for example, Pakistan. If any article, including a luxury, could be imported, this would, besides raising social problems, add to the import bill, which tax remission would not. Exporters might, of course, only be given import licences that were then taken away from other importers; but this would not be easy to administer and the extent of the effective subsidy would vary greatly from time to time. Measures of this sort cannot be ruled out but it might prove better to reserve them for specific incentive schemes, including those where, as at present, the exporter is allowed to import supplies for use in his own factory.

Against a background of general measures such as these, specific measures would have much more chance of success. Individual industries or firms might more easily be induced, for example, to export an agreed, and rising, fraction of their output as a condition for permission to buy vital components, etc. (It would hardly seem practicable to use a financial sanction since this would in effect be a tax and it would be difficult to define with sufficient precision the conditions under which it would be imposed.) In some industries a single firm might be selected to concentrate largely on export and in

return receive preferential allocations of foreign exchange for machinery, materials, foreign travel, etc; such a firm could achieve economies of scale in foreign marketing and concentrate on types and qualities demanded abroad. In some industries, levies on home sales might be necessary to finance export subsidies, despite the general measures; in others it would be sufficient for individual firms to finance any losses on exports by higher profits on home sales.

If, moreover, the general cost and price structure had been substantially shifted in favour of exports, expenditure on trade fairs and missions, more liberal allocation of foreign exchange to would-be exporters and all the other paraphernalia of an export drive would be likely to yield much higher returns.

Selecting the New Manufactures

The proportion of India's total output of the newer manufactures that has to be exported by the Fifth Plan seems likely to be less than 10 per cent. But, since this ratio will not be uniform, some industries may have to export 20 percent, 30 per cent or more of their output. These are substantial fractions and it is thus important to get some idea of what the industries are likely to be, so that provision can be made for them in the Third as well as in the Fourth Plans. A number of promising candidates could already be selected with some confidence and these should be given every facility and encouragement to expand, especially where rapidly growing supplies are vital for the domestic market as well, so that home demand cannot be significantly restrained.

Unfortunately, however, it is often hard to forecast an industry's export potential, certainly much more difficult than demand for the home market: for so much depends on developments abroad and it is very hard to tell which infant industries will mature most quickly into adults capable of exporting. A great deal of flexibility will thus have to be maintained.

Marketing the New Manufactures

Providing capacity to export and making prices competitive will not be enough. The exports have to be sold, and getting into foreign markets for manufactures can be a slow, difficult and expensive business, quite different from that of selling primary products in highly organised world markets (although the marketing of some primary products admittedly requires a high degree of skill and experience.) Markets for manufactures are imperfect. Success in selling depends not only on price — though this is very important — but on quality, attention to local needs and preferences, quick delivery, effective advertising, employment of the right agents, facilities for after-sales service, the provision of spare parts, etc; and competitors will often fight hard to preserve their share of the market. Exporting manufactures is a tough and competitive business. It is quite a different matter from producing for a highly protected home market, often with few competitors.

It is thus necessary to start now an intensified export drive. Such a drive may well take five years to bear much fruit. This was, I believe, broadly the experience of Western Europe and Japan in their attempts to raise exports of manufactures to the U S after the war to help fill the dollar gap.

The export drives of most of these countries hardly began until, say, 1949 (previously too they mostly had few goods to export and their currencies were often overvalued until the 1949 devaluations). Many people were rather sceptical about the possibilities, just as some are sceptical in India today. "How", they asked, "can you possibly export large quantities of manufactures to the U S when her productivity is so high, when she always has the latest things and when her industry is so flexible? Moreover, whenever you start doing well, the American Government will impose protective measures or American industry will find other ways of driving you out of the market."

But, despite these forebodings, European Governments embarked on export drives and European business men went to the U S to explore the market and begin selling. They made plenty of mistakes but they learned by experience. During the five years 1950-54 progress was slow and often frustrating, but the ground was being well prepared. And during the following five years — 1955-59 — the harvest has reaped. Exports of manufactures to the U S were trebled; and the success was achieved by a wide variety of industries. (It was not simply a matter of small cars, as is sometimes thought; these accounted for only about one-quarter of the increase.)

As I see it, the Third Plan period should correspond to 1950-54 and the Fourth Plan to 1955-59. Hand in hand with the development of capacity, and reduction of costs, during the Third Plan should go preparations for a massive expansion of export sales all over the world in the Fourth; and one of the essential requirements is for producers in many fields to start exporting *now*, if only in a small way. The "infant industry" argument can be applied not only to exports as well as to import-replacement, but also to selling as well as to producing.

In deciding whether to grant licences to schemes involving the collaboration of foreign firms, it is important to remember the advantages that could accure to India's export trade from the use of their selling organisations abroad. Any attempt to impose restrictive agreements limiting the right to export from India would naturally have to be resisted. Where such agreements already exist and exports seem possible, foreign firms may be prepared to waive them if they are shown that, unless foreign exchange can be earned by exporting, it will be difficult to grant them import licences for components, machinery etc.

IV IMPORT ECONOMY

Until recently, there has been much more emphasis on import saving than on export promotion in the strategy of India's economic development. This has quite rightly led to large investments in the production of goods that were previously imported and the process will continue; without it India's development could not proceed very far. It is now necessary, however, to ensure that the imports required to maintain this rapidly growing production are forthcoming and this means far higher exports to pay for them.

The greater emphasis required on investment in exports must not be at the expense of import-saving, for both are needed in a big way; it is not a question of "either/or". It must be at the expense of activities that are not essential and that would not help the balance of payments.

However successful the export drive, foreign exchange will remain

scarce for many years and it must be husbanded with great care. Though this paper is more concerned with export promotion, it may be worth mentioning some ways in which import economies might be made.

I doubt, for example, whether imported equipment is always used as sparingly as it should be. There is often a good deal more flexibility than is sometimes thought in the extent to which capital may be substituted for labour, and *vice versa*, in the large number of processes of production, handling, etc, that takes place in a modern enterprise. Licensing authorities cannot possibly check every detail in a proposed investment and a private business naturally tends to choose the methods that are cheapest at ruling prices. But ruling prices substantially understate the scarcity and cost to the nation of imported equipment (and indeed of capital equipment generally, but that is a problem in itself).

An increase in taxes on such equipment even above the levels to which they were raised in the last Budget — which was a step in the right direction — would induce more economy and lead to some substitution of India's plentiful labour. Such taxes should also apply to equipment used by public enterprises; ideally they could be told to use high "shadow" prices for equipment when choosing their methods of production but I am doubtful whether this would be effective in practice. These taxes might lead to higher prices for the finished product but any increase would usually be rather small. Where the product was exportable, a rather larger export subsidy could be given if necessary.

The planned increases of production could also be achieved with smaller imports of capital equipment if more industries worked double or even treble shifts. Table 1 illustrated the rather surprising lack of multiple shift working in India. It may even be less common than in an advanced country like the U S, an extraordinary state of affairs in a country so short of capital as India. The marginal capital-output ratio could be greatly reduced by more multiple shift working, especially while it was being extended, but later, too, when it was fully in operation. It would also help to spread the electricity load throughout the twenty-four hours of the day and so alleviate the power shortage.

Single shift working may often appear more economical, for multiple shifts raise a number of problems, but the advantage may be more apparent than real, at least from a national point of view. It would probably pay some firms to introduce multiple shifts if the prices of capital equipment and power were brought nearer to their cost to the nation, say by a tax on equipment as suggested above, and if electricity charges for industry were made higher during the day than at night. Multiple shifts would be further encouraged if firms that work them were given, for example, preferential allocation of materials and higher income tax allowances for depreciation. Shift working could be enforced by stricter policies towards the licensing of new capacity in industries until double or treble shift working was in operation, even at the risk of limiting competition.

V WHY NOT TO DEVALUE

It may be argued that the measures proposed in this paper, and particularly the taxes on imports and subsidies to exports, are rather similar in their effect to devaluation and that this would be a much simpler and more straight-forward alternative. I have no space to discuss this complicated matter in any detail but a few brief comments may be made.

The import taxes would apply to only a fraction of imports and the export subsidies to only a fraction of exports. Devaluation would have much more widespread effects. It may prove necessary at some later date, if detailed controls become quite unworkable and ineffective because the gains from evasion become so great. But this time has not yet arrived and it may never come. It may eventually prove possible to achieve a balance, at existing rates of exchange and without too many controls or special taxes and subsidies, when infant export and import-saving industries have grown up and when sufficient investment has been made in export and import-saving activities generally.

If this is so, there is a strong case against a drastic measure that would have inflationary tendencies, reduce confidence in the currency, weaken a powerful argument for cost reduction and be fraught with other dangers and uncertainties. It might well, moreover, actually worsen the balance of payments, at least in the short run, because the foreign exchange earnings from exports might well be reduced while the foreign exchange cost of imports, which are severely restricted, would not fall.

Table 4 : Fair Ex-works Price as Per Cent of C I F Import Price, Excluding Duty [1]

(*Based on Reports of Tariff Commission*)

Under 70 per cent
Cotton belting (1957)

70 per cent and under 80 per cent
Diesel fuel injection equipment — pump
Kirloskar (1959)
Transformers 750 K V A (1960
Fluted rollers (1960)
Sewing machines (1954)
Oil pressure lamps (1957)
Plastic shirt buttons (1959)
Sodium bichromate (1958)

80 per cent and under 90 per cent
Automobile leaf springs (1959)
Piston rings (1960)
Automobile hand tyre inflator (pump) (1960)
Wood screws (1960)
Machine screws 4" x 2" [2] (1959)
Aluminium circles (1960)
Phenol formaldehyde moulding powder [3] (1959)
Potassium bichromate (1958)

90 per cent and under 100 per cent
Hair belting (1959)
Aluminium sheets (1960)
Brass sheets (1959)
Bare copper conductors (1960)
Bleaching powder (1958)
Calcium lactate (1960)
Plastic bush coat buttons (1959)

100 per cent and under 110 per cent
Electric motors (squirrel cage) 3 and 10 H P (1958)
ACSR conductors 30|7|0.118" (1960)
Oleic acid (1959)
Teachest plywood (1960)
Pears in syrup (1957)

110 per cent and under 120 per cent
Transformers 3000 KVA (1960)
Aluminium ingots (1960)
Copper sheets (1959)
ACSR conductors 6/1/0.083" (1960)
Hydroquinone (1959)
Plastic pant buttons (1959)
Dry cells [4] (1953)

120 per cent and under 130 per cent
Piston assembly (Fiat) 1960
Electric motors (squirrel cage) 50 H P (1958)
Transformers 25 KVA (1960)
Automatic looms (196
Grinding wheels (1959)
Stearic acid (1959)

130 per cent and under 140 per cent
Spinning ring frames (1960)
Copper tubes (1959)
Brass tubes (1959)
A C S R conductors 7/0.1379" (1960)
Caustic soda (1958)

140 per cent and under 150 per cent
Acid dyes (1954)
Commercial plywood (1960)
Raspberry jam (1957)

150 per cent and under 200 per cent
Diesel fuel injection equipment —
Nozzle holders Kirloskar (1959)
Automobile sparking plugs (1960)
Bicycles[5] (1960)
Machine screws 3/16" x 1/2"[2] (1959)
Zinc sheets (1959)
Calcium carbide (1958)
Direct dyes (1954)
Sheet glass (1960)

200 per cent and over
Ball bearings (1960)
Ball bearings adapter (1960)
Soda ash (1958)
Congo red dyes (1954)
Sulphur black dyes (1954)

The year of the Tariff Commission's Report is given in parentheses.

1 The "Fair Ex-Works Price" is a slightly smaller percentage of the landed cost, ex duty.
2 Compared with imports from Japan. If a comparison is made with imports from Sweden, the Fair Ex-Works Price is less than 80 per cent of the C I F price for machine screws of ¼" x 2", and less than 110 per cent for screws of 3/16" x 1/2".
3 Exclusive of duty on phenol formaldehyde and hexamine.
4 Compared with imports from Hong Kong. If comparison is made with imports from the U S, the Fair Ex-Works Price is less than 70 per cent of the C I F price.
5 Lowest Indian price compared with price of imports from Japan. British bicycles are more expensive.

SUMMARY OF MAIN CONCLUSIONS

The Problem

The balance of payments may well be the most important factor limiting India's economic development.

Shortage of imported materials, components, fertilisers, etc. is at present seriously holding up production and preventing anything like the full use of the nation's industrial capacity, labour and land, and thus also limiting savings and investment. More imports could make possible an increase in production several times as great in value.

There is a real danger that shortage of foreign exchange will prevent the achievement of the output targets of the Third Plan — for import needs were substantially under-estimated in the Draft Outline — unless more aid is obtained than has yet been asked for, including aid for maintenance imports, *and* exports can be rapidly increased during the next five years.

Such an increase is also necessary to provide a base for a further massive expansion during the Fourth Plan; for, if India is to achieve substantial independence of foreign aid by the Fifth Plan, and yet maintain rapid growth, exports will have to be around Rs 1500 crores per annum, more than double the present Rs 650 crores. (Exports two-thirds higher are needed merely to pay for present imports; more imports will be needed in ten years, despite massive import-saving, to maintain much higher levels of activity; heavy debt repayments will fall due.)

Even if it is thought that substantial aid will continue to be available, this will not change the export target that should be aimed at.

The task is a tremendous one for a country whose exports have been stagnant for a decade and depend heavily on products where world trade is relatively stagnant. But it is not impossible. Even the three staples — tea, jute and cotton textiles — can contribute to the expansion, and some of the other items, such as iron ore, coffee, fish, vegetable oils and tourism, look very promising. Exports of the newer manufactures can be multiplied many times over, and must play a major role, at least in the Fourth Plan; if India could carve out a share in world markets for these equal to that of Sweden or Switzerland, much of her problem would be solved.

Conditions for Success

1. Though most of the actual exporting will have to be done by private business, the role of Government is crucial. Exports must have very high priority. Some difficult decisions must first be made on general policy, involving much more drastic measures than have hitherto been taken.

But these will be fruitless without really effective machinery, which can cut through conflicting departmental interests, to translate them rapidly into concrete measures, including schemes for each product, and to take quick decisions on their day-to-day implementation.

2. If Indian products are to compete abroad without prohibitive subsidies, it is essential to go all out for maximum economic efficiency and large scale plants, even if this means less regional dispersion of industry, more concentration of economic power and some apparent loss of employment opportunities. (Even when large plants provide fewer jobs directly than smaller ones, they may, by earning foreign exchange which can be spent on scarce materials, make possible more employment in industry as a whole.)

3. Adequate supplies must be made available for export.

a) The public must be persuaded that restraints on consumption of exportable goods (such as vegetable oils, tea, the better grades of coffee, leather and a fairly wide range of manufactures) are as vital for the balance of payments as those on imports, and a much less serious matter than the general slowing down of expansion that would result from inadequate exports.

b) Since the scope for restraining home demand, especially for essentials, is limited, output of exportable goods must be adequately expanded; it must not lag behind home demand, as has happened too often in the past. Since resources are scarce, an essential corollary is that investment in other production that is not absolutely essential must be severely limited.

4. Even if sufficient supplies are made available for export, they cannot be sold unless prices are competitive. Since reductions in costs will take time, a good many exports — especially of the newer manufactures but also of a few other items — will, for a time at least, have to be sold below the domestic price and sometimes below cost of production. There will be some antagonism abroad but India can make a good case for indulging in such practices.

5. The selling of vastly increased exports is bound to cost foreign exchange. More will have to be spent by the Government on trade promotion abroad and it must be granted liberally to businesses embarking on exports. This must be regarded as essential investment to earn foreign exchange and must not be skimped any more than investment in say, steel works to save foreign exchange.

6. The advanced, aid-giving nations must be persuaded not only to refrain from restricting imports of manufactures made with "cheap" labour in underdeveloped countries, but actively to encourage them, as the U S did with European goods as part of the Marshal Plan.

Exports of the Newer Manufactures

India, with potentially cheap steel and low wages, should in time be able to compete abroad over a wide range of manufactured products. Already the range is significant but not yet wide enough. Moreover, even where Indian products are competitive, the pull of the sellers' market at home, with its strong demand and good prices, seriously weakens any incentive to export. Powerful measures are thus necessary to make the home market less profitable and the export market more so, probably by as much as would result from a devaluation of around 25 per cent.

This can be done by a combination of measures such as drawbacks of customs and excise duties; lower prices for steel used to make exports; additional excises on home sales; remission of taxes on exporters' profits, as in Germany, Japan and Ireland; currency retention schemes, as in Pakistan.

Against a background of such general measures, specific measures — which are also essential — to increase exports of individual industries, export houses, etc will have much more chance of success.

Getting into foreign markets for manufactures can be a slow and difficult business. It is thus vital to get producers in in many fields to make a start *now*. Judging by the attempts of Western Europe and Japan to raise sales of manufactures to the U S after the war, an export drive may well take five years to bear much fruit. Progress during 1950-54 was slow, but the ground was being prepared; many exporters were learning by experience and by making mistakes. In 1955 the harvest was reaped; exports trebled. The Third Plan should correspond to 1950-54 and the Fourth Plan to 1955-59. Hand in hand with the development of capacity, and reduction of costs, during the Third Plan should go preparations for a massive expansion of exports in the Fourth.

Import Economy

However successful the export drive foreign exchange will remain scarce for many years and must be husbanded with great care.

The greater emphasis now required on investment in exports must be at the expense, not of import saving — for both are needed in a big way — but of less essential production that will neither earn nor save foreign exchange.

A given expansion of output could be obtained with less expenditure on imported equipment if (a) there were higher taxes on such equipment, to induce more careful use; (b) more double or treble shifts were worked in industry.

Form and Substance in Indian Politics—I

Union and State Relations—1

Rajni Kothari

This is the first of a series of articles on some aspects of political organisation in India. The subjects which will be covered are: Panchayat Raj; Institutions of Parliamentary Government; Party System; and Prospects of Democracy.

It is proposed, in each case, to examine (i) the relationship between the form of an institution and its substantive character as revealed in its actual working; and (ii) the prevailing opinions about the nature of that institution—as well as the assumptions underlying those opinions—in order to see if they need modification in the light of the experience gained.

In this, the first article, the theory and practice of federal Government in India are studied.

Does a federal Constitution necessarily give greater powers to the people?

It is suggested that it may not, that actual exercise of power by the people depends not on formal divisions laid down in the Constitution but on quite other conditions in the absence of which such divisions may hamper rather than help the democratic process.

THE theory and practice of federal government in India has hitherto received a treatment which is excessively formalistic. It has become the normal idiom of political controversy to speak in terms of increasing encroachment by the Union Government on the functions of the States.[1] Attention is drawn to the spurt of directives and instructions from one or other organ of the Union Government to the Governments of the States. It is pointed out that this has become the normal routine of administration, little resort being made to the extraordinary articles of the Constitution specially providing for Central intervention. We are further told that the situation will be aggravated once another party takes over one or more of the State Governments, thus tempting the Centre to invoke those Articles in dealing with a recalcitrant State; that the Planning Commission is making nonsense of the Seventh Schedule as under its impact there is emerging a "vertical federation" in which each Central Ministry regularly issues directives to the corresponding Ministry in the States; that even parts of the planning machinery dealing with State subjects which were set up as separate Administrations with a view to coordinated functioning (e.g. the Community Project Administration established in March 1952) have been subsequently incorporated in a Central Ministry which forms the apex of a hierarchy of corresponding governmental administrations at the State level, the District level, the Taluka (or the Block) level and the village level[2]; and that the administrative, judicial, fiscal functions and extension services have come to be so organised that the emergent pattern of coordination is one of constant directives from New Delhi.

VARIANTS OF THE ARGUMENT

There is a variant of this argument in the opposite suggestion that the pattern of government in the Indian Union is one of "cooperation and not competition" between the Centre and the States[3]; that the separation of functions in the Constitution itself sets the tone of such cooperaion by virtue of List 'C' as well as the considerable overlapping between Lists 'A' and 'B'; that the fact that the same party rules the country as a whole not only facilitates but also necessitates cooperation between Centre and States; that the needs of planning make such cooperation even more necessary; and that this is only the reflection of a marked tendency in federations all over the world of increasing cooperation between the federal governments and the states (or provinces) not simply as a result of grants-in-aid from the former to the latter but also under the universal impact of the Welfare State.[4] This school does not deny the usurpation by the Central Government of the functions formerly belonging to the States, but explains the same in terms of changed conditions.

Of course, there is a third line of reasoning according to which the Centre in India has not enough powers or resources vis-a-vis the States to efficiently implement the plans and reconstruction programmes. Professor Appleby is the chief exponent of this argument. It is contended that the Centre has hardly any autonomy in respect of administrative resources; that it is all 'staff' and no 'line'; that its financial commitments far exceed its tax resources and that consequently the pattern of government that has emerged is one of dependence of the Centre on the States; that the situation does not look as serious as it should so long as there is a homogeneous and well-knit leadership and so long as the same political party wields power all over the country; that this cannot be a permanent state of affairs and that, therefore, something should be done about it before it is too late.[5] What is common to all these schools of thought is that each of them invokes the ideals of democracy and good government in its support.

REALITY IN INDIAN POLITICS

Against this background of current ideas, the most usual question posed is one of possible friction between a federal structure that assumes constant cooperation between the Union Government and State Governments and a political situation in which oppossing parties wield power at the Centre and one or more of the States. (The argument, it can be seen, cuts both ways: Let's have a stronger and more independent Centre; or, let there be greater autonomy for the States.)

To my mind the question is wrongly posed and reflects our tradition

of thinking in formal terms. *In fact*, there are two levels of reality in Indian politics. There is first, the formal or constitutional reality: the ratified Constitution, the amendments, the courts, the fascinating Articles, and the directives, proclamations, resolutions, and the remaining stock-in-trade. But, secondly, there is what I would call the substantive realiy: here a group of leaders launched a Swarajya movement against the British and won political independence for the country, many of them helping themselves to power at New Delhi, Bombay, Madras, Calcutta, *Cuttack, Patna* and so on. The next stage was of consolidation as well as of a jolly game of absorption of the Maharajas' estates: the finesse and muddling used in this game of absorption we prefer to nickname as statesmanship. Well, then came the "master-plan." Or, indeed, a series of master plans. India was never short of grey matter, and the Prime Minister, who is also the ace intellectual, found out, like Aladin with his lamp, the magicians who could "transform" the country. The plans having been drawn up and India having taken the route so elaborately charted in the *Kurukshetra*, the *AICC Review* and the *Yojna*, the hard task of realising the Utopia fell on the tried shoulders of the leadership that organised itself in the Planning Commission and the Central and State Cabinets.

There is hardly any question of constitutional niceties when there is so much to do, so closely related are the doers and so impatient are they to do. Of course, if the constitutional pundits have provided them with ammunition in the form of jurisdictional squabbles and polemics about "States' rights" versus "overriding national interests"—the playground of the VII Schedule—the Indian genius is quick at grasping such opportunities. Moreover, there is no gainsaying the fact that once the "Mahatma's Party" gives way to Karl Marx's party or even to a Ganatantra Parishad, a Jan Sangh or Akali Dal, the jurisdictional squabbles and the allegations of partiality will be more delicious and enjoyable than are the present coverups and groaning sighs.

MISCONCEIVED INSTITUTIONAL APPARATUS

But no sooner you agree to this way of presenting the problem, you *can see* that the relationship is inverted: it is not that the undermining of the inherent advantages of a federal structure by a Constitution with a unitary bias is concealed when the same party rules the Sultan and the Nawab; or that once the Nawab is replaced by a Peshwa, the conflict latent in the Constitution is bound to erupt into the open. The question that is now posed is in an entirely different context, a context that I have suffered to call substantive. It consists in the fact that a single team of politicians started working with more or less harmony *and identifiable* lines of command; the possibility of disturbance in such a system of close collaboration occurred largely by the imposition of a misconceived institutional apparatus on this political process through the adoption of a certain constitutional framework which no doubt smacks of so many democratic slogans but in effect only frustrates all real attempts at flexibility, freedom, devolution and decentralisation. It is a classic example of the form suffocating the substance. The function that the federal structure set up under the Constitution is at present performing in the substantive process is of providing rallying-points for centrifugal forces in the country. As the process largely operates within the ruling party—even the various "movements" become successful only by influencing opinion *within* the Congress Party—this assumes the form of factionalism within a political party. Had it not been for this abortive yet half-hearted attachment to "federalism," the problem of party squabbles disparaging the entire political process would not have arisen; or at least not with its present acuteness.

On the other hand, the substantive process can be seen to operate in a manner which bypasses the constitutional structure and creates its own structure such as suits its needs and convenience. The friction arising out of the formal structure as set up by the Constitution are transcended by the operation of an informal process of adjustment on the one hand and the rise of extra-constitutional institutions on the other. In what follows, therefore, the gap between form and substance is examined at two levels: (a) at the theoretical level, by examining the inadequacies of existing *theories* and (b) at the practical level, by spelling out the substantive process as it actually operates in the country.

FEDERAL CONSTITUTION HAMPERS DEMOCRACY

The *immediate need is to* break through the formal controversy on Centre-State relations and try to analyse the true concept of federal*ism, to identify the substantive politi*cal process taking place in this country and to examine the bearing of both upon the formal structure of authority as spelt out by the Indian Constitution. There can be nothing intrinsically wrong in a structure which gives greater power to the people nearer the base: self-government is after all, the ideal of political democracy. What needs to be inquired into is whether a federal Constitution necessarily gives such power to the people. It is suggested here that it may not, that such an exercise of power depends not on formal divisions laid down in the Constitution but on quite other conditions and that in the absence of these conditions, such divisions may hamper rather than help the democratic process.

In what follows, I have tried to examine the assumptions underlying a federal policy, to see how far its claims are justified with reference to the basic values of democracy and to evaluate the current debate on "Centre-States relations" in the light of such an analysis. The formal apparatus that is given to us must be judged in view of the substantive process that operates through it.

NOTES

1 For the latest instance of this tendency, see K Santhanam, *Union State Relations in India*, 1960.

2 See, for instance, the papers on "Rural Administration" read before the Indian Political Science Conference, 1959.

3 M Venkatarangaiya, *Competitive and Cooperative Trends in Federation*, 1951.

4 For the classic expression of this view see Harold Laski *The American Democracy*, 1949; Chapter 4.

5 Paul Appleby, *Public Administration in India, Report of a Survey.*

(To be concluded)

Managing Director's Speech

The Dunlop Rubber Co. (India) Ltd.

Mr. John Luckham's Review

THE 35th Annual General Meeting of The Dunlop Rubber Co. (India) Ltd., was held in Calcutta on the 27th April 1961. 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.

THE YEAR'S TRADING

Our Ambattur plant reached full production during the year and even with higher output from Sahaganj, we were still unable to meet the demand for our products. With the increasing demands of Government, vehicle manufacturers and transport operators, a difficult situation arose in the Replacement market for truck and bus tyres. In consultation with the Government of India we took a leading part in moves by the Tyre Industry to encourage the formation of Tyre Dealers' Associations to ensure equitable distribution of the sizes in short supply at list prices, and I am glad to say that the majority of the Associations have functioned efficiently and to the satisfaction of both Government and truck operators. The manner in which this task was carried out reflects great credit on both tyre dealers and consumers.

Our tyres continued to find ready acceptance with consumers and we are able to make increased supplies of our Highway truck and bus tyres, which proved extremely popular. Our car tyre remains the first choice of the discriminating motorist.

There was a further increase in bicycle production during 1960 and it became difficult to meet all the demands made on us for cycle tyres and rims. However I am glad to say that we were able to step up our exports of cycle tyres to South East Asian markets and thus make a contribution to Government's export drive.

Sales of Industrial Rubber Products increased partly as a result of additional output from the Vee Belt expansion, mentioned in my speech last year. The equipment for an expansion of Conveyor Belting manufacture has been installed and trial production is in progress. With the increasing demand for this product during the Third Five Year Plan, we are confident of utilising this capacity in full.

Dunlopillo sales showed a further gain but despite the substantially higher output achieved through increased productivity, we were still unable to meet the demand. The requirements of the car manufacturers show an upward trend and the fulfilment of the targets of the Third Five Year Plan for vehicle production will necessitate an increase in our manufacturing capacity.

EXPANSION PLANS

You will see from the above that there is still a big demand for many of the Company's products which cannot be met, and the Directors have in hand a further expansion of the Company's business, particularly in respect of our factory at Ambattur. This will require a substantial amount of foreign exchange and in order to arrange this a short visit to the U.K. was recently undertaken by myself and your Finance Director. I am pleased to say that, subject to Government approval, we are able to report that Dunlop Rubber Company Limited, London, are prepared to put the necessary sterling at our disposal initially in the form of a loan to be converted to equity capital at a later date. Negotiations and discussions with Government are now in progress but the Directors are not yet in a position to put forward their recommendations regarding capital reorganisation.

RAW MATERIALS

The consumption of natural rubber in India has been rising at a faster rate than production, and we are therefore increasingly dependent on imports. However, there are signs that long-term steps are being taken to improve production. Moreover the opening of the Government sponsored synthetic rubber factory in 1962 and the development of plans to produce locally other important raw materials such as rayon, rim strip, carbon black and certain rubber chemicals will greatly reduce the industry's import requirements, and so save foreign exchange.

FINANCE BILL, 1961

The recent Budget proposals did not change the rate of company taxation but they did enhance the amount of tax payable by companies through reducing the allowance in respect of Development Rebate from 25% to 20%. However, the increase in certain customs duties will have an adverse effect on costs whilst the relief in respect of excise duty on cycle rims will not benefit our Company. The introduction of a slab system for charging excise on cycle rims on the same principle as cycle tyres, would have been more equitable.

The reduction of the tax on bonus issues from 30% to 12½% is a step in the right direction but we are of the opinion that this tax should not be applied to Reserves created on account of Share Premiums.

PROFIT AND LOSS ACCOUNT

The profit for the year after providing for depreciation, interest and taxation was Rs. 1,24,56,228 compared with Rs. 1,18,04,533 for 1959. As you will have seen from the Directors' Report, the profit after tax as

a percentage of sales declined from 4.56% last year to 4.08%. This was almost entirely due to the high cost during 1960 of imported natural rubber, which we were not able to recover fully in our selling prices.

Excise duty is almost Rs. 1,72,00,000 higher than 1959 due to the higher volume of sales on the one hand, and the new levy of excise duty on cycle rims which was effective from 1st March, 1960, which accounted for approximately Rs. 50,00,000 of the increase. It is relevant at this stage to mention that the high excise duties leviable on our products absorb a considerable amount of working capital which earns nothing for the Company. This is a matter which is constantly under consideration by your Directors, and was represented to the Reorganisation Committee for Central Excise Duty when they visited Sahaganj recently.

The Tyre industry has borne a major burden of excise duty for many years and now the net has spread from the finished article to include certain raw materials, and has also been imposed on certain process materials inside the factories. The administrative difficulties and additional work which these latter extensions involve are considerable.

The amount of Bank Overdraft Interest this year has also substantially increased due to the higher working capital requirements arising from our increased trading activities and the increase in the rate of interest from 5½% to 6% from 1st October, 1960.

As you will have already observed, a sum of Rs. 17,00,000 has been transferred to Development Rebate Reserve and a sum of Rs. 37,50,000 is appropriated to General Reserve.

The Directors are recommending an ordinary dividend for 1960 at the rate of 21.5% subject to tax, which is the same rate as last year.

BALANCE SHEET

The net increase in Fixed Assets during the year was approximately Rs. 22,00,000, principally on account of Plant and Machinery. Stock Inventories increased by Rs. 84,00,000 on account of the higher level of output and sales, coupled with the increased cost of raw materials previously mentioned.

Investments have risen by approximately Rs. 2,00,000 due to increased deposits with the Madras Electricity System and the Railways.

Sundry Debtors have increased in line with the larger volume of sales, as have also the current balances with the Customs, Railways and other authorities.

On the liabilities side, the larger borrowings through bank overdrafts, usance promissory notes and acceptances have been necessary to finance the larger working capital required for the greater volume of output from both our factories.

INDIANISATION AND MANAGEMENT TRAINING

In pursuance of our policy of progressive Indianisation of the Management cadre we continue to pay special attention to training which we regard as being of vital importance. Our staff must be kept fully conversant with the latest techniques and methods of manufacture and with future technical and production developments in the Dunlop Group. We are fortunate in being able to send selected personnel to our associated factories in the United Kingdom, Germany and France, and in recent months eleven senior employees from our factories have been overseas for this purpose. It is hoped that foreign exchange restrictions will not prevent us from continuing this policy.

There are also growing facilities for normal management training within this country and in particular I would like to express our appreciation for the good work which has been done by the Administrative Staff College at Hyderabad. We are taking full advantage of the opportunities which that institution offers and several of our Managers have already completed a course there.

EMPLOYEE RELATIONS

Last year I mentioned in my review the labour unrest early in 1960 at the Sahaganj Factory. Since then I can report that labour relations there have been satisfactory. Established negotiating procedures have been followed, go-slow tactics have been discontinued, and discussions between Management and workers have been fruitful, particularly in respect of increased productivity, with greater reward to our workers.

I am hopeful that our relationships with our employees in both factories will continue to be good, and that our future problems can be satisfactorily solved in the constitutional framework that exists.

We have worked towards building up a team spirit throughout our factory organisations, which will stand us in good stead in the future. Working and living conditions for our employees are regularly considered, and improvements have been made in welfare facilities and factory working conditions.

I believe there is a growing realisation that the Company's achievements are attributable to everyone concerned—shareholders, management and employees, whether in the factory or the office. All are interdependent and the success and welfare of the Company relies on the contribution each one makes.

I am sure that you will wish to join the Directors in extending their sincere thanks to all who have continued to give staunch and loyal service.

NOTE: THIS DOES NOT PURPORT TO BE A RECORD OF THE PROCEEDINGS OF THE ANNUAL GENERAL MEETING.

Dairy Farms Scheme

The Government of India propose to establish a chain of dairy farms during the Third Five-Year Plan on the model of co-operative sugar factories in all towns in the country with a population of over one lakh.

The scheme would be financed out of the allocation of Rs. 100 crores, directly and indirectly, for development of dairy farming during the Third Plan.

Besides the Central dairy farms in Bombay, Delhi and Calcutta, which have become models for distribution of milk, there are now 30 other medium and small dairy farms functioning in the country. All these farms were aided by the Government.

The Government are anxious to promote more milk producing co-operatives to undertake dairy farming and distribution. A scheme had been prepared by the Food and Agriculture Ministry to give financial aid to these societies on the same basis as sugar factories. The Planning Commission will scrutinise this scheme next month.

Letter from Moscow

Welcome to Man from Space

Samar Sen

FORTY years ago, when Russia was in ruins and hungry, Lenin signed a document saying that in the shortest possible time conditions must be created for Academician Pavlov and his co-workers to carry on their scientific work. This was the first time in history, says *Izvestia*, that a new society declared that its development was inseparable from the progress of science, from the knowledge and exploitation of Nature.

There was then a great chasm between the declaration and reality. But the will was there, the collective order had begun to function. Designs for giant hydroelectric stations were made, new methods of iron and steel production were tried and education spread among the people. Despite the civil war, economic dislocation and the second World War, Russia went ahead. There were errors, aberrations, violations of human rights. But there was a core of sanity, there was the will to develop without which there can be no development. The man of steel did not flinch, his devotion to certain basic values was unquestioned. Though his name was not mentioned once in the past few days, many remembered him. To be afraid to name him is a legacy of the past, a legacy which still cramps the Soviet people.

We carp at several things in the Soviet Union. But her total achievement in the past 43 years is astonishing. To dismiss it as a chance occurrence would be stupid. The Russians themselves point out that the progress of science is not an isolated thing, in their country it is part of a complex and integrated leap forward, in which the basic and collective intelligence of the masses plays no mean part. The construction of spaceships requires manysided intelligence.

Gagarin Smile

What is the first astronaut — they call him cosmonaut here — like? Heroes do disappoint, and Gagarin at his first appearance at the Red Square seemed formal and mechanical; it seems he had been tutored to be a mouthpiece of the Party. But the first impressions of a foreigner are likely to be wrong. We saw a different Gagarin at the press conference. He is well-knit, a feather weight by Russian standards, and not tall (taller men would need bigger spaceships); he does not look his age; he has a pleasant voice and a smile that is already known in Russian homes as the Gagarin smile. He is modest extremely intelligent, has a sense of humour. He is typical of the Russian nerves and daring and a legend of our time.

Another person who was most impressive at the press conference was the President of the Academy of Sciences, Prof Nezmyanov. He belongs to a generation that came of age during the days of the Czar, made friends with the Revolution and devoted itself to Soviet society. He is precise, businesslike, pleasant, and his wit can be acid at times. He has the finesse of the old generation and the humanity of the new.

When the news first broke at about ten o'clock in the morning of April 12, there were moments of tension. Reports were scarce after it had been announced that descent had started. The radio repeated the same news and played triumphant music. Outside life went on as usual, no holiday was declared.

Moscow let herself go on the 14th. From early morning people trekked to the airport and lined the city streets. It was an unofficial holiday. All surface traffic came to a standstill near the centre of the city. Under a sunlit sky, almost all the people came out to greet Gagarin. The mausoleum looked like an island in a surging sea of humanity. But the crowds were orderly, thanks, perhaps, to the efficient militia. After the speeches, the march past of citizens began, but if all of them had been allowed to go past, it would have taken another 24 hours to end. People waited for luck, danced and sang. It went on till midnight. At the Kremlin in the evening, there were so many guests that it was difficult to move about.

When Gagarin came back from his unusual journey, his two-year old daughter asked if papa had brought a little star with him. On the 12th, to people intoxicated with happiness, the query seemed quite natural. We were on the verge of a new era, an era of stupendous scientific achivement and human welfare. But on the 15th, it is said here, the little Miss Kennedy asked if papa had brought her that 'sugarcuba'.

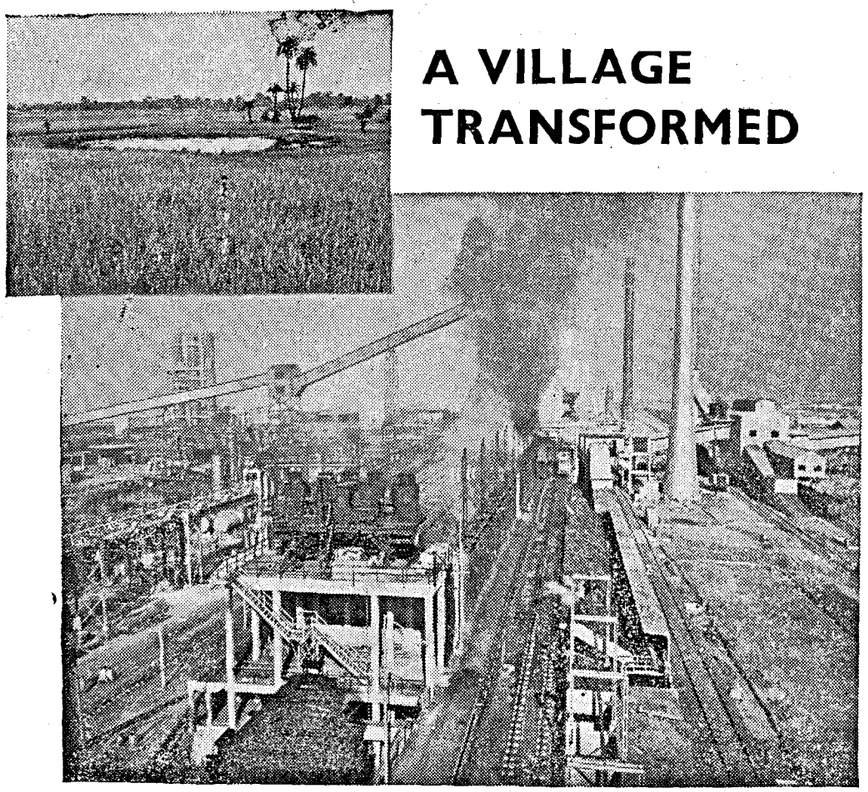
We have been on the verge of disaster so many times in the past and we are so much excited by "Bostok" at the moment that we believe the danger will pass. Meanwhile, all over the Soviet Union, meetings are being held to condemn the aggression. The newspapers have carried editorials declaring that the Soviet people are on the side of Castro. Disappointment with Kennedy knows no bounds: What Eisenhower did not do, Kennedy has allowed to happen. People will not believe that it takes time to check the Dulles-Eisenhower momentum.

* * *

C P I's Good Fortune

The Indian Communist Party Congress got a good coverage in the more important Soviet newspapers. Rare good luck for a Communist Party of a neutralist country! That Russia sent Suslov is also significant. His speech was reported at length and, on the eve of the Congress, the ordinary Russian came to know of the existence of Indian capitalists, of reactionary forces in Nehru-land, thanks to a longish analysis of the Indian situation by Ajoy Ghosh. He praised Nehru for his foreign policy but criticised him for not going the whole hog in certain matters.

This press coverage and also the message sent to Vijayawada are significant, but perhaps not too much should be read into them. They are an expression of proletarian internationalism, a thing that had been kept in abeyance. But after the Red Summit of last year it was decided not to be bashful about it.



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BRITISH COMPANIES WORKING FOR INDIA

Letter from Japan

The Heavenly Way

SPRING is officially heralded in Japan by the custom of *Hanami*, cherryblossom-viewing. At different times of the year in different places, most families take a day off to sit in certain wellknown avenues of cherry trees to drink *sake* under the blooms and relax. While they look at the reflection of the moon in their *sake* glasses, the cherry-blossom petals drift gracefully about. At least that is the official picture of the advent of spring.

There is no doubt that spring heralds new hopes and ideas. Spring 1961 marks the beginning of a new academic year in the schools and Universities, the appointment of a new American ambassador, Edwin Reishchauer, himself born in Tokyo, and fresh attempts by the Liberal Democratic Government to arrive at some enduring agreement with People's China. But it is in the field of religion that Spring seems to have aroused the most eager expectations.

During the last month in Kyoto, the cultural centre of Japan, over 2 million people attended the official celebrations of the birth of the Japanese founder of the Jodo sect of Buddhism, Saint Shinren. About 70 per cent of Japanese Buddhists claim allegiance to one or other of the branches of the "Salvation by faith alone" school of Japanese Buddhism according which one's hope of becoming a Buddha rests in God's hands alone and cannot be affected by one's own actions. The city of Kyoto has been bursting at its seams with huge crowds of pilgrims transported by special trains from all parts of the country. These pilgrims from village temples all over the countryside travel in groups dressed in their best clothes. The groups are almost entirely composed of elderly people who have been contributing a part of their earnings for the last one year to a treasurer appointed by the group to make the journey possible. Once in Kyoto, they are accommodated in large cheap inns usually maintained by the temple and go on a sightseeing tour of ceremonial gardens and famous palaces in the neighbourhood where the *shogun* once held his court. After talking to some of them, one is struck by their ignorance of their religion. Many of them have received no regular instruction about Buddhism throughout their lives and their main motive in setting out on the pilgrimmage to the holy centre seems to be to avail of the opportunities for sightseeing that it offers.

"New Religions"

This is in strong contrast to the amount of instruction which members of the so-called "new religions" receive. These are religions which have sprung up in Japan during the nineteenth and twentieth centuries. It has been estimated that there must be at least 6 million members of these groups. For the most part, these "religions" are based on some special revelation experienced by the respective founders and are well-meaning and devoted to good works. There are however some important exceptions such as the Soka Gakki which is organised on semi-military lines.

During the last week I spent some time at the sacred city of the Tenrikyu, at Tenri about 8 kilometres from Nara. The Tenri religion claims about 2 million members in Japan and abroad and denies that it is a "new religion" as it was founded on December 12, 1838 by the daughter of a rich landowner, Miki Nakayama, who gave away not only all her property but also all that of her husband (against his opposition). She finally succeeded in converting many of her neighbours partly because the police suspected her of being a quack threatening the authority of the State. This made the local people sympathise with her views on painless childbirth and on the spiritual nature of illness which was believed to be a result of wrongdoing by the person concerned or his lineage. She expressed her views in poems which are found in the *Ofukedesaki*, English translations of which can be obtained in Tenri city.

Since Miki Nakayama there have been four leaders of the Tenrikyu. The first two were neighbours of Miki Nakayama who had personally known her. A permanent hierarchy was then established and the present head of the cult is connected by patrilineal descent with Miki Nakayama's daughter. He is known as Shimbashira Tenri and is the authoritative interpreter of Miki Nakayama's texts and the Tenri religion today.

The Tenri religion is based on personal relationships and is not restricted to particular areas or countries. Each Tenri believer is a missionary and every person whom he converts belongs to the particular church to which the missionary belongs. Groups of believers are joined together in "churches" with priests who receive no salary other than a share of the contributions received from supporters. These churches are organised into "large churches" with a head. Each of these large churches, of whom there are a fixed number, have from 150 to 600 churches under them. But while each of these large churches originated in a particular place, the smaller churches attached to them are to be found all over Japan and abroad. The only tie between them is a personal one of original conversion. Two neighbouring churches may thus have nothing to do with each other. However, about twenty years ago when it was noticed that the ties of believers with their original churches were becoming very weak (as the original connection in many cases was established three generations ago) it was decided that all the churches in a particular prefecture should hold meetings of representatives about once a month under the control of a person delegated by the governing council (the *honbuin*) mainly to discuss financial affairs.

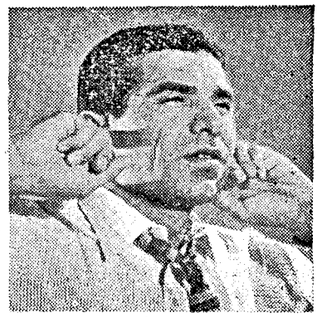
The heads of the "large churches" are responsible directly to the head of the order, Shimbashira san, the descendant of the original founder. In addition each Tenri Church elects a member to discuss the general affairs of the cult twice a year in Tenri City.

But the real control of the cult rests neither with the heads of the large churches nor with the representative assembly, but with the Governing Council called the *honbuin* which usually has about thirty members. The members of the *honbuin* are usually elderly men

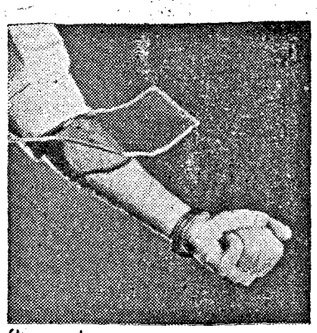
An easier way than this



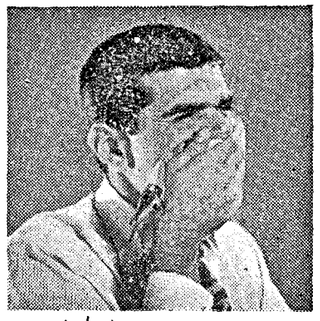
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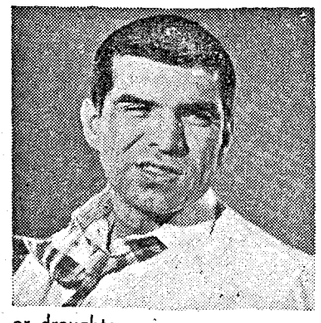
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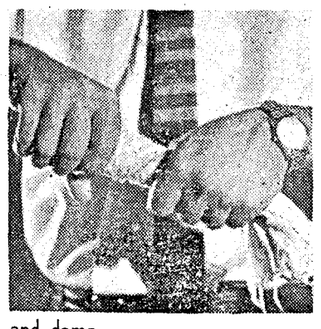
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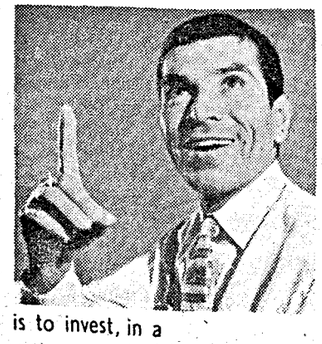
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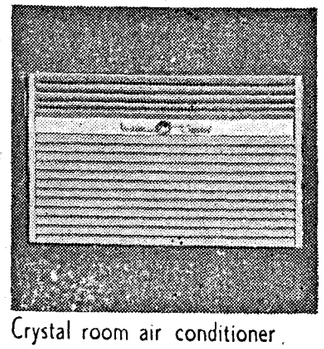
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who may be heads of a large church or of a special department and at the same time hold *honbu* office. The representatives must be married and their wives meet separately in a *honbuin fujin*. If a man becomes a widower he must resign or remarry. This is because the founder of the religion declared that neither man nor woman was superior to the other and that both were part of the same unity. The governing council is theoretically appointed by and presided over by Shimashira san. In fact, however, it is a sort of group of descendants of original supporters and is always recruited from a group of younger men called the *juinan* which consists of 40 members who are in turn recruited from a still younger group known as the *seinen* also consisting nominally of forty members. These groups consist of men only and father and son are not permitted to sit in the same assembly. As far as I can determine, members of the lower groups and priests of the churches do not have to be married. The marriage qualification thus applies only to members of the *honbuin*. Although theoretically membership of these three assemblies is at the personal discretion of Shimbashira san, promotion to membership seems almost automatic in the case of descendants of the original supporters of the religion. About 1934 the cult was allowed to bury its members in its own cemetry and in Tenri the *honbuin* were buried together as families in a plot higher than that set aside for the common Tenri supporters and priests.

The Tenri religion is dedicated to propagating the views of its founder. In addition to encouraging certain moral precepts, she laid down among other things, (a) that the world originated in a large hole in Tenri city called Chiba at which place every morning and evening worship is conducted and around which the principal temple is built; and (b) that there will be a sudden expansion of the Tenri cult outside Japan, a belief which was the subject of Shimbashira san's message on New Year. Shimbashira san visited Europe and part of North Africa and also Nepal last year.

As part of the policy of evangelisation and as a result of Shimbashira san's personal interest Tenri supports all forms of sport as a matter of policy. The Australian Olympic swimming team and the New Zealand and Canadian rugby football teams paid a visit to Tenri city recently and much of the money of the cult is spent in supporting judo scholarships and in building swimming pools to Olympic specifications.

Shimbashira san is himself a graduate of Tokyo University (the "Oxford" of Japan) and many other leaders of the movement are also graduates of the same University. Among the members, however, the greatest support comes from the poor shopkeeper and commercial traveller classes and from farmers, to a lesser extent. The Tenri leaders are concerned now with maintaining high academic standards among its leaders, though few of its church-members are graduates. The main activity that the cult undertakes is the performance of a sacred dance with hand movements which, it is believed, has the effect of removing sins. There is however no definite *rite de passage* to enter the Tenri church although some time spent as a missionary converting others seems to be necessary. Missionary activity is often undertaken to cure illness, which is believed to be one of the ways in which God speaks to man.

So 1961 is the year of opportunity for the Heavenly Way and spring will herald the beginning of a new attack on the unbelievers of Asia. A contract has recently been signed between the Tenri Church and the Government of Indonesia by which Tenri has undertaken to establish a hospital in Indonesia at its expense. Even though at present there are few Tenri believers who are not of Japanese ancestry spring is a time of promise for Japanese new religions no less than for other movements.

Around Bombay Markets

Developments in Cotton

Thursday, Morning

COTTON continues to make news The storm over the Bengal Desh export muddle has not yet com pletely blown over. There have been reports, unconfirmed though that New Delhi is investigating into the trade's allegations that a few influential exporters had taken undu advantage of the advance informa tion of the procedure for export of cotton under the first quotas released in December and February. It is doubtful whether this inquiry will yield any useful results because it is not easy to establish the guilt. Meanwhile, the trade seems quite satisfied with the modifications in the procedure for shipment of cotton under the last quota for 60,00(bales released on 11th April. But the trade is convinced that there still remains an exportable surplus of 50,000 to 60,000 bales of Benga Deshi and it has therefore been pleading for a quick release of a further quota of this cotton.

Recently, however, the market has been swayed by strong rumours about an early export quota for Wagad and Kalagin cotton. These rumours seemed to have gained cur rency particularly after report that the Gujarat Government wa much perturbed over the accumulation of large stocks of cotton in the State and it had asked the Cen tre to permit the export of certain varieties of cotton grown in the State —Wagad and Kalagin. In February, the East India Cotton Association and the Cotton Buyers' Association also had made a similar plea presumably because of the easier trend in prices. But surprisingly enough the Cotton Buyers' Association has now advised the Textile Commissioner against the release of any such export quota because the original estimates of a crop of 1 lakh bales of Wagad and 50,000 bales of Kalagin have now been revised to around 91,000 bales of Wagad and 40,000 bales of Kalagin. Total mill requirements up to the end of August are placed around 1.20 lakh bales, leaving a surplus of only 11,000 bales to be carried over to the next season. It may not be wise to allow the export of these cottons if the trade estimates are correct. It is

arguable that the policy of allowing the export of short staple cotton is inconsistent with the import of short staple cotton at much higher prices. While the Government has still to make up its mind about the export of Wagad and Kalagin, the prices of these varieties have recorded a rise of Rs 40 to Rs 50 per candy over the past one week. Kalagin has risen from Rs 690 to Rs 740 and Wagad from Rs 710 to Rs 750. Considering that the prices of these varieties as also of most other cottons, are only Rs 40 to Rs 60 per candy below the ceiling rates, concern over the decline in cotton prices would seem quite unwarranted.

No Lack of Quotas

The easier tendency in cotton prices over the past several weeks and also the accumulation of large stocks at certain centres have often been attributed to lack of adequate quotas of indigenous cotton with the mills. But the Textile Commissioner states that mills have not been suffering from lack of quotas. If mills have found it difficult to purchase Indian cotton it is more because of their reluctance to furnish the bank guarantee for the U S cotton purchase rather than the inadequacy of domestic cotton quotas. Textile mills which refuse to give a bank guarantee to buy their allotment of U S cotton of 1" and below staple under P L 480 will not be given their last quota entitlement for Indian cotton. Those mills which have already given the guarantee and would allow it to be forefeited later because of their default in lifting U S cotton would be treated harshly by the authorities.

The question of a bank guarantee has arisen because the U S cotton is not likely to arrive before September. Once the bank guarantee is given, the utilisation of domestic cotton quotas by mills would not be impeded in any way. The Textile Commissioner's decision permitting mills to sell the U S cotton stapling 1" and below to the trade in exchange for Indian cotton provided the selling mill did not make a further demand of Indian cotton quota is only of academic interest because the trade can hardly be expected to show any interest in a cotton which mills consider costlier by about Rs 150 per candy compared to equivalent domestic varieties.

April Contract

Technical consideration and hopes of an export quota for Kalagin and Wagad helped cotton futures to stage a sizable rally, which, however, seemed to peter out near the week-end on reports discounting prospects of an export quota. The August contract which had recovered from Rs 566.75 to Rs 575.75 eased again to around Rs 567 and closed only a little better at Rs 568.25. The April contract went off the Board on Tuesday at Rs 678. But since the contract had not been quoted for some days it is apparent that all speculative positions had been adjusted before the expiry date. Tenders received against the contract totalled 1,050 bales comprising 600 bales of R.G. Punjab American 216 F 28/32" staple, 350 bales of Laxmi A 28/32", 50 bales of Laxmi B 27/32" and 50 bales of Cambodia C 15/16" staple. Opening at Rs 567.25 on 18th October the contract eased to Rs 565.50 the same day. Thereafter it moved irregularly up to touch its highest rate of 614 on 21st December. Later it declined gradually to a low of Rs 554 on 14th February. It improved again to Rs 599.25 on 22nd March but was down again to Rs 556 on 21st April.

Oilseeds

Castor Recede

THE oilseeds market had a rather dull time last week. In the absence of any new driving force speculators seemed content with small difference and prices moved in quite an irregular fashion. While linseed and cottonseed maintained a quietly steady tone, castor futures were subdued by tired bull liquidation and lack of fresh support. After rallying from Rs 176 to Rs 177.12 castor May moved irregularly lower to Rs 173 by the week-end and closed at Rs 173.50 — Rs 3.50 per 250 kilos down over the week. The distant September contract showed a net loss of Rs 1.62 at Rs 178.62. Linseed May fluctuated between Rs 36.87 and Rs 36.53 and cottonseed May between Rs 94.25 and Rs 95.50. Groundnut and groundnut oil were slightly subdued due to lack of any aggressive buying by vanaspati manufacturers.

The export of groundnut oil and linseed oil has been at a standstill since long and the existing disparities between Indian and world prices are so wide that there is little chance of selling these oils, except perhaps under some barter arrangements. Against the U K quotations of £ 134 per ton for groundnut oil and £ 115 for linseed oil, Indian prices work out to around £ 165 for groundnut oil and about £ 131 for linseed oil. In a way, it is perhaps good that exports are not taking place because the supply position of edible oils is far from being satisfactory which explains the prevailing high prices of groundnut oil. Hardly any important business has been reported in castor oil recently. Though the overseas quotation for British East African for castor beans has been remarkably steady at around £ 67 per ton, castor oil prices in the U K have eased a little with the B S S variety down from £ 140 to £ 136.

Groundnut Extractions

Export activity in oilcakes has been virtually confined to groundnut extractions which have developed marked strength recently because of the revival of overseas inquiries. Japan is mentioned as a keen buyer of extractions at around £ 29/5 for nearby shipment while the U K and the Continent have been showing good interest in June-July-August shipments at around £ 29-10. Fairly good business is reported to have materialised and in the local market, extraction prices have risen by about £ 15 per ton. The emergence of Japanese inquiry for Indian cake is attributable to the high prices of soyabean meal in world market mainly because of the failure of oilseed crops in China. Scarcely any business was reported done in linseed cake during the week. The U K buyers quoted about £ 29 for linseed cake while the Indian parity works out to around £ 30.

Bullion

Prices Decline

BULLION prices have been drifting lower for the past several weeks. From its all-time high of Rs 209.30 per kilo recorded on 30th January silver futures have come down to Rs 197 and gold forward which had touched a record high of Rs 124.50 per 10 grams was sold down to Rs 118.30. Last week's lows were recorded on 26th April. Technical considerations alone could have produced a substantial decline from the February-March high levels. But sentiment recently has been affected by the rather slow off-take. Notwithstanding the easier trend in futures, spot prices have been commanding substantial premiums over futures. Gold ready is quoted about Rs 4 higher than the rate for 2nd Jeth settlement and the premium in respect of silver is still higher at around Rs 5.50.

Market's Difficulties

While bullion prices have continued to move up and down—more up than down — speculative activity has been steadily shrinking since long. There was a time when the Bombay Bullion Association contributed as much as Rs 35 lakhs by way of stamp duty in a year; this has now declined to below Rs 2 lakhs. The total commission earned by the members of the exchange in a year is estimated barely around Rs 1.5 lakhs. Little wonder that members have been gradually withdrawing from the profession and the strength of the Association had come down from 650 to 225. It will be reduced further with the acceptance of 13 resignations which are now pending before the Board. Bombay, which was once the most active market in the country, is today unable to attract sufficient business to keep its members in the trade. The Association had to call an extraordinary general meeting recently to seek approval for raising a loan of Rs 5 lakhs to meet its immediate requirements including the refund of fees of the members who have resigned and are about to resign. The membership fee is Rs 10,000.

No speculative market can hope to thrive for long unless there is a sound basis for futures trading in the commodity it deals in. With imports banned and internal production of gold limited, there is little justification in having a futures market in bullion. The trade complains that the marked decline in speculative activity in Bombay is due essentially to the diversion of business to outside centres because of the various official restrictions on futures trading in Bombay. Bombay is the only market which has been brought under the control of the Forward Markets Commission. Of course earlier also it had been under strict control of the State Government. The Association has asked the Commission to relax margin rules or else to bring business in outside markets also under its control.

Stock Exchange

Still Unsettled But ....

DALAL STREET faltered after a sharp rebound from the 18th April low level and again developed a reactionary tendency keeping both bulls and bears in suspense about its next important move. It is only the immediate outlook that seems a little uncertain. About the main trend there is hardly any doubt; it is upward. 'Vyapar's' equity share index which had touched a low of 138.36 on 18th April was up again at 142.70 on 24th April. Thus within few days the market had recovered nearly 45 per cent of the ground lost since 20th March when the index had recorded its 1961 high of 148.11. The decline that followed after Monday (April 24) took the index down to around 139.15 by Wednesday.

The smart recovery earlier in the week was induced primarily by technical considerations. Carry-forward charges at the end of the last settlement on Friday clearly indicated that the market's technical position had been considerably strengthened by the panicky liquidation and bear selling which had caused a sharp decline in equity prices from their recent high levels. But the pace of recovery was much too fast to be continued for long, particularly in face of disturbing reports of power shortage from various centres. Developments in Cuba and Algeria, which produced a big selling wave in Wall Street and caused considerable uneasiness on the London Stock Exchange, also induced cautious among stock exchange operators here.

Corporate News Good

The corporate news was generally encouraging. It was not sheer speculation that pushed Century Mill shares to a new all-time high of 638 (Tuesday's kerb rate). For the company has decided on a bonus issue in the ratio of one share for every four held. Besides, the company has got the benefit of tax relief under Section 15 C which will enable shareholders to get an extra Rs 3 a share by way of net dividend. The directors of Swan Mills too have decided on a bonus issue in the ratio of 2 shares for every 3 shares held.

While power shortage continues to be a source of considerable anxiety, the stock market can derive comfort from the Finance Minister's recent speech in the Rajya Sabha. Replying to the two-day debate on the Appropriation Bill Shri Morarji Desai stated that there was little evidence to suggest an increase in the concentration of wealth in a few hands and that in any case, at this stage, economic development was more important than the problem of diffusion of wealth as such. He also stated that the Government was not embarking on any scheme of wholesale nationalisation and that foreign capital was being utilised in a manner most advantageous to the country and that Government policy did not rule out majority participation of foreign capital in Indian concerns "when it is in the national interest."

Notwithstanding the occasional changes in the mood of the market, response to new issues continues to be fairly good. The Goodyear issue, it is generally thought, is likely to be oversubscribed by about 30 to 40 times. The Madras Rubber issue also has fared well. While the response is still encouraging, support has been turning increasingly selective. That is as it should be. Indiscriminate buying seldom pays.

Price Changes in Leading Speculative Counters

	1961 High	Preceding Week's Low	Last Week's High	Subsequent Low
Bombay Dyeing	68.50	64.50	66.10	64.90
Century	626.50	564.00	626.50	612.00
Kohinoor	318.00	285.00	294.50	287.00
Standard	1680.00	1445.00	1545.00	1472.00
Svadeshi	275.00	254.50	266.00	261.50
Indian Iron	27.65	26.10	27.30	26.70
Tata Steel	156.25	145.00	148.75	146.50
Belapur Sugar	355.00	280.00	290	289
Hindustan Motors	22.32	19.36	20.12	19.68
Premier Auto	186.50	165.00	173.00	168.50
Bombay Burmah	637.00	598.00	611.00	594.50
Larsen Toubro	46.50	40.25	43.50	42.00
National Rayon	560.00	500.50	524.50	511.00
Tata Chemicals	21.12	18.96	19.52	19.04
Tata Locomotive	351.00	322.00	342.00	326.50
Voltas	301.00	271.00	278.50	274.00

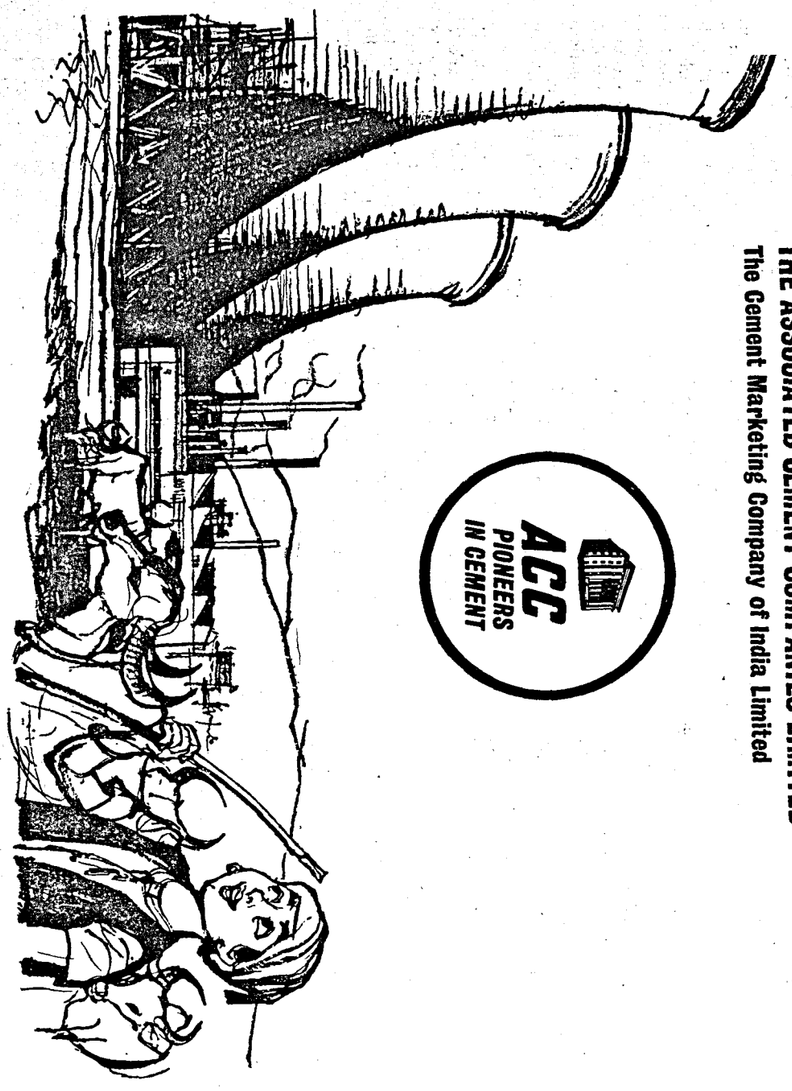
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Current Statistics

Industrial Capacity and Production—II

Chemical Industries

	Accounting Unit	Number of Units						Capacity						Production					
		1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960
Acides																			
(i) Chromic Acid	Metric Tons	—	—	5	5	4	4	—	—	508	508	596	596	—	—	119	179	139	220
(ii) Hydrochloric Acid	'000 Tons	—	27	27	27	27	26	—	19.8	17.3	17.3	17.3	14.7	—	10.9	11.4	11.1	10.5	10.5
(iii) Monochlore Acetic Acid	Kgms	—	—	—	—	1	1	—	—	—	—	50-tons	50-tons	—	—	—	—	7,513	10,018
(iv) Nicotinic Acid & Amide	Kgms	—	1	1	2	2	2	—	—	1,364	8,000	8,000	8,000	—	—	180	320	3,432	48
(v) Nitric Acid	'000 Tons	—	23	22	22	21	22	—	4.3	3.8	3.6	3.7	7.0	—	1.2	1.4	1.5	1.7	5.2
(vi) Oleic Acid	Tons	—	4	4	4	4	4	—	1,420	1,140	1,140	1,140	1,140	—	221	200	217	259	267
(vii) Sulphuric Acid	Lakh Tons	48	36	37	36	35	40.	2.0	2.4	2.7	2.9	3.7	4.8	1.0	1.6	2.0	2.3	2.9	3.5
(viii) Phospheric Acid	Tons	—	2	2	2	2	2	—	726	726	725	726	1,949	—	220	372	862	1,328	1,607
(ix) Stearic Acid	'000 Tons	3	5	5	5	5	5	1.4	3.3	3.6	3.6	3.6	3.6	0.4	1.9	1.3	1.4	1.9	2.0
Activated Carbon	Metric Tons	—	—	2	3	3	3	—	—	250	756	2,508	2,508	—	—	69	262	371	452
Altloc Powder	Metric Tons	—	—	—	—	—	1	—	—	—	—	—	508	—	—	—	—	—	295
Alum (Ammonia)	'000 Tons	—	17	15	15	14	14	—	12.0	10.3	10.3	9.9	9.9	4.4	5.1	4.7	4.9	4.9	4.8
Aluminium Sulphate																			
(i) Ferric	'000 Tons	—	14	15	15	15	16	—	57.2	52.6	52.6	52.6	55.4	—	29.6	30.3	32.1	40.9	48.0
(ii) Iron Free	'000 Tons	—	—	8	8	10	14	—	—	6.9	6.9	8.0	14.9	—	—	2.5	3.8	4.4	6.0
Ammonium Chloride	'000 Tons	—	3	3	3	3	2	—	8.5	8.5	8.5	8.5	48.3	—	4.7	5.2	6.6	5.3	13.0
Ammonium Sulphate	Lakh Tons	7	8	8	8	8	9	4.3	4.3	4.7	4.3	4.3	4.6	5.3	3.9	3.8	3.8	3.8	3.7
Bichromates	'000 Tons	9	7	7	7	7	7	5.6	6.5	6.5	6.8	6.8	6.8	3.2	3.3	3.7	3.4	4.3	4.5
Bismuth Salts	'000 Kgms	—	—	2	2	4	2	—	—	20.0	96.0	79.0	298.6	—	—	21.2	32.7	41.6	83.4
Bleaching Earth Activated	'000 Metric Tons	—	—	2	5	5	5	—	—	4.8	5.6	10.5	7.4	—	—	1.7	2.2	2.5	2.8
Bleaching Powder	'000 Metric Tons	3	3	3	3	3	3	7.8	14.6	14.3	14.5	14.5	20.4	3.6	4.7	5.3	6.6	5.2	5.7
Bromides	Metric Tons	—	1	1	1	1	1	—	211	211	451	456	456	—	156	158	101	79	190
Bromine	Metric Tons	—	—	—	1	1	1	—	—	—	268	265	265	—	—	—	138	107	160
Calcium Carbide	'000 Metric Tons	—	3	2	2	2	2	—	5.0	5.1	4.1	7.4	16.7	—	2.9	3.6	3.9	4.1	10.0
Calcium Carbonate																			
(i) Activated	Metric Tons	—	—	1	2	2	2	—	—	495	1,860	1,860	1,860	—	—	145	473	540	1,050
(ii) Precipitated	Metric Tons	—	—	2	2	2	3	—	—	1,860	1,860	1,860	3,180	—	—	186	389	575	600
Calcium Chloride	Tons	—	3	3	3	3	3	—	2,861	2,861	2,861	2,861	2,861	—	845	1,320	1,172	469	1,526
Calcium Gluconate	'000 Kgms	—	2	3	3	3	5	—	—	60.0	61.8	61.8	211.6	—	—	23.3	30.4	49.9	58.0

Capacity and Production of Chemical Industries (*contd*)

	Accounting Unit	Number of Units						Capacity						Production					
		1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960
Antibiotics																			
Chloramphenicol	'000 Kgms	—	—	1	1	1	1	—	—	2.6	3.6	3.6	3.6	—	—	1.5	2.1	2.9	3.5
Chlorotetracyclin (Aureomycetin)	'000 Kgms	—	—	1	1	1	1	—	—	1.6	9.6	9.6	9.6	—	—	1.4	1.8	1.8	2.4
Penicillin	Mn Mu	—	1	1	1	1	1	—	15.0	25.0	25.0	30.0	40.0	—	14.1	27.5	26.9	28.0	39.0
Chemotherapeutics																			
(a) Anti-Leprosy																			
D D S and Its Derivatives	'000 Kgms	—	3	3	3	3	3	—	—	7.7	7.8	8.2	8.2	—	—	2.3	2.4	4.0	7.2
(b) Anti-Tuberculosis																			
Isonicetinic Acid Hydrazide	'000 Kgms	—	4	5	6	6	7	—	—	19.9	25.9	31.0	39.4	—	—	14.8	20.4	29.6	29.2
P A S and Its Salts	'000 Kgms	—	2	5	5	3	4	—	—	126	126	126.0	148.1	—	—	42.9	66.1	99.8	86.6
(c) Sulpha Drugs																			
Sulphadiazine	'000 Kgms	—	2	2	2	2	2	—	—	105.1	107.4	107.4	107.4	—	—	19.3	41.4	31.5	13.4
Sulpha Pyridine	'000 Kgms	—	1	1	1	1	1	—	—	15.0	18.2	18.2	18.2	—	—	17.0	13.3	12.2	14.8
Sulphasomidine	'000 Kgms	—	—	1	1	2	2	—	—	24.0	24.0	24.0	24.0	—	—	2.0	19.9	27.6	21.9
Sulphatheizole	'000 Kgms	—	2	2	2	2	2	—	—	168.6	182.3	182.3	182.3	—	—	67.2	56.8	62.4	83.0
(d) Anti-Dysentry																			
Carbarsone	Kgms	—	—	—	—	1	1	—	—	—	—	600	600	—	—	—	—	59	16
Di-iodohydroxyquinoline and Iodochlorohudrexyquinoline	'000 Kgms	—	17	17	17	14	14	—	—	75.0	75.0	59.5	59.5	—	—	20.2	25.0	22.8	24.9
(e) Insecticides																			
Benzene Hexa Chloride	'000 Tons	—	2	2	2	2	2	—	2.5	2.5	3.0	3.9	3.9	—	1.2	2.0	3.1	2.6	3.2
D D T	'000 Tons	—	1	1	2	2	2	—	0.5	0.7	2.8	2.8	2.8	—	—	0.6	1.8	2.2	2.9
Ethyl Diabromide	Tons	—	—	—	1	1	1	—	—	—	96	96	96	—	—	—	25	14	8
(f) Formulation																			
Dustings, Wettable Powder Liquids, Emulsion Concentrates, etc based on DDT, BHC, Copper Oxy Chloride, Diazinone, Cholrobenzilate, Parathion, Chlordane, Lindane, Aldrin, Dieldrin, Endrin	'000 Metric Tons	—	—	—	—	30	30	—	—	—	—	56.2	56.2	—	—	—	—	21.2	22.8
(g) Alkaloids																			
Reserpine	'000 Gms	—	—	1	1	1	1	—	—	18.0	18.0	18.0	18.0	—	—	0.3	3.7	7.9	8.7
(h) Hormones																			
Cortice Steride Hormones	Kgms	—	—	—	—	2	2	—	—	—	—	240	240	—	—	—	—	75	134
Testesterone and other Hormones	'000 Gms	—	—	1	2	2	2	—	—	18	118	218	218	—	—	2.5	22.7	76	34
(i) Anti-Dialutic Drugs																			
Tolbutamide and Carbutamide	Kgms	—	—	1	1	1	1	—	—	600	600	600	3,600	—	—	88	690	333	427
(j) Anti-Pyretic and Analgesics																			
Aspirin	'000 Kgms	—	—	—	—	1	1	—	—	—	—	136	136	—	—	—	—	26.6	59.3
Phenacetin B P	'000 Kgms	—	—	—	—	1	1	—	—	—	—	22.0	22.0	—	—	—	—	15.1	14.2
Sodium Salicylate	Lakh Kgms	—	—	—	—	4	4	—	—	—	—	12.0	12.0	—	—	—	—	1.8	2.4
(k) Vitamins																			
Vitamin "A"	MMU	—	—	—	—	2	2	—	—	—	—	15	20	—	—	—	—	2	15
Vitamin "B12"	Gms	—	—	—	—	1	1	—	—	—	—	4,000	4,000	—	—	—	—	606	1,226
AROMATIC CHEMICALS																			
Amyl Acetate (Perfumery Grade)	'000 Lbs	—	—	1	1	2	2	—	—	6.0	7.2	7.2	7.2	—	—	1.2	1.8	3.7	8.1
Amyl Salicylate	'000 Lbs	—	—	1	1	2	2	—	—	14.4	14.4	14.4	14.4	—	—	2.2	3.8	5.4	5.9
Aurantial	'000 Lbs	—	1	1	2	2	2	—	1.2	1.2	10.2	10.2	10.2	—	0.4	0.1	2.9	1.3	NA
Cedryl Acetate	Lbs	—	—	—	1	1	1	—	—	—	6,000	6,012	6,012	—	—	—	519	340	NA
Citronellol	'000 Lbs	—	1	1	1	2	2	—	3.6	3.6	3.6	3.6	3.6	—	3.3	2.3	3.3	9.3	13.2
Citronellyl Acetate	Lbs	—	—	—	2	2	2	—	—	—	600	601	601	—	—	—	202	439	117
Geraniol	'000 Lbs	—	2	2	2	2	2	—	18	18	18	18	18	—	6.5	8.3	14.7	32	49
Geranyl Acetate	'000 Lbs	—	2	2	2	2	2	—	4	4	4	4	4	—	2.8	1.4	2.3	2.5	8.3
Hudroxy Citronellol	'000 Lbs	—	1	1	1	1	2	—	3	3	3	3	4	—	0.8	0.6	2.5	6.3	11.4
Ionone	'000 Lbs	—	—	1	1	2	2	—	—	9.6	9.6	9.6	9.6	—	—	4.9	6.2	7.6	10.9
Linallol	'000 Lbs	—	1	1	1	1	2	—	1.2	1.2	1.2	1.2	1.2	—	0.2	0.9	1.7	1.6	0.8
Phenyl Ethyl Acetate	'000 Lbs	—	—	—	1	1	2	—	—	—	6.0	6.0	6.0	—	—	—	1.9	1.7	NA
ESSENTIAL OILS																			
Eucalyptus Oil*	Lakh Lbs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3.0	123.9	123.9
Flavouring Essences	'000 Tons	—	—	—	11	11	12	—	—	—	200.3	295	319	295	319	—	—	—	0.2	238.4	255.9
Geranium Oil*	'000 Lbs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1.5	1.5	1.5
Lemon Grass Oil*	'000 Tons	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1.1	1.0	1.0
Linalee Oil*	'000 Lbs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6.0	6.0	6.0
Palmarosa Oil*	Tons	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	95	95	95
Rosin (Organised Units)	'000 Tons	—	—	—	3	3	3	—	—	—	12.2	12.2	12.2	—	—	—	10.2	11.0	11.1
Sandalwood Oil	Lakh Lbs	—	—	—	7	6	6	—	—	—	3.0	3.2	3.2	—	—	—	2.7	2.5	2.8
Turpentine Oil (Organised Units)	Lakh Gals	—	—	—	3	3	3	—	—	—	7.4	7.4	7.4	—	—	—	5.8	6.0	6.2
Resinoids																			
Balson Telu	'000 Lbs	—	—	—	2	2	2	—	—	—	9.6	9.6	9.6	—	—	—	1.2	0.3	1.6
Benzoin	'000 Lbs	—	—	—	2	2	2	—	—	—	16.0	16.0	16.0	—	—	—	5.6	1.4	5.1
Styrax	'000 Lbs	—	—	—	2	2	2	—	—	—	7.0	18.0	18.0	—	—	—	1.3	1.2	7.3

	Accounting Unit	Number of Units					Capacity					Production				
		1955	1956	1957	1958	1959	1960	1956	1957	1958	1959	1960	1956	1957	1958	1959	1960
Dyestuffs																	
Azo Dyes	Lakh lbs	2	2	2	2	3	4	25.9	25.9	25.9	29.8	30.8	17.8	21.6	18.7	27.1	26.9
Basic Dyes	Lakh lbs	—	—	—	—	1	2	—	—	—	—	1.6	—	—	—	0.7	1.1
Vat Colour Basis	Lakh lbs	1	1	1	1	1	2	6.7	6.7	6.7	14.6	16.8	2.2	2.2	3.6	8.4	9.1
Vat Colour Salts	Lakh lbs	6	6	5	5	2	2	6.0	6.3	6.3	4.8	4.8	3.3	2.7	2.9	1.5	1.0
Naphthols	Lakh lbs	2	2	2	2	3	3	20.2	20.2	20.2	23.6	23.6	1.9	12.8	10.0	16.3	17.3
Optical Bleaching Agents	Lakh lbs	1	1	3	3	4	4	0.15	2.80	2.80	4.4	4.4	0.08	0.77	1.80	2.5	3.7
Organic Pigments	Lakh lbs	—	—	—	—	2	3	—	—	—	2.2	11.1	—	—	—	1.3	4.0
Solubilised Vats	Lakh lbs	3	3	3	3	3	4	3.7	3.7	3.7	3.7	4.4	1.0	1.1	1.4	1.6	2.2
Stabilised Azoics	Lakh lbs	—	—	—	—	4	4	—	—	—	9.8	9.2	—	—	—	3.8	3.6
Sulphur Black	Lakh lbs	2	2	2	2	2	2	30.0	30.0	30.0	40.4	40.4	34.6	38.8	18.6	30.4	31.9
Vat Colours (Commercial Strength)	Lakh lbs	2	2	2	2	2	2	4.2	6.2	6.0	10.6	10.6	0.5	2.6	4.2	7.1	10.4
Coke Oven and Coal Tar Distillation Products																	
Benzene	Lakh Gals	4	4	3	3	3	4	7.2	7.2	7.2	13.4	16.1	3.4	5.2	7.2	10.9	10.2
Creosote Oil*	Lakh Gals	6	—	—	—	5	6	—	—	—	—	—	—	—	8.9	9.8	11.0
Crude Coal Tar	Lakh Tons	13	1	1	1	12	13	1.2	1.2	1.2	3.0	3.6	0.9	1.0	1.2	1.7	2.1
Motor Benzol	Lakh Gals	4	10	—	5	4	4	—	—	8.0	—	—	—	7.3	9.0	7.3	8.9
Naphthalene Refined	Tons	4	8	5	5	5	4	24.1	24.1	24.1	22.9	24.5	—	12.3	68.4	650	624
Pitch*	Tons	4	53	5	5	5	4	1040	1040	1040	1432	555	840	816	684	6060	4822
Road Tar*	'000 Tons	4	1	5	5	5	4	—	—	—	—	—	3000	4240	4580	19.9	7.4
Solvent Naptha*	'000 Gals	4	3	4	5	5	5	—	—	—	—	—	37.5	26.9	19.8	19.9	7.4
Toluene	'000 Gals	3	1	3	3	3	4	—	—	—	—	—	84.0	92.8	98.6	102.9	98.1
Industrial Explosives													172.0	92.3	58.6	179.3	231.4
Industrial Explosives	Tons	1	1	—	1	1	1	—	—	4500	4428	4428	—	—	218	3422	6295
Safety Fuses	Lakh Coils of 24 ft length	2	—	—	1	1	2	—	—	10.8	10.8	66.8	—	—	6.9	9.6	17.0
Paints & Varnishes																	
Alkyd Resins	'000 Tons	12	—	8	8	12	12	—	2.4	2.4	4.0	4.0	—	1.8	2.0	2.2	2.9
Aluminium Paste	Tons	1	—	1	1	1	1	—	500	500	500	500	—	500	333	421	421
Chrome Colours	Tons	10	—	10	10	10	10	—	—	8.0	—	—	—	700	802	850	870
Nitrocellulose Lacquers	Lakh Gals	8	—	—	8	8	8	—	8	8	8	8	—	2.7	2.7	3.0	3.6
Paints	'000 Tons	53	—	48	49	53	53	—	65.0	65.0	71.1	71.1	—	42.3	48.0	54.2	52.0
Pathalocyanine Blue	'000 lbs	1	—	1	1	1	1	—	—	—	—	—	—	35.6	45.3	111.9	116.3
Red Lead	'000 Tons	3	—	3	3	1	3	—	5.1	3.1	8.4	8.4	—	4.1	4.9	4.2	3.7
Titanum Dioxide (Anatase)	'000 Tons	1	—	1	1	1	1	—	1.8	1.8	1.8	3.6	—	1.7	1.7	1.8	2.6
White Lead	'000 Tons	2	—	2	2	2	2	—	3.7	3.7	3.7	3.7	—	1.0	1.1	1.0	0.9
Zinc Oxide	'000 Tons	5	—	4	4	5	5	—	12.4	12.4	12.4	17.1	—	5.4	6.6	6.8	8.2

Source : Ministry of Commerce and Industry

* No Separate Capacity

BANKING RETURNS

(*Rs Crores*)

Reserve Bank	Apr 21	Apr 14	Mar 24	Apr 22, '60
1 Note circulation	2007.65	2038.53	1968.70	1890.00
2 Rupee coin	122.10	121.44	119.81	127.35
3 Deposits	263.22	240.56	259.98	263.86
(a) Central Govt	63.91	68.68	53.37	51.82
(b) Other Govts	4.30	3.99	33.63	14.61
(c) Banks	87.06	73.70	74.47	97.71
(d) Others	107.95	94.19	98.51	99.72
4 Foreign Securities	118.01	118.01	128.01	163.01
5 Balances abroad	10.79	9.98	25.54	21.31
6 Rupee Securities	1672.06	1692.11	1627.22	1506.65
7 Investments	152.24	120.74	160.34	202.81
8 Loans and advances to Govts	93.45	88.17	42.18	50.47
9 Other loans and advances	126.27	142.61	173.17	101.59
Scheduled Banks	**Apr 14**	**Apr 7**	**Mar 17**	**Apr 15, '60**
1 Liabilities				
Demand (net)	716.58	721.93	698.27	781.00*
Time (net)	1047.55	1039.03	1021.13	1143.88*
2 Cash in hand	47.82	47.42	44.39	50.12
3 Balances with Reserve Bank	74.88	67.67	66.80	96.07
4 (2) + (3) as % of (1)	6.65	6.26	6.20	7.59
5 Borrowings from Reserve Bank	56.90	60.45	78.29	45.24
(a) Against usance bills and/or promissory notes	33.30	33.64	35.28	13.61
(b) Others	23.60	26.81	43.01	31.64
6 Advances	1103.40	1104.09	1095.27	950.97
(a) State Bank	262.68	263.60	260.42	201.28
(b) Others	840.72	840.49	834.85	749.69
7 Bills discounted				
(a) Inland	158.57	162.41	145.91	131.88
(b) Foreign	47.56	48.85	50.47	45.31
(c) Total	206.13	211.26	196.38	177.19
(i) State Bank	17.52	18.98	16.68	16.57
(ii) Others	188.61	192.28	179.70	160.62
8 (6) + (7c) as % of (1)	70.97	71.51	72.08	58.61
9 Investment in Govt Securities	560.41	551.29	558.89	732.19
(a) State Bank	236.78	225.20	229.40	369.99
(b) Others	323.63	326.09	329.49	362.20
10 (9) as % of (1)	30.37	29.97	31.19	38.04
Cheque clearance	184.39	297.12	237.36	160.68

* Includes deposits of banks and others.

Bombay Money Rates

(*% per annum*)

(Selected Scheduled Banks other than State Bank)

Call Money	Apr 14	Apr 7	Mar 17	Apr 15, '60
From Banks	5.25	5.26	5.25	3.75
Deposits :				
Seven Days	—	3.00	3.00	3.37
Three Months	3.50	3.50	3.50	3.50
Six Months	3.75	3.71	3.52	3.50

Bombay Bullion

(*Rs and nP*)

Gold (per ten grams)	Apr 27	Mar 20	Mar 29	Apr 28, '60
Spot	121 05	119.25	119 05	116 53
Forward	118 80	118.45	120.05	110.24
Silver (per kilogram)				
Spot	201.95	202.65	201.15	193.07
Forward	197.15	198.40	198.75	184.63

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952–53=100)

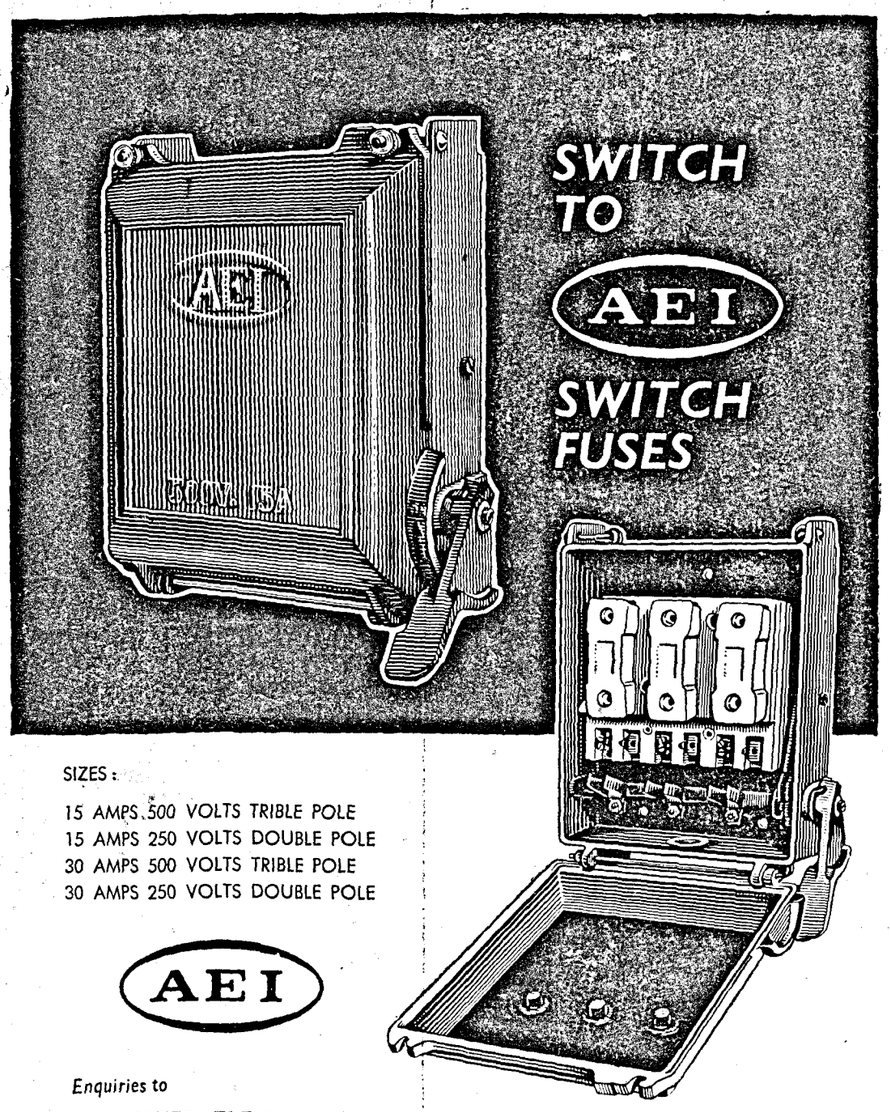
	Apr 8	Apr 1	Mar 18	Apr 9
Food Articles	118.1	116.9	118.0	117.9
Cereals	99.9	99.7	100.4	103.1
Pulses	89.3	89.9	93.1	87.8
Fruits & Vegetables	115.7	111.3	108.2	133.2
Milk & Ghee	116.0	112.2	118.0	114.6
Edible oils	162.9	162.5	163.5	137.3
Fish, Eggs & Meat	125.5	121.9	130.0	116.3
Sugar & Gur	119.3	116.7	116.9	140.1
Others	171.4	171.7	165.3	160.0
Liquor & Tobacco	112.7	112.7	113.5	100.4
Tobacco	110.0	110.0	110.8	98.4
Fuel, Power, Light & Lubricants	120.8	120.8	121.1	118.2
Industrial Raw Materials	153.2	155.5	159.1	133.3
Fibres	163.0	168.1	177.0	127.9
Oilseeds	159.5	159.9	159.4	141.2
Minerals	95.3	95.3	95.2	98.2
Others	126.3	127.1	128.8	131.1
Manufactures	126.4	127.4	120.8	117.4
Intermediate Products	135.0	136.0	137.2	122.3
Finished Products	125.0	126.0	128.6	116.6
Textiles	128.5	130.4	134.6	115.8
Cotton	126.6	126.6	126.6	125.0
Jute	139.6	147.1	165.0	99.9
Woollen	110.1	110.1	110.1	104.2
Silk & Rayon	117.9	117.9	115.7	102.5
Metal Products	146.9	146.9	146.9	148.3
Chemicals	105.4	105.4	104.6	104.3
Oil cakes	145.0	142.7	147.1	139.8
Machinery & Transport Equipment	112.6	112.6	112.5	111.0
Others	118.6	118.6	118.6	114.7
All Commodities	125.9	126.0	127.8	119.8

STOCKS OF CLOTH AND YARN

	Cloth (Bales of 1,500 yds each)		Yarn (Bales of 400 lbs each)	
End of month :	Sold	Unsold	Total	Unsold
1961 : Mar	127,000	132,000	259,000	42,100
Feb	157,000	147,900	305,600	40,800
Jan	194,300	177,100	371,400	43,100
1960 : Dec	205,400	206,100	411,500	52,700
Nov	190,800	190,300	381,100	45,300
Oct	196,500	188,000	384,500	44,100
Sept	198,000	188,000	386,000	50,200
Aug	189,000	172,000	361,000	42,500
July	172,500	127,100	299,600	30,700
June	151,600	131,900	283,500	31,000
May	145,300	130,100	275,400	33,600
April	146,000	128,000	274,000	31,600
Mar	130,000	156,000	286,000	30,500
Feb	119,600	140,200	259,800	28,900
Jan	151,200	117,700	268,900	22,800
1959 : Dec	155,700	118,000	273,700	21,100
Nov	160,600	147,500	308,100	23,100
Oct	178,600	155,700	334,300	27,000
Sept	191,900	180,700	372,600	29,400
Aug	196,000	187,000	383,000	30,200
July	205,000	207,000	412,000	38,700
June	195,000	204,000	399,000	47,400
May	179,000	199,200	378,200	46,500
April	199,500	239,700	439,200	50,900
Mar	221,600	267,400	489,000	54,700
Feb	223,300	271,600	494,900	53,900
Jan	246,800	288,500	535,300	63,900
1958 : Dec	252,800	329,600	582,400	64,100
June	223,600	341,000	565,200	105,700
Jan	210,500	372,500	583,000	89,200
1957 : Dec	209,186	450,699	659,885	108,455
June	209,485	297,277	506,764	51,945
Jan	239,592	274,596	514,188	27,445

Source : Textile Commissioner

UNDER SECRETARY TO GOVERNMENT
April 29, 1961
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Aid - India

THE stand taken by the United States at the last meeting of the Aid to India Club at Paris is heartening beyond expectations and reflects the radical change that has taken place in the United States' policies after Kennedy replaced Eisenhower. According to press reports, the United States not only expressed its willingness to give India the substantial amount of $ 1 billion, for the first two years of the Third Plan, subject, of course, to Congressional approval; it also proposed that the other members of the Club should make an equal contribution. The other members were not prepared for so radical and imaginative a proposal. The officials of these member-governments had just no briefing for a situation like this. And hence, the meeting had to be adjourned to May 31.

If the United States move succeeds, India would obtain $ 2 billion from the members of the Aid to India Club and over and above that, the World Bank and I D A together would give about $ 400 million. Thus, for the first two years of the Third Plan, India would be able to get aid worth Rs 1,140 crores; if the P L 480 aid of Rs 600 crores and the other aids that are already committed are taken into account, the total aid would come to about Rs 2,000 crores. If the aid during the last three years of the Third Plan flows in at this rate, India would doubtless be successful in obtaining the required external assistance for the Third Plan.

The American attitude is imaginative not only with regard to the size of aid but also with regard to its terms. The Administration has been putting pressure on the other members to grant aid initially for the first two years of the Third Plan at interest rates which are moderate and with a reasonably long repayment period. The World Bank Mission Report had already impressed on the Aid to India Club that if the Third Plan was to succeed, there should be a commitment with regard to aid for a fairly long period and that the terms of such aid should not be onerous.

What was thought to be impossible only a year ago has actually come to pass. It is amazing how even the attitudes of governments can change in such an incredibly short time. Of course, this change in attitudes and policies was doubtless necessary and called for by the emerging world situation. What is significant, however, is the response of the United States Government to the new challenge. The Cuban episode might, for the time being, spoil the good psychological effect of the changed American attitudes and policies towards aid to the underdeveloped economies. But, even on Cuba, American policy has to change. It is not possible to imagine that the new American administration can pursue a positive, purposive and imaginative policy with regard to aid to the other under-developed economies while maintaining its old reactionary line in Cuba and Latin America.

The significant realisation which has dawned on the American people is that the appeal of the totalitarian method for economic development cannot be resisted by military preparedness; it can be met only by economic development of the under-developed economies under regimes

that are free and can therefore be progressively democratic. Thus, the material conditions for the success of the liberal view point is sizeable economic aid to under-developed countries, which potentially could succeed in evolving genuine democratic traditions. A negative policy of condemning certain beliefs cannot succeed; they can, however, be changed only by replacing them by more progressive beliefs which are in greater harmony with the changing reality.

The American administraion, thus, is persuing a policy of material help to the under-developed economies and is trying to do it in a manner that could bring out the superiority of liberal democratic beliefs. In this task, it is persuading the other counrties to participate more actively. This it is doing not merely with respect to India; it is also doing that in respect to the other under-developed countries also. In fact, it is at the instance of the United States that O E E C is soon going to be changed into O E C D—Organisation for Economic Co-operation and Development. One of the major functions of this new set up would be to coordinate the aid efforts of its members with regard to under-developed countries.

For India, the Third Plan is being launched under propitious circumstances. The Aid India Club meeting was a fine gesture of assistance. That the meeting had to be adjourned till the end of the month does not suggest by any means that the proposal put forward in it was too radical to be accepted by the other members of the Club. It does suggest, however, the many hurdles that still remain to be crossed. The principle of aid and the size of the Third Plan have been both accepted. The next step will depend on how far President Kennedy can carry the Congress with him in persuading the latter to enter into long-term commitment without which the effectiveness of aid suffers. This is, of course, not so much a problem with other Governments who are willing to come in. Again, in regard to the form of aid, the limitations of the project approach are gradually being appreciated but it is not certain yet how far the aid-giving countries would be prepared to go, to change the form of the aid to make the latter most effective. The uncomfortable question of maintenance imports readily comes to mind. Finally, there is also the question how firm are our own estimates in regard to the foreign exchange requirements of the Third Plan and what happens when, as is likely, these estimates are revised upwards.

Now that something like a commitment on principle on the part of the aid-giving countries has emerged, there is also the danger that the country might relax its efforts at firmly pursuing the right policies. Aid, however essential, is no substitute for self-help, and while India has every reason to be thankful to the countries which are willing to help, she has to be doubly vigilant that efforts are not relaxed to utilise the aid to the best advantage. There is as much danger in not getting aid as in getting too much aid too easily.

Kenya's Deceptive Solution

THE installing of a minority government in Kenya has been hailed by some ill-informed and thoughtless commentators as a great achievement for the country, and the Kenya African Democratic Union (KADU) has been complimented by such people on its "boldness and courage" in accepting to form the government in question. In point of fact there is no occasion for felicitations of any sort. There is only one person who emerges with any right to pat himself on the back in this situation; and that is the Governor, Sir Patrick Renison. The formation of a government by KADU saves him the need to rule by decree, which means it enables him to avoid a course of action which would most certainly have resulted in uniting the Africans against him. Now he has succeeded in dividing the Africans, and in doing so on more or less his own terms. He can now sit back and relax, while the battle developed between KADU on the one hand and the majority Kenya African National Union on the other. If this battle gets too hot, he can always rouse himself and order action on behalf of KADU, which after all is the Government.

As for KADU itself, its courage in manoeuvring itself into this kind of a position is about as notable as that of a rabbit walking into a trap. Mr. Ngala, the KADU leader, has been more foolish than brave in preferring the path of co-operation with the Governor to the hardship and sacrifice of remaining in the opposition. Mr. Ngala must be a highly misguided man if he genuinely believes that by accepting office in the present circumstances of the country, he has helped towards a solution of at least the Kenyatta question—though this is the angle which semi-official and pro-official spokesmen have been at the greatest pains to stress. The argument is that the issue of Mr. Kenyatta's release had reached a complete deadlock, with the Governor insisting that he would not consider releasing him until after a new government had been formed and had begun working well, and the leaders of the majority KANU party insisting that they would refuse to form a government unless Mr. Kenyatta was first released. KADU's offer to accept office in these circumstances (proceeds the argument) provides a way out of the impasse, since it enables the Governor to save face over Kenyatta's release and at the same time enable KANU not to break its pledge over Kenyatta.

But this is a gross misrepresentation of the whole case. Undoubtedly the KADU decision does save the face of the Governor; but it does little else. An arrangement of this type could have succeeded only if it had been arrived at by a common agreement among all the parties concerned, but with the most influential of all the parties, KANU, opposing it to the hilt, it is foredoomed to failure and conflict. When a party which got less than 150,000 votes in the general election is set up as a government over a party which secured thrice that number of votes, nothing but trouble lies ahead. KADU cannot hope to function for long in these circumstances; and it can certainly not hope to function "well"—which, after all, is the more important of the Governor's conditions for the release of Mr. Kenyatta. On the other hand, this set of circumstances can do much to destroy goodwill and stability in a country which has already had its stomachful of both.

The Indian community's role in this drama has been most objectionable. The Indian Congress of the colony is backing the KADU Government completely, and an Indian member has accepted office as Minister in the new set-up. The self-deception under which these moves have been justified by the Indians goes something like this: "An African-dominated government is being formed; admittedly it is a coalition government and KANU, the majority party is opposing it, but that is an internal quarrel of the Africans with which we ought not to be concerned. In supporting the KADU government, we are doing no more than supporting an African government." The question, however, is not quite so simple as all that. It is of the most fundamental importance to choose rightly between one set of Africans and another; for this is not a simple question of choosing Africans vis-a-vis the Europeans or the Colonial Office. The Indians were faced with a choice between two parties, both of which are African; in the circumstances, it was vital that they chose on considerations other than those of mere colour. After all, the party they have rejected in making this partisan choice is also African. The point that matters is that KANU is the more nationalist of the two parties, the ruling KADU the more tribalist. There cannot be much doubt which of the two parties Kenyatta himself will eventually favour. What the Indians have done is to back the wrong horse, fully well knowing it to be wrong. They have asked for trouble, and they are going to get it.

East-West Economists' Conference

THE sixties have been marked out as the decade for the development of the underdeveloped world. This is no longer, however, an exclusive burden for America to bear. The lead was taken by the World Bank to get the developed countries of the West as also Japan to share the burden of giving aid to India. This has now been taken over by President Kennedy to get the West to team up and it now looks likely that the same principle of multilateral aid will be extended to all the underdeveloped countries. The bulk of this aid, it is to be noted, will not be channelled through the United Nations; it will be distributed by the aid-giving countries collectively or in groups as in the Colombo Plan.

The Soviet group of countries have their own methods of giving aid and this is largely a pattern that is quite independent of and separate from the aid given by the western countries. It is left to individual countries which are in a favourable position, because of their neutralist status, to receive aid from both camps, to effect such coordination and balancing as they can.

The development of underdeveloped countries, however, is in some ways an unified affair. The pattern of such development has to be worked out according to the conditions present in the underdeveloped countries. Development, however, is not a matter of getting foreign aid alone, vitally important though the latter is. It calls for programmes and policies that bring together the fruits of knowledge and experience of the whole world and it should rightly be based on the distilled experience of other countries which faced similar problems and worked out solutions which have proved most effective. What it took the developed countries of today centuries to achieve can be squeezed into a few years or a couple of decades, if all the knowledge and expertise gathered by mankind could be put into use. With this end in view, a move had been started some years ago to bring together the best economic and technical expertise from the East and the West, so that the underdeveloped world may be able to progress faster and advance more surely to their goal. It began in a small way when Professor Mahalanobis put up a proposal before the leading economists of the East and West to get together in a conference. There were many hurdles to be crossed before the proposal could take shape and materialise. Professor Myrdal enthusiastically took up the idea and overcame the difficulties in bringing about a meeting between the East and the West. It was Professor Myrdal who did the persuading on the Soviet side and was largely instrumental in securing Soviet collaboration for such an international conference.

After much patient spadework, the conference has been finalised and it has been announced that it will be held in Geneva from June 6 to June 10. Under the joint signature of Professors Mahalanobis and Myrdal, invitations have been issued to the science academies of U S S R, China, Poland, Czechoslovakia, Korea and Yugoslavia and to leading economists like Professor Galbraith, Professor Lloyd Reynolds, Mr N Kaldor and Mr E Jackson of U K, Professor M Peroux of France, Mr J Tinbergen of Holland and Mr S Tobata of Japan. Experts from the U A R, Indonesia, Ceylon, Burma, Pakistan, Ghana, Mexico and Brazil have also been invited.

The conference is going to be at a technical and non-governmental level, following series of informal discussions in the U S S R, the U S A and in Asian and European countries. The provisional secretariat which has been set up at the Indian Statistical Institute in New Delhi has not yet published the full list of participants, but in view of the favourable response which the proposal seems to have received, the forthcoming conference in Geneva will not only be unique of its kind, it is bound to attract a galaxy of talent from both East and West.

That the idea of holding of such a conference has been enthusiastically supported will be gathered from the fact that the Ford Foundation has undertaken to meet travel expenses of the invitees from the western world who are not likely to be financially assisted by their respective national organisations.

In the invitation letter, the sponsors emphasised the need for international collaboration among specialists on the problem of promoting more rapid economic development of less advanced countries. The present conference of experts at Geneva is expected to be the first of the series and also to lead to the setting up of a permanent international organisation for technical and economic studies. The purpose of the first conference is to ensure collaboration on a continuing basis among the economists and technicians in the task of development of underdeveloped world.

Weekly Notes

More Aluminium ?

THE Draft Outline provisionally fixed a capacity of 83,000 tons for aluminium during the Third Plan. Though it looked like a big jump from 18,000 tons at the end of the Second Plan, taking into consideration the availability of bauxite and the country's deficiency in other non-ferrous metals, the Third Plan target could be considered to be moderate and reasonable. The Minister for Industries and Commerce has recently stated that Government is contemplating setting up an aluminium unit in the public sector. This has set the Chairman of the Indian Aluminium Company thinking on the prospects of development of aluminium in the country. In his address to the shareholders of the company at its last Annual General Meeting, Shri K C Mahindra dwelt at considerable length on the present position and the future prospects of the industry and also warned those who proposed to enter the field in order to make 'quick rupees' to think again before they leapt.

The position as it stands today is that Government has already issued licenses to install sufficient capacity to reach the target provisionally fixed for the Third Plan. Indian Aluminium has been licensed for a capacity of 20,000 tons at Hirakud and will have a capacity of another 10,000 tons at Alupuram, when its expansion programme is completed; Aluminium Corporation has been licensed for 7,500 tons which may be raised to 10,000 tons if it can secure the necessary foreign exchange; Hindustan Aluminium in Uttar Pradesh has got 20,000 tons; Tendulkar Industries in Maharashtra has 20,000 tons; and the Madras Aluminium has been given a license for 10,000 tons. From this, it is clear that if a new unit is to come in the public sector, the target for the Third Plan will have to be raised. By how much, it is not known yet, for the capacity of the unit proposed to be started in the public sector has not been announced.

Shri Mahindra, who should know, has mentioned that official thinking at present is inclined to raise the target to 150,000 to 200,000 tons. Americans seem to be particularly keen to come in. Kaisers and Alco are already in and Reylonds, it is reported, are anxious to secure an industrial license to set up a smelter in Mysore. All these indicate that the target for aluminium for the Third Plan must be more elastic and much more tentative than most other targets.

One can very well understand Shri Mahindra's apprehensions about a new unit coming in the public sector in collaboration with a Communist country. It is unlikely, however, that Government would take any serious note of it. But there are two important points emerging from Shri Mahindra's observations which merit close and careful scrutiny before the target for aluminium is finally fixed. The first is whether the proposed revision of target is to meet the growing domestic demand or is it hoped that if surplus capacity is created, there would be reasonable export possibilities for aluminium? If the proposed revision of target for aluminium is only to meet the expected increase in demand for the metal in the country, one cannot raise any serious objection. But if made export conscious all of a sudden, Government is led to believe that there are reasonable prospects for exporting aluminium at competitive rates, Shri Mahindra would appear to be right when he says that such an assumption has little substance in fact.

When we are facing acute shortage of foreign exchange, one has to be very careful in creating surplus capacity with imported plant and machinery. Moreover, if any venture is undertaken before completing the prospecting of bauxite, we may have to depend on imported alumina to feed the smelter and the economics of it will have to be carefully examined.

The other point which has been raised by Shri Mahindra is the new technique of producing aluminium which is under trial at present. It is too early to pass any judgment on it. His associates in Canada may not be willing to undertake any further expansion in India until the results of the experiment on the new technique are known. That need not prevent the Government from expanding production capacity if the demand for aluminium in the country justifies such expansion. But if the expansion is with an eye to the export market, the Government should work out the costs before launching upon it.

Agricultural Intelligence

IN an effort perhaps to overcome the sense of neglect to which he ruefully confessed recently, Shri S K Patil has set about proliferating the agencies, official and unofficial, within the ambit of his Ministry. Last August he decided to form two advisory bodies, an Agricultural Commodities Advisory Committee and a Farmers' Advisory Panel, to advise the Government on farm output and price policy. An Agricultural Price Intelligence Unit will now complete the triumvirate. Unkindly critics have pointed out that as it is neither the Government nor the Planning Commission is short of advisory commissions, committees or panels, but Shri Patil will no doubt fortify himself by quoting the wisdom of the Foodgrains Enquiry Committee. In its acute, and certainly not unjustified, concern for food prices the Committee, it will be recalled, had suggested a variety of organisations: a Price Stabilisation Board, a Foodgrains Stabilisation Organisation, a Central Food Advisory Council and a Price Intelligence Division.

With state trading buried fathoms deep under stocks of P L 480 food and hopes buoyant that it will not have to be resurrected, the Foodgrains Stabilisation Organisation has been appropriately shelved. But the Agricultural Commodities Advisory Council and the Farmers' Advisory Panel seem to be inspired by the Price Stabilisation Board and the Central Food Advisory Council recommended by the Mehta Committee.

The Agricultural Commodities Committee, which is proposed to be modelled on the Tariff Commission, is to be an official body with representatives of the Food Ministry, the Planning Commission and the Reserve Bank. It will advise the Government not only on price policy but also matters pertaining to agricultural production. It has been asked, however, whether a group of officials sitting from day to day and having a fulltime chairman would be the ideal body to advise the Government on prices and production. The Tariff Commission, if the analogy is intended to be more than prefunctory, does not tender advice on overall tariff and industrial policies. It concerns itself with matters of specific detail. Its enquiries cover a relatively limited field and relate to specific industries and commodities for which fairly satisfactory cost and market data are available. In the case of agriculture, however, the variety of products is as enormous as the information about costs is meagre. There is not even a minimum agreement about the basis on which costs are to be calculated. The data that have been collected so far from farm management and cost studies can hardly be considered reliable enough for fixing farm prices.

The need for some considerable intelligence on food prices and costs is thus obvious enough but unless a few more details are known about the proposed Price Intelligence Unit, excessive enthusiasm would be premature since all that may materialise eventually may be the redesignation of some section or the other of the Food Ministry already engaged in the task.

Commission for River Dispute

WHEN the Krishna-Godavari dispute came up in January or rather the long smouldering dispute flared up once again, it was argued in these columns that eventually an Inter-State River Commission would have to be set up to settle similar disputes for the sharing of waters of inter-state rivers. This was something which the framers of the Constitution did not think of. To ensure most rational utilisation from the national view point of the country's river wealth, the constitution of such a Commission seemed then to be inevitable. Well, the things haven't moved to that stage yet. But things are moving with the inevitability of gradualness to this eventual goal. The Commission that has been appointed to go into the dispute over the waters of Krishna and Godavari is merely a fact finding commission. It is not to give any award, but only to examine the claims of the disputants and assess their requirements of water for their respective projects. Even so, it must be welcomed as a decisive and long overdue step towards a solution of the dispute involving Mysore, Maharashtra and Andhra.

The Central Ministry of Irrigation and Power had waited long and patiently, hoping that a "negotiated settlement" between the three States would be brought about. There was nothing to be said against such a settlement, but it was clear from the beginning that the more realistic step to take was to have an impartial committee or commission to assess the demand for water from the two rivers for the existing projects and to determine the surplus, if any, that would be left after meeting this demand. There was no question at any stage of completed projects or those already under execution being starved of water. But all the three States seem to have overstated their requirements of water.

Under the 1951 agreement, the waters of Krishna and Godavari were to be shared as follows:— Andhra 617,000 million cubic feet, Mysore 233,300 million cubic feet and Maharashtra 149,700 million cubic feet. Mysore's share was subsequently raised to 475,000 million cubic feet and it now claims 657,000 million cubic feet while Andhra has estimated its requirements at 800,000 million cubic feet. Maharashtra has claimed 675,000 million cubic feet to meet existing demand and another 538,000 million cubic feet to meet the requirements of projects which the State has planned.

The Gulhati Commission will judge these claims and determine the possibilities of diverting the surplus of water in the Godavari, if any, to the Krishna. The Andhra Government has always argued against reopening the 1951 agreement on the ground that it would mean stopping work on the Nagarjunsagar project on the Krishna, but it has now been made clear that whatever modifications have to be made in the present arrangement, they will not affect projects, like Nagarjunsagar, which have already been sanctioned by the Central Government. Andhra will, of course, claim that even if the Nagarjunsagar project is not affected, work on the Pochampad project in Telengana on the Godavari and the Srisailam project on the Krishna will be delayed. Though these projects may have been included in the State's Third Plan, it needs to be pointed out that neither has the Centre's sanction been secured nor even preliminary work started on either of them. The Andhra Government's claim to being "committed" to these projects, therefore, remains to be proved.

Indo-Japanese Collaboration

A Delhi Correspondent Writes :

THE 5-crore yen Japanese credit offer originally made for a fertiliser plant in Assam to use Nahorkatiya gas is now to be used for the Rs 15-crore fertiliser project in Gorakhpur. The Assam project is to be executed with British assistance and a firm British offer has been made to Delhi. The project is covered under the latest assistance agreement with U K signed on Monday last. The Japanese firms Mitsubishi, Ishikawajima Heavy Industries and Kobe Seico are expected to collaborate in the Gorakhpur project, survey work for which is being carried out by a group of Japanese experts.

The Gorakhpur fertiliser plant will be the biggest project to be undertaken with Japanese collaboration. (The details of the Defence Ministry's agreements for collaboration with the Japanese are not known). The project to manufacture tractors with Komatsu has a provision which will enable quick extension of production to equipment like dump trucks which can also be produced in the ordnance establishments at Ishapur and Cossipore. The latest Defence Ministry deal with Japan, a ten-year agreement, will enable the Jabalpur ordnance unit to make one-ton weapon carriers.

While the extent of Indo-Japanese collaboration will naturally grow massive Japanese assistance for heavy projects is not to be expected. Competition between different firms within Japan will make it difficult for Japanese firms to

spare technicians for Indian projects. In the case of small projects, the Japanese will be keen to associate themselves, particularly in the supply of machinery. Thus, yen credits amounting to half-a-crore of rupees have already been allotted for the import of machinery costing less than 5 lakhs for each individual venture. In many projects the cost of machinery to be imported from Japan is less than a lakh of rupees in each case.

With the growth of Indo-Japanese collaboration, Japanese goods will be increasingly imported into the country. Large quantities of steel rails are even now being supplied by Japanese firms to the Indian railways. Japan has also been awarded a major contract for supplying railway signalling equipment. Wagons and wagon-building materials are among other railway equipment being imported from Japan. Electric locomotives made by Hitachi are now being tried out under Indian conditions. In the case of the small car project, however, the Japanese firm Nissan Motor Company has been out-competed by Renault of France.

Joint Seminar on Sarvodaya

A participant in the Joint Seminar of the Gokhale Institute and the Sarvodaya Sangh held in Poona, to which a reference was made in these columns last week, writes :

The discussion was naturally coloured by the Sarvodaya views on economic and social development in the country. The conference took up the objectives of the Five Year Plans and while it agreed that they more or less fit in with the directives of the Indian Constitution, there seemed to have been, in the last Plan, an appreciable reduction of emphasis on unemployment, specially rural unemployment and on inequality of income distribution. It was noted that even the estimate of the back-log of unemployment over the last two Plans has not been stated in the Third Plan in quantitative terms. It was also emphasised that the Plan did not provide for any positive steps to control, and far less to reverse, the development of large-scale industries in the private sector and the consequent concentration of economic power.

The conference came to the conclusion that only an extensive development of rural industries at village, block, district and other levels could, in the circumstances of India, provide the only practical solution to the problem of rural unemployment. It was, however, admitted that the existing techniques of production having been developed by advanced countries to suit the needs of large scale production, the adoption of other techniques by India would mean, at least, temporarily, some loss of economic efficiency and hence a smaller rate of growth of national income. This should, however, be, the conference felt, a temporary phenomenon, for it was held that if we engaged our research ability and other resources, we should be able, in not too long a period, to develop efficient techniques of small scale production. The question of power was taken up at this stage. The conference felt that more power should be made available to rural areas, though it recognised the high cost of transmission.

The argument was also advanced that, in view of the extremely unfavourable man-land ratio in the country, the Bhoodan movement might offer a better method of organising the village economy than other measures including the imposition of ceiling. Gramdan implies only a transfer of village land to the community but villagers would be allowed to work the lands individually or cooperatively, of course, under the general guidance of the village community. This was, however, a tentative suggestion and the conference desired that the working of Gramdan villages in areas where administrative and legal difficulties have been removed should be studied.

Great emphasis was placed upon credit and capital formation in agriculture. It was, however, noted that a good deal of capital formation in agriculture can take place with the help of unused labour and small credit. The conference thought that if cooperative credit movement were to succeed, it had to be very intimately linked with cooperative marketing.

The conference also laid stress on the Government announcing the floor prices of important crops sometime prior to their sowing, account being taken of the relative prices of competitive crops and of the prices of goods purchased by the farmer. All this should be done in the context of an overall movement of prices.

The conference did not think that industrialisation on western lines was inevitable. Where, however, technical conditions require large units these should be put in the public sector. There was some discussion about the type of organisation suitable for large units of production in the public sector. Apart from these units, other units of medium size should be, as far as possible, decentralised and dispersed over the country. The economic system would then come to resemble a pyramid with its base in the rural economy. In the view of the conference, decentralisation was necessary not only on economic grounds but also for very important social reasons. Some degree of intimate community life is essential to the development of an individual's personality. But this degree of intimacy is possible only in relatively small communities. It was of course necessary to see that the small community was large enough to provide the major part of employment opportunity to its members and had enough resources to make a diversified agro-industrial economy possible.

The conference felt that the opportunities of increasing employment in the rural areas, through more intense use of land for irrigation, conservation measures etc have not been satisfactorily availed of. It was, however, felt that the development of the common resources of the village or the block assumed the existence of a strong community feeling among the rural population. There was, unfortunately, no such community feeling and efforts have to be made simultaneously on this front.

Finally, the conference discussed the manner in which the production of consumer goods and simple implements in the rural areas could be promoted. It was thought that the programme of common production should be extended wherever necessary. There were various other problems e g finance and fiscal policy which were on the agenda of the conference. But, it did not have enough time to take them up. Shri V L Mehta, the Chairman, hoped that the current conference was going to be the first of a succession of conferences on the subject of India's economic development in terms of Gandhian ideology.

Letter to the Editor

Growth and Choice of Technique

ALTHOUGH it is headed 'A Clearer View of Growth', Mr Sirkin's didactic letter in your issue of March 25th seems calculated to throw more shadow than light over a much-debated question; so that one can scarcely leave it without reply. Indeed, the charge of 'misconception' could, it seems, be levelled at the writer and not against Shri Dubey whom he dismisses in so cavalier a fashion.

I can assure him that the view which he dismisses is today quite widely accepted and has more of a history than he realises. Discussion of priority in ideas is always tiresome, so that I will not waste time discussing whether he is right in saying that "the original presentation" of the view he attacks was the *Q J E* article of Professors Galenson and Leibenstein in 1955. (He is apparently unaware that this is not the only presentation : it would seem that there is an 'American insularity' from which economists can suffer as well as a British one!). Moreover, this view cannot be overthrown as easily as he thinks. I will not presume to speak for Profs Galenson and Leibenstein (or for Shri Dubey), but for my own theory; although I think that what I am going to say covers them as well as myself.

Mr Sirkin throws about the word 'productivity' very recklessly, and so far as I can see, his argument rests entirely on this sleight of hand. When he says (in paraphrasing the 'reinvestment-criterion' argument), "it is possible that the rate of investment can be increased if investment is allocated to uses which are not the most productive", he is evidently using "productive" in the sense of *gross* productivity (i e, including that part of the product which goes as wages and is consumed). When he tries to trump his opponents' hand by shouting triumphantly "the return to capital is maximised by allocating to its most productive use", he is using (or *should* be using) "productive" to mean *net* productivity (i e, after deducting the wages of labour) — otherwise, it cannot be called "the return to capital" and be treated as a potential investible surplus. His conclusion in the next sentence, that "if the amount of reinvestment depends on the return to capital, investment can be maximised by allocating investment to its most productive uses", only makes sense if, again, he means "productive" in a *net* sense and not gross.

Interpreted in this way, the statement becomes identical with the claim that the technical form to be chosen for investment should be such as to maximise *surplus*. Between this and the criterion of choosing the technical form which maximises *total production* there *does* remain a conflict, — except in the unlikely case where wages are zero and workers live on air (or else on universal doles that are the same for both employed and unemployed). The former criterion, while it yields immediately a smaller *national income and consumption* than does the latter, yields in the *near future a higher* growth rate both of investment and of national income.

I am afraid, therefore, that Mr Sirkin's grand syllogism collapses, and his "demolition" of the surplus (or reinvestment) criterion rests merely on word-play.

MAURICE DOBB

Trinity College,
Cambridge.
April 27, 1961.

Letter from South

Two Conferences

DURING the current month Andhra Pradesh was the venue for two all-India gatherings: the sixth Congress of the Communist Party of India was held at Vijayawada and the 13th session of the Sarva Seva Sangh convened at Sarvodayapuram in West Godavary district. Though their ideologies, approaches and methods are literally poles asunder, they have, somewhat paradoxically, one aim in common, viz, organisation of the rural mass and promotion of a rural revolution in India. The Communist Party, however, is international in its affiliations and does not pretend to be guided by any moral or ethical principles or codes of conduct in achieving its objective. The Sarva Seva Sangh on the other hand is essentially indigenous in origin and ideology and sets great store by moral and peaceful methods in rural regeneration and solution of rural problems. The Bhoodan movement of Acharya Vinoba Bhave which has subsequently expanded into the Sarva Seva Sangh movement, it may be of interest to note, originated ten years ago in Telengana, following Vinoba's quest for a peaceful and non-violent solution to the problem of landlessness among the peasantry, as a counter to the violent solution of that problem that Telengana Communists tried between 1950-1952.

The Communist Party Congress met under the shadow of deep and sharp differences between the leftist and the rightist sections of the party. The differences were in regard to the ideology and the programme of action which the party should adopt in the context, first, of the world situation and the divergences in the viewpoints of the two most powerful Communist Parties of the world, namely, Soviet Russia and China, and second, of the impending general election in the country. They were sought to be smoothed out by inserting modifications and amendments in the official policy document prepared by the General Secretary of the National Council, Comrade Ajoy Ghosh, which apparently patched up the differences between the rival sections at least for the time being.

Deliberations of the Communist Party Congress were all held in secrecy and it was only the compromise resolution which was presented at the open session for acceptance and was, as a matter of course, accepted. For the first time in the history of the Party, a dele-

gation of the Communist Party of the Soviet Union headed by the Secretary of the Party, Comrade Suslov attended the Congress. Whether his presence and influence had anything to do with it or not, the moderate section was able to retain its hold on the party machinery. This, of course, does not rule out the possibility of the party diverting its attention, at some stage or other, to other than constitutional methods to achieve its objectives. The repeated insistence on mass struggles of peasants and workers in the party programme is a significant pointer. If in the next general elections, the party makes a poor showing, the threat of "mass struggles" held out by the Party would probably become a reality. The Communist Party of Telengana had given demonstrable proof of what such struggles mean in effect during the 1950-51 insurrection. It is in this light that the other parties invited by the Communists to join in the fight against reactionary capitalist and communal parties should interpret the new Communist offensive for "national democratic fronts" as a preliminary to the establishment of people's democracy.

From the Communist Congress, with its preoccupation with patching up intra-party differences and its advocacy of mass struggles to achieve peasant socialism, to the Sarvodaya Sammelan, with its accent on *bhoodan, gramdan,* and on the ideals of service is indeed a far cry. The Sarvodaya Sammelan, which met under the presidentship of Shri Jaya Prakash Narayan, was concerned with two problems: first, how to revive the bhoodan and gramdan movements, to solve through voluntary gifts of land and villages the problems of land reform and landlessness among the peasants, and second, how to utilise the experiment of panchayati raj for attaining that objective through *lok sikshan* or intensive education of the people to develop the spirit of self-help and self-improvement.

Contradiction of Communist Thesis

Jaya Prakash Narayan's thesis is a complete contradiction of the Communist thesis that "people's democracy" can be established only through mass struggles. Answering the question: what is socialism in the agrarian context in India, Jaya Prakash said, "from what little knowledge of socialism I have, I can think of only one answer: neither abolition of landlordism is socialism nor fixation of ceilings nor securing tenants in the possession of their lands nor consolidation of holdings nor crop insurance nor any or all of the land reforms enacted or talked about". Agrarian socialism, according to him, can have only one meaning, that is community ownership and management of land. The latter does not necessarily mean collective farming, though it might well do so. While legislation may be a seemingly quick means to attain this end, it is bound to provoke opposition from and discontent among some sections and is, therefore, "undemocratic". The more effective remedy is to educate the rural population to create a massive support among them for these reforms and organisation of *gramdan* is the process by which the aim can be realised. The implementation of the programme should be through the *Santi Sena,* an organisation of voluntary workers, trained and functioning in the Vinoba Bhave tradition of approaching people with love and sympathy and persuading them to realise the value and significance of voluntary sacrifice for the common good.

The Sarva Seva Sangh devoted considerable attention to the question, how the scheme of panchayati raj could be made a successful instrument for rural progress, peace and harmony. The consensus of opinion was that Sarvodaya workers should "dis-interest" themselves and refuse to get entangled in power or party politics. "Our policy not to be involved in such politics", Jaya Prakash explained, "is meant precisely to enable us to play a more effective constructive part in moulding the politics of the country". It is not in *rajniti* but *lok niti* that sarvodaya workers should repose their faith.

While political parties interest themselves in the working of panchayati raj for other objectives, the Sarva Seva Sangh would be concerned with it from two entirely different standpoints. The Sangh workers have been abjured, first, to study the working of the scheme and help in the removal of the defects in it, and second to promote *lok siksha* and *lok shakti* (education of the people and development of the people's strength). The organisation and strengthening of the *santi sena,* a body of workers who would undertake this programme is, therefore, proposed.

Panchayati raj has now become the centre of attention and every political party and a number of non-official organisations like the Sarva Seva Sangh, the Bharat Sevak Samaj and so on, are taking a keen interest in it. There are wide differences between the political parties and non-official organisations in their approach to panchayati raj. While the former are out to exploit or utilise the village panchayats for building up a political base for themselves and strengthen their influence, the latter are professedly anxious to free the panchayats from political pulls so that they may function in a manner which would genuinely promote progress and welfare. The divergences in approach have to be reconciled but this presupposes a preliminary understanding among the political parties not to use panchayats as a cockpit for the game of power politics. The State Governments which have introduced panchayati raj should themselves play a vital role to save these institutions from the interplay of power politics. In effect this means that the Congress Party which run these State Governments should itself take the initiative to bring about an inter-party truce on the panchayati raj front.

The Sarva Seva Sangh has some influence with most State Governments and with the leaders of the Congress and it is, therefore, in a position to promote the idea of such a truce among Congress leaders. Jaya Prakash has advocated that the Sarva Sangh should start the experiment of setting up voters' councils in different parts of the country for selection of candidates for the coming general election. If the experiment succeeds in practice and the candidates (they may belong to any political party) set up by the voters' councils are elected to the legislatures without contest, it will be a triumph for the Sarvodaya ideology. The experiment can then be made on extensive scale in the election of members of panchayats in different States.

Book Review

An Official Account

R M Arunachalam

Evolution of Central Banking in India, by Sir B. Rama Rau, Vora & Co Publishers, Bombay-2, November 1960, pp 94, price Rs 4.00.

THE series of the Sir Alladi Krishnaswami Aiyar 'Shastiapdapoorthi' Endowment Lectures which the author had delivered at the University of Madras last year are now published. Shri Rama Rau was the Governor of the Reserve Bank for well over seven years from 1949 to 1957 and this was the period when many important developments occured in our banking and monetary fields. The passing of the Banking Companies Act, the appointment of the Rural Banking Enquiry Committee, the revival of monetary policy, the monumental undertaking of the All India Rural Credit Survey, the setting up of the Committee on finance for the private sector and the establishment of the State Bank of India may be quoted as instances in point. The fact that the distinguished author was intimately associated with the initiation of many of these developments has enhanced the value of the book as an authoritative account of recent developments in the sphere of Central Banking in India.

The control of commercial banking and extension of banking facilities are dealt with in Chapter I in which the author states that the banking situation before, during and after the War was not satisfactory. "One bank with a capital of less than Rs 2 lakhs opened more than 75 branches. Another bank which described itself as "millionaire bank" had a capital of less than Rs 30,000/- . . . . Between 1939 and 1949 as many as 588 banks had failed in the various states." And the amount of deposits lost was colossal. The situation was thus so serious that it called for drastic remedies. The result was the enactment of the Banking Companies Act and the organisation of a machinery for the systematic and periodical inspection of all banking companies in the country. Nevertheless, it is pertinent to ask why in these circumstances the deposit insurance scheme was not introduced by the Reserve Bank in spite of the recommendation of the Rural Banking Enquiry Committee and the Shroff Committee to that effect. The price for this negligence has already been paid in the form of huge loss of hard-earned money by a large number of depositors. Had the scheme been accorded, earlier, the fair trial that it deserved, then the unfortunate episode of the Palai Bank failure and the consequent hardship caused to the mass of depositors would have been avoided.

There is an excellent discussion of the causes of inflation, devaluation of the rupee, revival of monetary policy, the Bank rate technique, selective credit control and deficit financing in Chapter 2. The most interesting section in the chapter is the one which analyses the reasons why no change in the Bank rate was made in the series of measures announced in March, 1960. In order to consider the impact of Bank rate changes on the business and developmental activity of the country, the author has divided the economy into three separate sections viz, the public sector, the private sector (including the agricultural sector) and the trading sector.

Bank Rate and Public Expenditure

As for the public sector, the author says that an upward change in the Bank rate will increase the cost of government borrowing and this, he thinks, is not desirable in view of the need to raise enormous sums of money for the Plan. If the aim of a higher bank rate is to discourage spending in the public sector, he emphasises that "the obvious and simple remedy would be to adopt a more modest programme of expenditure .... Expenditure . . . can be more easily curtailed by administrative decisions with relatively quick results." Regarding the private sector, the author points out that "when we are attempting to stimulate production in this sector, it would hardly be desirable to raise the rates of interest for business advances and for loans to agriculturists for purchase of pumps etc, and other agricultural improvements." On the trading sector, alone, the author thinks, the Bank rate can be more effectively applied in order to control the rising prices occasioned by the speculative hoarding of stocks, but he believes that the purpose can be served better by selective credit control and efficient inspection without changing the Bank rate.

These arguments, however, are not on all fours. For, the increased cost of government borrowing, which a higher bank rate will involve, is found to be not so high as is made out. Further, whatever be the level of Bank rate, the Reserve Bank, as a matter of policy, is always willing to lend to agriculturists through co-operative banks at a concessional rate of 1½-2% below Bank rate for all essential agricultural purposes. This apart, even without a rise in the Bank rate, the cost of borrowing in the money market has a already reached an all time high, owing to the penal rates charged on borrowings from the Reserve Bank. Besides, the banks have steadily unloaded their Government securities since August last to meet the heavy pressure of demand for bank credit arising from the acute stringency in the money market. These undoubtedly indicate that Bank rate has remained the same only on paper but not in reality.

Of course, one cannot be categorical in arguing out a clear-cut case for a rise in the Bank rate nor for successful use of selective credit control in the current Indian context. Because, as the author himself has very correctly pointed out, "the Bank rate and credit squeeze mechanism can only be effective when speculators hoard stocks with the help of bank advances. There is a vast amount of business activity in India outside the banking field, and hoarding can still go on with advances from non-banking sources. Even when the mechanism is effective, its effect

can only be temporary. It can be no substitute for fiscal and disinflationary measures designed to produce a balanced economy..... The part which the Reserve Bank can play in the campaign against inflation is therefore very limited under present conditions in India. It can advise government, but it has very little control over the basic causes of inflation."

The role of the Reserve Bank in the field of agricultural and industrial finance is the theme of the third chapter. The author is vehemently critical of the undue stress laid on cooperative farming in the Nagpur Resolution. Most of the arguments that he has advanced against its adoption, however, have become stale, as the emphasis is now on service cooperatives rather than on cooperative farming.

The book carries two appendices, one on the Banking Companies (Second Amendment) Act, 1960, and another on the credit control measures taken by the Reserve Bank in March and May 1960. The author could have made the book a little more up-to-date by incorporating a reference to the introduction of the three-tier penal rate system on October 1, 1960, about which an announcement was made by the Reserve Bank as early as the third week of September 1960. It is not correct to say that the selective credit squeeze was used for the first time in 1956 (p 54). In fact, it has been applied before on various occasions though not as regularly and systematically as since 1956.

I M F Assistance to Chile

THE Government of Chile has obtained the approval of the International Monetary Fund for an immediate drawing of Argentine pesos amounting to $ 16 million, and a stand-by arrangement authorizing additional drawings up to the equivalent of $ 75 million over the next twelve months in currencies held by the Fund. The resources provided by the Fund are to be supplemented by additional financial support amounting to $ 30 million from the United States Government and $ 30 million from a group of private banks.

The stand-by arrangement is intended to help the Chilean Government maintain its programme of economic stabilization despite the financial difficulties created by the earthquakes of last May, and uncertain prospects for the world price of copper, Chile's principal export commodity. The Government's programme is based on cautious credit policies and on plans to reduce its budgetary deficit, which is to be financed by non-inflationary methods. The exchange system is to be maintained free of restrictions with the exchange rate permitted to fluctuate in response to fundamental market forces. The stand-by arrangement with the Fund may be used by the Chilean Government for purposes consistent with these policies.

Chile's drawing of Argentine pesos is the first to be made from the Fund in a Latin American currency. It is to be used in partial settlement of a balance amounting to $32 million in favor of Argentina which has accumulated under a bilateral trade and payments arrangement between the two countries. The arrangement has been terminated as of January 31, 1961. Payments between Chile and Argentina will no longer be subject to restrictions, and will be conducted on a convertible currency basis. The Chilean Government plans to terminate other bilateral payments agreements as soon as conditions permit.

INTERNATIONAL STUDIES

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Proposal for a Punjabi University

Baldev Singh

The main proposal of the Report of the Punjabi University Commission seems to have been accepted.

The Chief Minister of Punjab, in a speech made at Damdama Saheb recently, is reported to have said that the University could not start functioning this side of eighteen months because the text-books will have to be translated from other languages into Punjabi before Punjabi is adopted as a medium of instruction. The Punjabi University can, then, be started within a couple of years.

It is a decision which Punjab should welcome because it is one of the important steps to undo the effects of certain historical factors from which their language has suffered, despite a rich pre-British literature.

THE three religious communities of the undivided Punjab, the Muslim, Sikh and Hindu, each developed a different tradition of literature. All secular writing till the coming of the British which mainly consisted of 'qissas', i e, poetical romances, were written almost exclusively by Muslim poets. It is notable, particularly in the context of the present wranglings over the language, that even the court poet of Maharaja Ranjit Singh, Hashim, was a Muslim and so also was Shah Mohammad the inspiring chronicler of the last battle of the Sikhs with the British.

The Sikhs and the Hindus usually wrote only on religious subjects. The Sikhs about their newly founded religion by Guru Nanak and the Hindus followed the tradition of poetic glorification of the lives of the pious and the just, such as, Puran Bhagat and Raja Rasalu. Muslim religious poetry followed the erotic symbolism and conventions of the Persian verse of the Sufis.

This division of themes was further intensified by the use of different scripts by different communities for writing the same language. The Muslim writers used the Persian script and the Sikhs used Gurmukhi and the Hindus either Devnagri or the Persian script. The Gurmukhi script, which as its name denotes, was developed by the Sikh gurus thus remained the script of a religion. Even today in the language controversy of the Punjab, emotions are more deeply involved on the question of the Gurmukhi script than the Punjabi speech, because the script had been exclusively used by the Sikhs hitherto and was now being accepted as an overall regional script.

Urdu as State Language

After the coming of the British, Urdu was introduced as the court language in the Punjab along with many other Northern Provinces. Thereby Urdu also became the medium of instruction for primary education. The 'landa' which literally means 'taleless' was a local shorthand script used for book keeping by the Hindu businessmen, and it could not be used for general correspondence. Thus a working knowledge of Gurmukhi or Hindi was acquired by the Punjabis only for the purpose of religious education and usually by the women folk of middle class families. It was a common practice for the majority of literate people in the Punjab to write to their male relations in Urdu and to the female ones in either Gurmukhi or Hindi.

In the colleges of Punjab most of the students took Persian as their compulsory classical language. Even in institutions supported by religious denominations of the Hindus, Sanskrit was studied by a small minority. This illustrates the importance of a State's acceptance of a language as its official medium. In the undivided Punjab which had a Muslim majority, despite the fact that every one conversed at home in the Punjabi language all instruction and communication was in Urdu. Some prominent Muslim leaders were fond of the Punjabi language and even wrote in it, but there was no major work of literature contributed by the community in post-British era, compared to which there were many outstanding works in the Punjabi language contributed by Sikhs who were in a considerable minority.

Iqbal, one of the greatest literary talents produced during the twentieth century in India, had excellent command of his mother tongue to judge from some of his famous puns and humorous remarks but he did not compose a single line in the language which he spoke so well. The approach of the Muslim community could be described in the two words which they used for the Urdu and Punjabi languages on the political platforms of the then dominating Unionist Party, Urdu was the 'Poshaki' the formal dress speech of Punjab and Punjabi, the 'qhoraki', so to speak the 'negligee'.

Punjabi *vs* Hindi

Now that the Muslim community with its political bias in favour of Urdu language is no more there in the Punjab, the controversy narrows down to Punjabi and Hindi. Although Punjab has given some of the best writers to other languages, to name a few, Yashpal and Aggayan to Hindi, Krishan Chander and Sahir Ludhianavi to Urdu and Mulk Raj Anand to English, there is only one non-Sikh contemporary writer in Punjabi of their standing.

The Eastern part of Punjab is Hindi-speaking and, therefore, has an understandable opposition to the acceptance of Punjabi as the supreme regional language when their own speech is part of the Rashtrabhasha. The one aspect of Punjabi which would bring these Hindi-speaking areas closer to the Punjabi speaking ones has not been stressed even in the Report and the proposals of this Committee. It is the consanguinity of the Punjabi language to other languages of the Hindi group. The Punjabi language draws from the Upbhransha of Sanskrit, as much as the other languages of the Hindi group. The scriptures of Sikh religion are written mainly in a language which differs from the Braj Bhasha to no greater extent than, say, Maithili,

Bundehlkhandi or Rajasthani Hindi. The writings of Guru Gobind Singh follow the literary Hindi of the period not only in prosody and diction but also in theme, despite the ideological breach of Sikhism with Brahmanism. Guru Gobind Singh versified many Puranic stories. The Punjabi University should have been planned to stress these aspects of their language and literature.

Comparative Study of Related Languages

Instead of or in addition to the departments of Dravidian studies which are not so closely related to Punjabi, the proposal should have been for a department of comparative studies of other languages of the Prakrit group. There is a very great need for such work specially in post-British literatures which have developed on the same pattern in all the regions. How close in outlook and purpose are, for instance, the three great Indian poets of this century — Rabindranath Tagore, Iqbal and Bhai Vir Singh — although each wrote in a different language. All the three of them championed their own religious and cultural traditions through a modern restatement. Although the sensibility of each was deeply influenced by the West they all decried Western civilization for its materialism and preached the superiority of India's inherent spirituality. A department devoted to the study of such inter-relations of regional literatures rather than their isolation, would not only widen cultural understanding but also contribute to national unity.

There is yet another aspect of the Punjabi language that calls for attention. The development of regional literatures is limited by the extremely low percentage of literacy in the country, but it does not mean that the large regional communities were living without a well developed spoken literature. There flourished in each region an indigenous literature in the form of ballads, ceremonial songs, anecdotes and proverbs, which are not recorded. Actually, this spoken literature should be richer than the written one in a community which has to depend so much on the spoken word for all its cultural requirements. For instance, Punjabi folk music is being served after a rehash through the cinema. It would have been commendable work for any University to have preserved the originals and studied them. There should be, therefore, a special department for the collection and classification of folk literature and music etc. This is a greater need than, say, the department for the pedagogy of drama as proposed by the Commission.

Utilisation of Foreign Assistance

THE total amount of authorised external assistance in the form of loans and grants, both in the public and private sectors, upto March 31, 1961 was Rs 1857.68 and Rs 652.82 crores respectively.

At the end of the Second Plan period Rs 1030.29 crores had been utilised out of the authorised loan of Rs 1857.68 crores. The carry forward to the Third Plan is Rs 827.39 crores.

The authorised loan comprised of Rs 1604.11 crores in foreign currencies and Rs 253.57 crores in rupees. At the end of the Second Plan period out of the amount utilised Rs 936.59 crores was in foreign currencies and Rs 93.70 crores in rupees, leaving a carryover of Rs 667.52 crores in foreign currencies and Rs 159.87 in rupees.

The authorised amount of grants totalled Rs 652.82 crores upto the end of March 1961. Out of this Rs 234.95 crores had been spent by the end of the Second Plan period, leaving a carryover for the Third Plan on April 1 1961 of Rs 417.87 crores.

The authorised amount of grants comprised of Rs 395.96 crores in rupees and Rs 256.86 crores in foreign currencies. Out of the amount utilised Rs 5.08 crores was in rupees and Rs 229.87 crores in foreign currencies, leaving a carryover of Rs 390.88 crores in rupees and Rs 26.99 crores in foreign currencies.

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An Analysis of Central Government Expenditure

I S Gulati

IN a year when substantial additions are proposed in taxation, attention is bound to concentrate on the pros and cons of the various tax proposals. But taxes are only a means to an end, the end being the expenditure of the Government. The purely fiscal policy objectives apart, taxes are levied and additions to them are proposed and justified on the score that so much more of useful or necessary expenditure has got to be incurred by the Government. It is, therefore, necessary that the expenditure proposed to be incurred should be carefully scrutinised by the legislators and the public alike. Of course, there are independent reasons for such a scrutiny; that is to say, a scrutiny of Government expenditure is necessary even though the expenditure proposals are not accompanied by proposals for fresh taxation. Such a scrutiny should ensure that whatever expenditure is incurred is distributed over various items in such a manner as to secure the maximum social good in the sense that if various items of Government expenditure could be arranged in one order of social priorities, first things should come first and not last; otherwise, Government expenditures are not being wisely spent. All this is meant to emphasise the importance of exercising the utmost vigil in so far as the Government's expenditure proposals are concerned.

Let us now examine how the expenditures of the Central Government of India have been increasing over the past decade or so and how the increases that have taken place over this period been distributed and whether this distribution conforms to the broad scheme of social priorities. It is proposed to confine our present analysis to the Central Government's expenditure on revenue account.

Broad Classification

Table 1 analyses the expenditure on revenue account for the period 1950-51 to 1961-62 under six main heads : Defence Services, Administrative Services, Social and Developmental Services, Debt Services, Miscellaneous, and Contributions to States. Our classification follows broadly the pattern introduced as from 1961-62. Uptil now, civil expenditure was shown under the group head 'Civil Administration'. This, as the Finance Minister rightly pointed out in his Budget Speech, "is somewhat misleading", because "the budget in its present form does not indicate separately the expenditure incurred by Government on its administrative activities and on social and developmental activities". To remedy this defect, it has been decided to split the group head 'Civil Administration' into two : Administrative Services and Social and Developmental Services. This division has been adopted by us but for a minor change in that we have included expenditure on 'Forests' and 'Famine' under 'Social and Developmental Services'. Certain changes have also been introduced

Table 1 : Central Government's Expenditure on Revenue Account

1950-51 to 1961-62 (Rs Crores)

	Defence Services	Administrative Services	Social and Developmental Services (ii)	Debt Services (iv)	Miscellaneous (v)	Contributions to States (vii)	Total
50-51	164	21	29	37	60+ 7	16	334
51-52	171	24	31	39	73+11	17	366
52-53	179	23	30	37	57+10	23	359
53-54	186	27	38	41	41+12	26	371
54-55	187	31	46	40	39+15	30	387
55-56	172	34	62	43	68+10	36	425
56-57	192	38	86	39	63+10	28	457
57-58	257	42	129	42	87+12	46	614
58-59	251	48	149	49	99+14	46	656
59-60	231	52	178	69	116+21	49	716
60-61 (Revised)	267	62	203	72	155+29	52	840
61-62 (Budget)	283	63 (i)	269 (iii)	82	148+11 (vi)	48 (viii)	905
Percentage Increase over 1950-1951	72.5	200	827	120	137	200	200

Source : Annexures I to VII to the Explanatory Memorandum on the Budget of the Central Government for 1961-62

NOTES : (i) Includes grants (Rs 5 crores) to States for Administrative Services which were previously shown under respective administrative heads but are shown in the 1961-62 Budget under 'Contributions and Miscellaneous Adjustments'.

(ii) Includes expenditure on 'Forests' and 'Famine'.

(iii) Includes grants (Rs 92 crores) to States for Social and Developmental Services which were previously shown under respective expenditure heads but are shown in 1961-62 Budget under 'Contributions and Miscellaneous Adjustments'.

(iv) Includes appropriation for reduction and avoidance of debt which has stayed put at the annual figure of Rs 5 crores from 1950-51 to 1961-62 (B E).

(v) Includes 'Civil Works' and 'Extraordinary Items'.

(vi) Includes grants (Rs 65 crores) to States which were previously routed through the head 'Miscellaneous' but are shown in the Budget for 1961-62 under 'Contributions and Miscellaneous Adjustments'.

(vii) Covers only statutory grants to the States.

(viii) Excludes grants to States which though shown in the Budget under 'Contributions and Miscellaneous Adjustments' have for purposes of comparison with the earlier years, been shown under respective heads of expenditure.

from the new year by the Government regarding the type of expenditure to be shown under the group head 'Miscellaneous'. These changes are to the good, because from next year onwards, only expenditure which is otherwise difficult to classify will be accommodated under this head. But in the table given by us, we follow the old pattern in order to maintain comparability of the 1961-62 Budget Estimates with the Actuals or Estimates of the previous years. Other minor departures made by us in drawing up the table are explained in the foot-notes.

It can be observed from the table that the overall increase in the expenditure on revenue account between 1950-51 and 1961-62 has been of the order of 200 per cent. Interestingly enough, the increase in the expenditure on Defence Services has been the lowest at 72.5 per cent, followed by Debt Services which registered an increase of 120 per cent and Miscellaneous under which the increase was 137 per cent. The increase with respect to Administrative Services was 200 per cent, the same as for the Centre's Contribution to the States in the form of statutory grants-in-aid of revenue.

Defence Expenditure

While in absolute terms the expenditure on Defence Services might look quite substantial (it stands at Rs 283 crores for 1961-62 B E), it is significant that the increase in Defence expenditure has been the lowest — a fact which has both a disquieting and an encouraging aspect. The fact that between 1957-58 and 1960-61 (B E) the outlay on defence went up by Rs 10 crores only although it is during this very period that we faced the most serious threat to our Northern borders, makes one suspect that enough is not being done to strengthen the country's defences. The increase in Defence expenditure in 1961-62 is explained largely in terms of the upward revision of the pay-scales of the Defence personnel. In fact, keeping in view the fact that prices have risen in the past 10 years by nearly 25 per cent, the real rise in Defence expenditure in the last decade has been much lower than 72.5 per cent. One must not overlook the encouraging aspect, however. The very fact that expenditure on Defence has not increased sharply should have enabled the Government to spend so much more on Developmental Services. The outlay on the latter could not have been stepped up at the current rate if the demands of Defence had not been held in check. The question that arises again and again in one's mind is whether we are not over-economising on Defence; for, if our defences are not strong, all the gains on the social and developmental side may be wiped out in a day.

Debt Services

The increase in Debt Services by 200 per cent can be explained in terms of the increase in the interest-bearing obligations of the Central Government by about the same percentage. It should be added that income-yielding assets held against the outstanding debt of the Central Government comprise a much higher percentage in 1961-62 than they did in 1951-52. The percentage was 68 in 1951-52 and it is likely to be 81 in 1961-62, which means that nearly 90 per cent of the loans contracted during the last decade were utilised for the creation of income-yielding assets. Table 2 summarises the Debt position of the Central Government.

Social and Developmental Services

Now, we come to the expenditure on Social and Developmental Services which has recorded a phenomenal increase of over 800 per cent in the period under review. The expenditure on these Services was a mere Rs 29 crores in 1950-51 which was about one-sixth of the expenditure then incurred on Defence Services and it has now risen to the figure of Rs 269 crores which is very close to the Defence estimates of Rs 283 crores. The heads accounting for the increase in order of magnitude are : Industries, Education, Scientific Department, Agriculture, Public Health and Medicine. The increase under Industries and Education together accounts for 54 per cent of the total increase in expenditure on Social and Developmental Services. Table 3 gives details of expenditure on these Services for the period 1950-51 to 1960-61. The figures for 1961-62 are left out because, consequent on the change made in the recording of development grants to States which were previously shown under respective expenditure heads but are shown in 1961-62 Estimates under the head 'Contributions and Miscellaneous Adjustments', they are not comparable with the figures for the earlier years.

Assistance to States

The increase of 200 per cent shown with respect to 'Contributions to States' does not really tell the whole story. This head accommodated only statutory grants-in-aid until 1960-61. Only from the year 1961-62 it has been decided to show all grants (statutory and non-statutory) under one head. But if we take all Central grants into account, the increase has been of the order of nearly 600 per cent — an order of increase which comes next only to that recorded for Social and Developmental Services. In fact, a large part of the increase on the latter is itself explained by the increase of the former, because the Centre's direct expenditure on these Services is relatively small.

Administrative Services

Finally, we come to Administrative Services and the increase in expenditure on these Services. The increase of 200 per cent is by itself quite substantial but compared to increase on Social and Developmental Services it is moderate. It is quite common and even fashionable to object to any increase in expenditure on Administrative Services. It is forgotten that a certain amount of increase in this expenditure is necessary and even inevitable in a society where population is expanding and the Government takes on itself an ever-increasing number of welfare and developmental functions. Still one might object to an increase of the above order on purely Administrative Services.

The distribution of the expenditure on different administrative heads is given in Table 4. It will be observed that, of the increase of Rs 40 crores in the Administrative

Table 2 : Debt Position of the Government of India

(Rs Crores)

	1951-52	1955-56	1960-61	1961-62
Interest-Bearing Obligations	2,620	3,312	6,281	7,110
Interest-Yielding Assets	1,781	2,468	5,090	5,726
Assets as % of Obligations	68	75	81	81

expenditure of the Central Government, the maximum increase took place on Tribal Areas. Part at least of the expenditure under this head is of social and developmental nature. As from 1961-62, no expenditure is shown under this head. Provision for Tribal Areas made under the respective heads to which expenditure relates and the Administrative heads (General Administration and Police) account for Rs 9.9 crores on this account. Next to Tribal Areas is Police which accounts for Rs 9.7 crores of the increase. If the increase in Police expenditure in Tribal Areas were added to it, the increase over the period under review should be around Rs 16 crores (i e, 40 per cent of the total increase). It is interesting to note that Central expenditure on Police has increased by over 300 per cent. How much of this increase can be explained in terms of reinforcement of border patrols is a matter of guesswork. It is hoped that this large increase in Police expenditure is not accounted for by internal law and order situation. It would be a sad commentary on the political stability of the country if we have to provide for larger increases on internal Police than on external defence. As regards General Administration, the increase of Rs 8.1 crores works out to a percentage increase of only 100 which perhaps was unavoidable.

The items coming next are External Affairs, the head which registered an increase of Rs 6.7 crores and Audit, the head which accounted for an increase of Rs 5 crores. It is very difficult to find fault with increases under these two heads on general grounds though one may

Table 3 : Expenditure on Social and Developmental Services

(Rs Crores)

	Ports and Pilotage	Mercantile Marine	Lighthouses and Lightships	Scientific Deptts	Education	Medical	Public Health	Agriculture	Rural Development	Animal Husbandry	Co-operation	Industries and Supplies	Capital outlay on industrial development from Revenue	Aviation	Broadcasting	Miscellaneous Deptts.	Total
1950-51	63	....	12	4,35	3,23	1,32	68	2,33	2	32	3	6,55	2,89	1,72	3,31	27,50	
1951-52	72	....	16	5,18	4,08	1,51	80	2,21	2	32	4	6,09	2,66	1,95	3,84	29,58	
1952-53	83	....	20	6,24	3,32	72	69	2,22	—	30	1	5,48	2,72	1,92	3,76	28,41	
1953-54	77	....	19	6,80	4,30	74	87	2,34	....	34	1	12,38	2,39	2,09	4,21	37,43	
1954-55	80	....	23	7,60	9,43	1,23	1,51	3,29	1	34	1	11,61	2,44	2,26	3,73	44,49	
1955-56	89	....	35	8,92	14,23	1,46	2,36	6,57	30	51	6	13,76	2,53	2,68	5,89	60,51	
1956-57	80	....	45	11,33	19,44	2,87	3,65	7,46	48	93	74	20,93	2,79	3,18	9,18	84,23	
1957-58	79	....	17	13,23	20,98	4,52	8,69	10,61	72	95	99	47,05	2,89	3,45	10,96	1,26,00	
1958-59	20	56	57	16,44	27,89	5,64	7,77	12,37	88	1,15	1,86	49,29	3,15	3,91	13,71	1,45,39	
1959-60	46	64	63	19,72	36,69	6,68	8,06	13,85	86	2,13	2,51	53,11	9,03	4,20	15,40	1,73,97	
1960-61 (Revised)	40	68	80	23,08	44,16	8,28	10,44	14,37	1,00	2,77	3,40	60,08	5	3,71	4,42	20,88	1,98,52
Increase (+) or Decrease (—) over 1950-51	—23	+68	+68	+18,73	+40,93	+6,96	+9,76	+12,04	+98	+2,45	+3,37	+53,43	+5	82	2,70	+17,57	+1,71,02

Source : Annexure VII, Explanatory Memorandum on the Budget of the Central Government for 1961-62'

Table 4 : Expenditure on "Administrative Services"

(Rs Lakhs)

	General Administration	Audit	Administration of Justice	Jails	Police	External Affairs	Tribal Areas	Total
1950-51	8,89	3,52	45	19	3,04	3,65	1,56	21,30
1951-52	9,94	4,01	42	20	3,80	3,98	1,74	24,09
1952-53	9,45	4,37	17	5	2,91	4,19	2,16	23,30
1953-54	10,96	4,81	18	4	3,16	4,56	3,03	26,74
1954-55	11,69	5,32	22	4	4,10	5,44	3,81	30,62
1955-56	12,70	5,45	21	4	4,17	5,99	5,01	33,57
1956-57	14,06	5,99	26	8	6,58	6,91	4,18	38,06
1957-58	14,74	6,47	39	13	7,81	7,00	5,46	42,00
1958-59	16,21	7,05	42	14	7,23	7,44	9,61	48,10
1959-60	15,75	7,51	45	16	8,61	8,91	10,65	52,04
1960-61 (Revised)	17,03	8,53	52	19	12,74	10,37	12,15	61,53
Increase (+) over 1950-51	8,14	5,01	7	—	9,70	6,72	10,59	40,23

Source : Annexure VI, Explanatory Memorandum on the Budget of the Central Government for 1961-62

still be in a position to object to details especially of External Affairs because it is common knowledge that all is not too well with our foreign service.

Summing Up

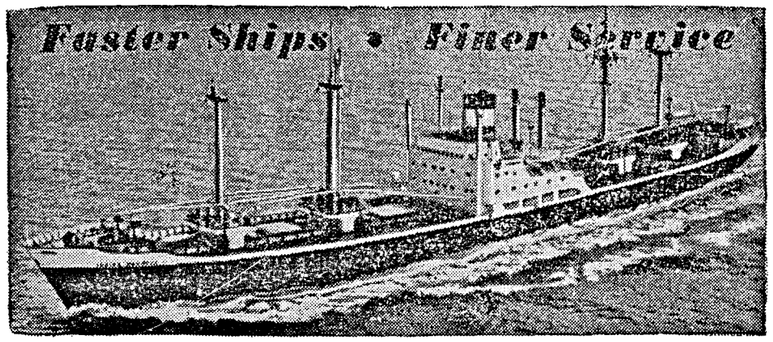
In conclusion, one may say that the broad pattern of increase in the revenue expenditure of the Central Government follows the current accent on Social and Developmental Services, although it is felt that more should have been set apart for Defence Services but not necessarily at the expense of the Social and Developmental expenditure. Possibly, the increase under administrative Services could have been more restrained, say not beyond 100 per cent. This could have meant a saving of Rs 21 crores per year, a sum which is quite substantial remembering once again that over the past four years the Defence expenditure rose by only Rs 10 crores.

World Tea Industry

WORLD tea markets enjoyed remarkably stable conditions in 1960. Production remained very near the level of the two preceding years and world trade is likely to have expanded only slightly over that of 1959. Unlike the prices of a number of other agricultural commodities, tea prices in 1960 were firm and somewhat above the level of 1959. The quality of 1960 production was not outstanding, but prices were supported by strong domestic demand and, in the first half of the year, by the small decline in output. Consumption in producing countries is becoming a market factor of increasing weight and has been instrumental in the past years in preventing stocks of more than working size from accumulating in Far Eastern countries. Unless the drought of 1960 has done more lasting damage to young plantings than can at present be ascertained, the outlook for the current year is for a moderate rise in production in all growing regions and for higher consumption in Africa and Asia.

World output of tea — excluding Mainland China and the U S S R —is estimated in 1960 at around 760,000 tons, very little different from the production of the two previous years. The prolonged and severe drought which occurred in Northern Indian and Pakistani tea-growing areas in the first half of the year substantially affected production. The outturn in Northern India was probably reduced by about 15,000 tons, or 6 per cent, from the level of two preceding years and, although there was a small increase in Southern India, total Indian production will remain somewhat below that of 1958 and 1959. Output in Pakistan declined probably by more than 20 per cent, and a slight reduction is expected in tea production in Japan. These shortfalls, amounting to a total of some 15,000 to 20,000 tons, will have been partly offset, however, by larger output in Ceylon and to a lesser extent, Indonesia and total Asian production is likely to remain only about 10,000 tons, or 1 per cent, below the two preceding years.

As for the Soviet bloc countries, a record harvest of green leaves, equivalent to 35,000 to 40,000 tons of made tea, is reported from the U S S R. On the other hand, trade reports indicate that Mainland China's tea crop has suffered severely from adverse weather and may remain substantially below the 1959 figure of 151,000 tons.



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Form and Substance in Indian Politics — I

Union and State Relations-2

Rajni Kothari

There is no necessary relation between the autonomy of the States and the actual exercise of power by the people. The latter depends not so much on the size of the governed units as on the quality of government. Neither is the degree of centralisation determined by the nature of relations between the Union and the States.

Horizontal division of political authority is no substitute for vertical diffusion of political power. To plead for greater autonomy for the States is not necessarily to plead for greater democracy. Similarly, those who advocate more powers for the Centre base their argument on a misunderstanding of the substantive nature of the political process. For, the political structure that has emerged is neither federal nor unitary, in terms of territorial jurisdiction. It has assumed quite different forms.

[This is the concluding part of the first article in the series.]

THE assumptions underlying a federal system of government can now be examined. It is assumed, first, that the division of powers between the Centre and the States makes for "local autonomy"; second, that such a division of powers and the autonomy to which it gives rise constitute federalism; third, that federalism implies a weak Centre and strong States, thus making for "decentralisation" of authority[1] and, finally, that such an arrangement constitutes the true realisation of democracy. In what follows each of these assumptions is examined.

It is clear that the ultimate concern is for democracy, the other ideas of "federalism", "local autonomy", and "decentralisation" being derivatives of this principal assumption. We may, therefore, first examine the assumption that federation is the true realisation of democracy.

The concept of democracy is a very simple one although different historical associations have given rise to different interpretations of the mode in which democracy can be achieved. Thus, at different times and places, democracy has been conceived of as "rule by the people", "rule by the multitude", "rule by the representatives of the people", "majority rule", "rule by the consent of the people", "rule by direct participation of the people" etc. Underlying these formal definitions, there is, however, a basic and essential sense in which democracy can be understood. Freedom of the individual is the starting point of democracy[2]. The degree of freedom associated with a social system is measured by the actual scope it offers to individuals for their self-fulfilment.

In the political sphere, the idea of democracy, it follows, is realised in so far as the individual finds scope for participation in the political process. It bases political authority on the will of individuals who co-operate to make decisions that are binding on all. The state is thus not a superior institution; it is merely another social form whose sole justification lies in the needs of individuals. The authority of the state, under such a conception does not derive from any mechanical arrangements but from the will of individuals participating in the process of government. The citizen's political obligation is similarly based not on any hypothetical contract embodied in a Constitution, binding for all time, but on the prevailing "consensus" that is the only basis of such a contract[3], a consensus (often termed "public opinion") which becomes the "operative criticism" of existing institutions and formal arrangements. The latter are relevant only in so far as they give a practical shape to democracy. Otherwise, there is nothing sacrosanct about them.

Philosophical Federalism

Coming to the idea of federalism itself, the first point to note is that it may mean more than one thing. Federalism as commonly understood refers to the constitutional union of states which are otherwise distinct from each other in one or more respects and which, even after the formation of the union, maintain a good deal of independence. In other words, the federalism implies the division of powers between the union and the state governments, each autonomous within its own sphere[4]. The precise division of powers is set out in a written constitution. Federalism in this sense is a compromise—or reconciliation—between national unity and certain common objectives of the people as a whole on the one hand, and local autonomy and cultural and linguistic diversities on the other[5]. To invoke a popular cliche, it is a unity without uniformity. I shall refer to this concept of federalism as 'constitutional federalism'.

There is, however, a more fundamental sense in which the idea of federalism has been understood. Harold Laski's only original contribution in the field of political ideas pertains to this concept of federalism[6]. According to it, authority is, or should be, federal. The federal nature of Governmental authority follows from a distinctive characteristic of modern times, viz, society is itself essentially federal in nature[7]. This is the pluralist concept of federalism and although it is also the ultimate justification for constitutional federalism, the two are quite distinct. It involves a theory of the proper relation between the individual, the social group and political authority. We may call it the 'philosophical theory of federalism' as distinct from constitutional federalism.

Viewed in this basic sense, federalism involves the substantive aspect of any democracy functioning properly. The substantive process of democracy consists not merely in the functioning of parliamentary institutions but also in the manner in which decisions are reached in consultation with a wide array of interest groups and voluntary organisations before they are brought up in the form of legislative proposals for ratification by parliament. To the extent to which voluntary associa-

tions are autonomous, authority can be said to be federal. It has been rightly observed that the health of a democracy depends on the extent to which autonomous and self-governing organisation — territorial professional and "functional"[8] — add the flesh to the bones of a constitutional fabric and thus make for a wide diffusion of power in society and provide effective channels of participation in the decision-making process, channels that link up the people with the wider democratic framework[9].

There is, then, a fundamental affinity between the philosophical idea of federalism and democracy. The concept of a wide dispersal of power underlies both ideas. It does not, however, follow that constitutional federalism is the best means to achieve dispersal of power. Constitutional federalism does not by itself guarantee diffusion of power *within* States and it may well be that the politial leadership at the national level is more awake to the need for diffusion than leadership at the State level. More important, *territorial* autonomy does not exhaust the idea of federalism even if the principle is carried right down to the village. How far "local self-governing institutions" (of the territorial type) become truly self-governing depends upon the strength and vitality of voluntary associations and on the extent to which the habit of self-government and the spirit of give-and-take can be inculcated in them. Even a Panchayat Raj that ignores this aspect of democracy would be a poor substitute for a unitary and centralised polity where these traditions have become operative in the working of voluntary associations. And if a Panchayat Raj does not lead to democracy, constitutional federalism is even less likely to. The distinction drawn here between the constitutional idea of federalism (the theme of Centre-State relations) and the philosophical idea of federalism (the proper theme of democracy) is, therefore, crucial, for any theoretical formulation on federalism. It is still more crucial, of course, for an adequate understanding of the substantive political structure as it obtains in any country.

How far does such a conception of democracy and federalism accord with the ideas of "local autonomy" and "decentralisation" as the latter are understood by the proponents of constitutional federalism? Now, there is no doubt that democracy as understood here implies both local autonomy and decentralisation of power (the latter term is not very tasteful for a democrat : he would prefer "diffusion"; decentralisation, however, can be conceived as a process rather than a form, a process which leads to diffusion). The question is: whose autonomy? And what type of decentralisation?

Federalism and Democracy

In a federal structure of government, the States or provinces are autonomous; decentralisation of functions is also from the Centre to the States: the two ideas coincide. To what extent then does autonomy as envisaged in a federal constitution, namely provincial autonomy, give rise to democratic procedures and practices? In other words, how far does the separate and independent exercise of authority by the State governments encourage and foster (1) individual freedom and (2) popular participation?

The extent of individual freedom depends on several factors, chief among them being the extent of cohesion achieved by the political community, the nature of plurality that underlies such a unity, the extent to which traditions of tolerance and give-and-take have taken root through a process of persuasion, discussion and compromise and the extent of effective control of the common citizenry over those in power.

Now, if we take the States in India as the operative political communities (on the principle of constitutional federalism), it is clear that none of these conditions is fulfilled. Factionalism within the ruling parties in the States, sectional loyalties and personal rivalries hamper unity even within the State (leaving apart the larger question of the unity of the country as a whole). The plurality that exists is also made up more of exclusive groupings rather than of "associations",[10] each performing an important function for the individuals comprising it and all together providing so many channels for the development of natural leadership among the people. Traditions of tolerance are, of course, not wholly absent. There is often a vigorous press and there is enough scope for discussion. What is disturbing is the excessive formalism of such discussion, the negligible influence of public opinion on government policy with attandant frustrations and the fact that many of the popular "freedoms" are available to the people because of, rather than in spite of, the exercise of the Central government's powers. In any case, the spirit of compromise is less evident in the states except when electoral prospects are at stake; and very often the Congress High Command or a Central Ministry becomes the court of appeal where solutions acceptable to the factions are worked out.

The effectiveness of control wielded by the people over those in power is not greater at the State level compared to the Centre. Control is largely exercised by a legitimised elite which is subtly united by common ties of education, social status, political acceptability and economic resourcefulness. To the extent to which the elite is itself divided among factions, there is scope for compromise and therefore for indirect control.

It is then difficult to establish that greater provincial autonomy would in any sense be more conducive to individual freedom than the existing system. On the contrary, it is possible to argue that pressures exerted on the State governments by local politicians have been mainly responsible for frustrating progressive policies. The lesser leaders in the States are, on the whole, undoubtedly more opportunistic in the exercise of power. Besides, most of the liberal and power-dispersing policies are initiated by the Centre or adopted by the States at its direction. It is not my intention here to judge *between* the Centre and the States, but to show that the democratic process cannot be understood within the rigid framework of constitutional federalism.

Centralised Decentralisation

The same arguments apply to the other criterion of democracy noted above, namely the extent to which popular participation is allowed in the decision-making process. No proof is needed to show that on the whole such participation is as yet confined to the right to cast a vote. At the same time, there is in this country a powerful movement for increasing people's participation in

running the affairs of the State. Proposals for "democratic decentralisation," the expansion of the Community Development Programme and the encouragement of voluntary agencies in carrying out educational and developmental activity are evidences of the trend. What is remarkable in each of these movements, however, is that the initiative has largely come from the Congress High Command, the Planning Commission and the Central Ministries. Some States have, of course, availed of the opportunity more than others (though passing a Panchayat Act is not necessarily a sign of greater awakening). On the whole, however, both the inspiration for decentralisation (as in the adoption of the Mehta Committee Report) and the argument for greater flexibility and room for local variations (as in the Community Development Administration) have come from New Delhi.

All this shows that there is no necessary relation between the autonomy of the States and democracy. In many countries, especially in the United States and Switzerland, local autonomy has added enormously to the vitality of democracy. But it need not necessarily be the case. Even in the United States the problem of civil rights for the Negroes has brought out that it is the Federal Government, backed by the authority of the Supreme Court, that has supported the cause of freedom. The question is far more complicated in a country like India which differs from the United States in so many respects: the tradition of authoritarianism, the structure of the party system, the absence of the habit of voluntary effort and the persistence of ascriptive group behaviour. Under such conditions, the realisation of the objectives of democracy depends not on the size of the governed unit but on the quality of government. Centralisation is not necessarily a function of Union-State relations; it may exist as much, and under the existing Indian conditions perhaps more, in the power relations that obtain *within* a State. Political life in the States is in fact highly centralised; the relationship between a State capital and the districts is strictly a relationship of hierarchy: bureaucracy and red tape are the bane of State administrations. Local self-governing units are considered by State Governments as agencies that carry out functions delegated to them. The pattern is one of delegation rather than of decentralisation. At the party level, too, the district, city and village units have little say in the decision-making process; it is in the capital of the State that most of the consultations —as well as bickerings—within the State party (usually taking the form of exchanges between the parliamentary and the organisational wings) are carried out. The autonomy of the State, then, is not synonymous with the autonomy of the unity of habitation or occupation (which constitutes the true idea of local autonomy or decentralisation), still less with the freedom of the individual citizen (which constitutes true democracy).

Formal Federalism Outdated

That states the theoretical position. Federalism is a doctrinnaire attachment of Indian intellectuals and the vested interest of local politicians. It is also thoroughly out of date to speak of "States' Rights" in a rapidly shrinking and terror-stricken world. When even nationalism as a principle of political organisation is on the defensive, the "independent rights" of provinces sounds ludicrous. Similarly, to confuse federalism with devolution of power and dispersal of initiative is to confound the VII Schedule with Ram Rajya. It is to misunderstand the locus of power in a democracy: the individual is replaced by the territory. It is also to misunderstand the nature of centralisation so often alleged to be taking place in modern societies. Centralisation can be no less, in fact it can be more, severe in States than at the Centre. Democracy should not be confused with the parcelling of power into neat portions of territories. Such territorial "sovereignties" defeat the purpose of democracy in two ways: (a) by creating vested interests in the territories it frustrates that unity of the larger community which is so essential for real freedom: without true unity the urge to be free takes to parochial channels and divisive tendencies; (b) at the same time, power given to these lesser feudatories leads to constant political instrusion in individual and group life which is more cramping for individual freedom and more corrupting to the tenor of public life than is the case when the exercise of authority is from a remote seat of power. "Immediate government" is justified only when it is true self-government and where the conditions for self-government exist. Where dispersal of power takes the form of division of authority into parcels which become the preserve of select groups—party, regional or caste—,"immediate government" may become arbitrary and suffocating.

The line taken here is not that the so-called "unitary trends in federalism" have become inevitable under the impact of the overall developmental effort.[11] An examination of the actual trend in India will form part of the examination of the substantive process below; it will be shown that to characterise the trend as "unitary" is to suffer from the same formalism as discussed above and to neglect the true nature of the change which consists in the emergence of a new structure altogether. Here we are concerned with the theoretical position. What is being questioned is a position which confuses federalism and democracy with territorial autonomy. The latter may or may not lead to genuine democracy. It certainly will not under conditions where such autonomy becomes the preserve of a few, where the lack of an adequate organisation of public opinion turns politics into a happy hunting ground for a small group of professionals and where the larger public is faced by a series of *fait accompli* coming from the constituted authorities. The public, under such conditions, has not one but so many masters who, while appearing to act as "coordinate authorities"[12] working for the people's good, help to add to the general confusion, generate friction horizontally as well as vertically and perpetuate as well as aggravate the other divisive tendencies of indigenous origin by bringing them into the political sphere.

No Argument for Centralisation

To repeat, I am not here arguing for centralisation. If anything, I argue against centralisation, the bedevilling effect of modern technology and the consequent politicisation of ordinary life-processes. What is stressed here, however, is that centralisation should not be confused with the power of the Central Government. There are more than one



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type of centralisation. Moreover it is the quality of centralisation rather than its extent that is relevant from the point of view of democracy. A near-feudal exercise of authority from several "centres" may prove to be more ruthless for the general public than a territorially centralised but functionally dispersed exercise of authority. Even a Panchayat Raj exploited by a social or economic oligarchy can cramp individual freedom more than a system where the local government has learnt to consult the people and take them into confidence.[13] Those who lament the loss of power enjoyed by State Governments in India and interpret it as a retreat from democracy suffer from an illusion borne out of a mistaken identity.

The protagonists of the opposite viewpoint urging greater Central direction in the interests of unity and efficiency also suffer from a similar defect. It is not that the Centre has to be armed against the States in the interests of unity. To argue in that way is to misunderstand the true nature of unity. It is to confuse, in Durkheim's terminology, mechanical solidarity with organic solidarity.[14] Formalism characterises this school also. The same charge can be levelled against the third school which takes the "position of the mean" by characterising federal relations as a process of co-operation between the Centre and the States. The common error in all these approaches is that the categories they use for their analysis are not true categories of understanding. To view the development of democracy in terms either of competitive or of cooperative exercise of authority by various governments is to misunderstand the true locus of power in a democracy. It is to ignore that it is the freedom of individuals, not of governmental units, which is the criterion of judging the efficiency of a democracy.

Substantive Process in India

What is really happening in India is that the substantive process of politics is cutting across the forma divisions imposed by the Constitution and assuming its own momentum as well as giving rise to its own forms—party consultations and conferences within Congress such as the meetings of the PCC chiefs and deputations from the High Command to iron out serious differences, central intelligence agencies and staff organisations for the dissemination of pooled experience, extension blocks and development cadres, the enormous organisation of the Planning Commission and a large number of *ad hoc* organisations. Indeed, the functions together performed by the Community Development Administration, the Planning Commission and the Congress High Command and their satellites far outweigh, both in their extent and importance, those performed by the Central and the State Governments. The federal polity is not of course, undermined; it has, however, become largely incidental to the substantive political process.

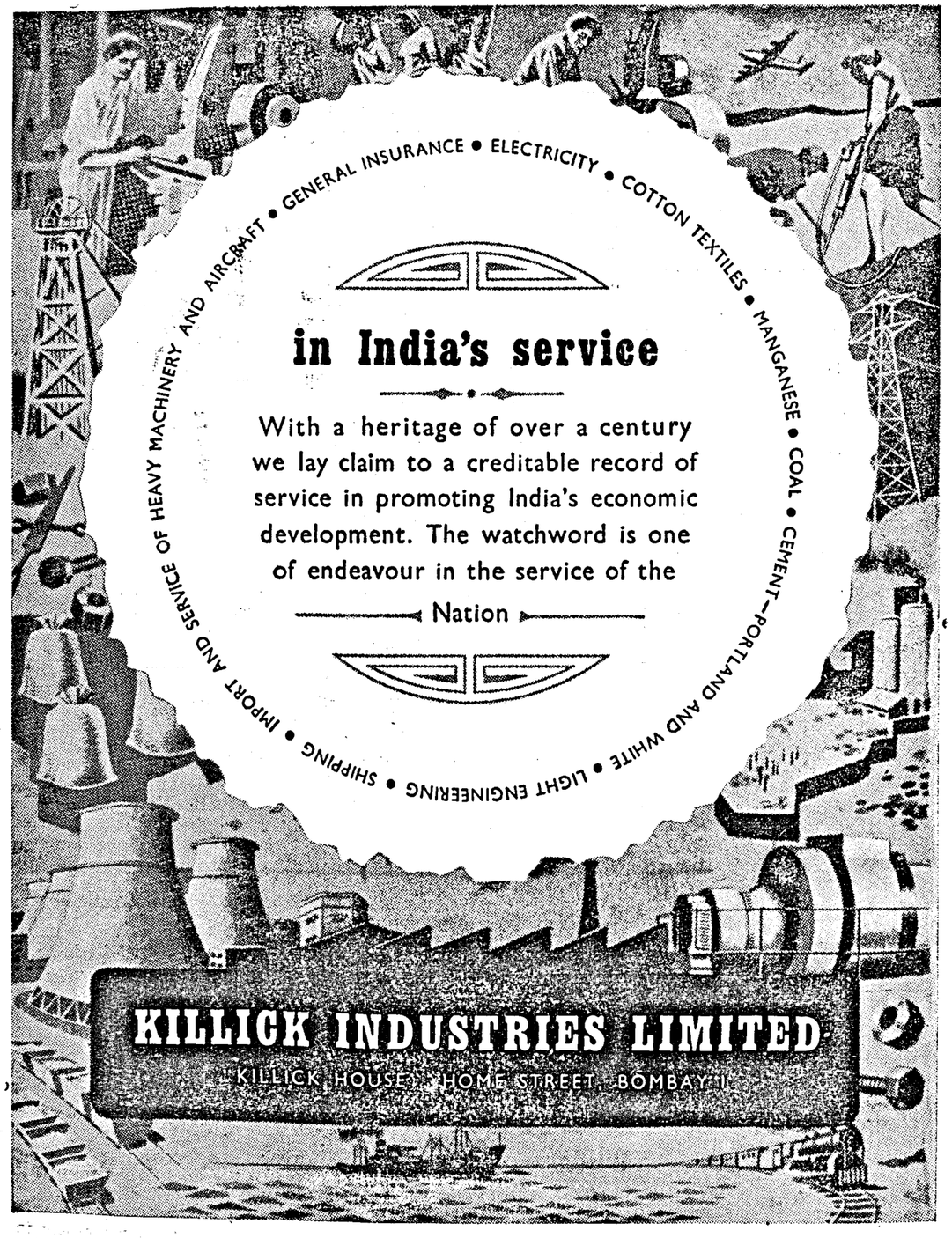
This description of the substantive process is no mere polemic against constitutional federalism and therefore, *a fortiori*, in support of constitutional centralism. It really rules out both. The Centre-States cleavage is largely irrelevant to the process actually obtaining in the country. The actual structure of administration as well as political leadership is, as shown above, bypassing the mechanical concepts implied in such a cleavage; indeed, the theoretical assumptions of the Appleby thesis are based on too partial an understanding of the political process in India. It attributes an autonomy to the States which they do not possess and pleads for a centralisation that is just not needed.

Now this does not mean that the States are mere epiphenomena and have no part to play in the substantive process. They have. It is in the States that viability of units of administration, facility in communication in terms of language and distance and regional diversities can be maintained. Moreover it is in the States that a large part of the substantive political process also takes place — the policy decisions on a large number of issues, the conditioning of these programmes by indigenous forces, the pulls and pressures that are a vital part of any governmental activity, the emergence of new leaders and their indoctrination by the old. Politicals occupying vantage positions in the States (not necessarily in the governmental machinery of the States) matter as much as the politicians at the Centre. What is contended here is not their unimportance but the fact their relationship to the high-ups in the High Command, the Union ministry and the Planning Commission is not a *federal* relationship. Nor is it a relationship of inferiors to superiors. It is essentially a relationship that springs out of common loyalties and shared allegiances. These loyalties—not always as lofty as the word implies—transcend the limitations imposed by the Constitution; indeed they bypass them, ignore them, even forget them. The actual political process cuts across formal distinctions and the emerging pattern is something quite different from the structure outlines in the Constitution. It is an altogether new structure.

Place of Party Politics

This structure is best conceived of at two levels. The first level is provided by the framework of the ruling party — it has a constitution, a hierarchy, horizontal affiliations, factions, regional divisions and informal pressures. A long drawn-out process of deliberation, adjustment, decision-making and implementation takes place within this framework and it cuts across the constitutional division of powers of a federal government.

It has been assumed in this paper that a very large part of party politics in this country takes place within the ruling party and that the struggle between factions within the Congress Party is more important for understanding the substantive process than the struggle between parties. But this does not mean that inter-party competition is any less significant; in fact it is the latter which lends life and direction to the whole political process, including the intra-party struggles. What is true, however, is that the inter-party struggle has more an indirect than a direct influence in India; it affects the political process by affecting the struggle within the ruling party. The latest example of this interesting phenomenon is the rise of the Swatantra Party which has contributed in no mean degree to watering down of socialist militancy within the Congress; stealing the wind out of the sails of rival parties like the P S P or the Swatantra has become a customary practice with Congress; it is Hindu society in miniature which absorbs all that



comes but allows none to prevail. Be that as it may, the fact I wish to stress here is that at the present juncture in Indian politics inter-party struggles can only become effective by influencing intra-party struggles which, it should not be forgotten, contributes substantially to keeping the democratic tradition alive.

The other level is provided by the administration. Here too the traditional divisions of constitutional federalism are bypassed by an administration manned in its higher layers by personnel drawn from the same All-India Services (or from those who undergo uniform training programmes). They receive the same type of education, chant the same key-words, breathe the same air and feel bound by a chronic *esprit de corps*.

Together, then, the politicians united by common party bonds and other selective processes in society and bureaucrats tied together by affinities that are a result of various standardisation processes provide the human material that shapes the political process. The process certainly involves centralisation in the sense that a well-defined elite guides the destinies of the nation. But it is not centralisation as alleged by the proponents of constitutional federalism — for the simple reason that such federalism has been conveniently shelved to remain in the pages of the by-now-dusty Constitution.

To what extent the new centralisation that has emerged from the subtle interlocking of the ruling party's High Command, the Planning Commission, the Ministries and the Administration is frustrating democracy in this country is a subject that falls beyond the scope of this paper. What I have tried to show herein: (i) that the doctrinaire attachment of Indian intellectuals to constitutional federalism is a product of mistaken identities in point of theory, and (ii) that, in point of practice, it bears little resemblance to the substantive political process as it actually obtains in this country.

No Vertical Diffusion of Power

The prevailing views on federalism are far too formal. There is either the "traditional" defence of States' rights or the "modern" plea for a strong Centre. Or there is the more sophisticated defence of the *status quo de jure* which regards cooperation, and not competition, as the dominant principle of federalism. The analysis in this paper is concerned, instead, with the *status quo de facto*. It departs from each of the positions noted above, disapproving them as formal exercises which do amuse but fail to enlighten. (Another formal approach is that of Professor K C Wheare in his *Federal Government* where he defines the Indian constitution as 'quasi-federal'[15]). The alternative interpretation that is offered here is an attempt to get closer to reality and to examine the theoretical assumptions of constitutional federalism in that light. The conclusion that emerges is that a horizontal division of political authority is no substitute for a vertical diffusion of political power, that to plead for greater autonomy of the States is not necessarily to plead for greater democracy, that to plead for greater power for the Centre is also to mistake the substantive nature of the political process in this country and, finally, that the actual structure that has emerged is neither federal nor unitary (in terms of territorial jurisdictions) but one which has assumed quite different forms. The political party on the one hand and the administration on the other play dominant roles in this structure. The nature of centralisation to which such a structure has given rise, however, lies outside the scope of this paper.

Notes

1 See Lord Acton, who also conceives federation as a means to limited government, *Essays on Freedom and Power*, Chapter 5.

2 For a balance discussion of the relation between liberty and democracy, see L T Hobhouse, *Elements of Social Justice*. The opposite viewpoint to that presented in this paper was very ably expressed in Sir Erskine May's classic work *Democracy in Europe*.

3 T H Green, *Lectures on the Principles of Political Obligation*.

4 K C Wheare, *Federal Government*.

5 Dicey, *Law of the Constitution*.

6 *A Grammar of Politics*, Chapter VII entitled "Authority as Federal".

7 Laski op cit.

8 The idea of function was first fully developed by Ramiro de Maeztu, *Authority, Liberty and Function in the Light of the War*. See also R H Tawney, *Acquisitive Society*; G D H Cole, *Self-Government in Industry*.

9 The matter was fully discussed at the Rhodes Seminar on *Democracy in the New States*.

10 See J N Figgis, *Churches in the Modern State*, for an early formulation of the concept of association which was later applied by pluralist writers. See Hsiao, *Political Pluralism*, for a summary of their writings.

11 K Santhanam, op cit; K C Wheare, op cit.

12 The concept was developed and popularised in this country by the Planning Commission. See *Draft Outline of the First Five-Year Plan*.

13 For a statement of this view, see the author's Jaiprakash Narain's Thesis, *Economic Weekly*, April 9, 1960.

14 For an illuminating treatment of this subject, see an article by T N Sheth in the *Sociological Bulletin of India*, March 1960.

15 The argument against such a nomenclature is developed by Alexandrowicz, *Constitutional Democracy in India*, Chapter 8.

10 Million Wagons Loaded

INDIAN Railways have created a record in transportation of goods by loading more than ten million wagons during 1960-61.

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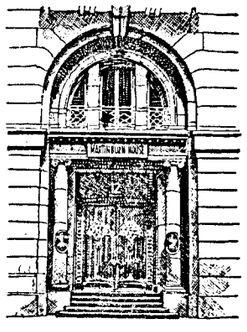


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From the Chair

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-Third Annual General Meeting of the Company held at Calcutta on Thursday, April 27, 1961:

I have pleasure in welcoming you to our 23rd Annual General Meeting.

The Directors' Report submitted to you along with the audited accounts for the year 1960 provides information on the year's operations. I am happy to report that production and sales again reached new high levels in 1960. The steady progress which your company has been making over past years is reflected in the financial accounts which are before you now for your consideration.

During 1960 your company earned a net profit of Rs. 12 million as compared to Rs. 8 million in the previous year. A large part of this increase was due to the much smaller provision for development rebate in 1960. Nevertheless, you will agree that the financial results are gratifying. This has enabled your directors to recommend the payment of a higher dividend this year at Rs. 1.50 per ordinary share. Dividend on the preference shares has been recommended in accordance with the Preference Shares (Regulation of Dividends) Act 1960, and the company's Articles of Association. The Directors have proposed a transfer of Rs. 5 million to the General Reserve and a carry forward of Rs. 4.99 million under surplus account. You will no doubt appreciate that in a capital intensive industry like aluminium, it is prudent as well as necessary to plough back a portion of our surplus so as to meet the requirements of a growing industry like ours.

For the last few years, the corporate shareholders of this company have been enjoying—in respect of the ordinary shares issued in late 1956 and those upon conversion of Loan Stock since 1957—the benefits of Section 56A of the Indian Income Tax Act, that is, exemption from super tax on dividends. It now gives me considerable pleasure to announce that the benefits of Section 15C of the Indian Income Tax Act, which provides for five years' tax holiday for newly established industrial undertakings for which your new smelter at Hirakud qualifies, will be available to all shareholders both ordinary and preferred. For the year 1960, the Income Tax Officer has authorised your company not to deduct tax on 12% of dividends and we propose to act accordingly. The percentage of 12% has been fixed on a provisional basis and the shareholders will have to wait until the company's tax assessment for the year 1960 is completed before the full and final estimate of this benefit is obtained and on the basis of which tax relief, if any, may be claimed by the shareholders in their own assessments.

Transport Problem

Because of our plants being located in different parts of the country, a very serious problem which we have to face is that of transport. The uncertainty of wagon availability forces the company to increase its inventories thereby tying up extra capital and also compelling the company to utilise more costly road transport.

Coal is a commodity most seriously affected and it appears there is no remedy for the immediate future. The Railways claim that they are carrying all the traffic that they are supposed to according to the Second Plan estimates. Various remedial measures are being discussed by the Government especially for the high priority industries, e.g. steel, public utilities, etc. But for industries like aluminium, which enjoy no special priority, the prospect of improvement in transport bottlenecks do not appear to be hopeful. The company is pursuing this matter with the Government in the hope that some action may be taken to solve our difficulties in this regard.

Last year I spoke to you about the new excise duty levied on aluminium products. During the year 1960 we have faithfully collected Rs. 5.5 million as excise duty from our customers and paid this amount over to the Central Government. We are, however, worried about the way in which excise officials are interpreting the duty regulations. Excise duty is normally payable on shipments to customers, but not so in the case of aluminium. The officials have ruled that duty must be paid on all shipments of ingot from our smelters to our fabricating plants. Thus, excise duty must be paid on all aluminium in the pipeline and in our fabricating plants. From our annual statements you will see that we have so far paid no less than Rupees one million on this account. The requirements of working capital for this capital intensive industry are thereby further increased, and so also is the debit for interest. In addition, duty paid on ingot which is ultimately wasted in fabricating plants as 'melt loss' is never recovered. Thus you get an amazing result: the producer of aluminium is paying excise duty on something which is non-existent and can be shipped to nobody.

In our opinion the above difficulty and the unwarranted expenses arising therefrom, can be easily and sensibly eliminated by allowing us to move ingot and fabricate it 'in bond'. Such a procedure is not very uncommon, but so far it has not been possible to persuade the excise officials to see our point of view. Our losses on this score will multiply as our current expansion projects are put into commission, and it is desirable that the Central Board of Revenue take steps to remove this unfair burden at an early date.

Fresh Excise Burdens

Under the 1961–62 budget proposals the Government has extended the scope of excise duty to include aluminium pipes and tubes. Further burdens have been imposed on your industry by way of increased customs duty on imported machinery and reduction of tax concession in the form of development rebate. These proposals will have the effect of further increasing our cash requirements.

A NEW SYMBOL FOR SIMON ENGINEERING

This is the new symbol of Simon Engineering Limited, a Company which was formed in November 1960, of which Simon-Carves Limited is a Member Company.

Simon Engineering Limited is a new Company, but it represents an organisation which was founded nearly a century ago and whose activities today extend nearly to all parts of the world where engineering knowledge and technology have contributed to a better life.

It is our belief, our faith that the new symbol will be carried forward to all parts of India and the world as a symbol of engineering progress.

Simon-Carves Ltd

Incorporated in England. The liability of the members is limited.
STANDARD BUILDINGS,
32, Dalhousie Square South, Calcutta 1

MEMBER COMPANY
SIMON ENGINEERING LTD

As to the company's expansion programme, satisfactory progress is being made at all locations. Barring any untoward happening, it is expected that the second extrusion press at Alupuram and the additional potline at Hirakud will be ready to go into operation before the end of the year. Expanded facilities at Belur and Muri are likely to be ready by the middle of next year. Your directors are anxious that your company continue to play its leading part in the development of aluminium industry in India and with this in view proposals for further expansion of the company's activities are under constant review.

1960 has been a good year for India and a particularly eventful one for the aluminium industry. The last 12 months have witnessed a more than ordinary increase in the tempo of economic activity. A high level of industrial output especially in steel, buoyant central revenues, a slight improvement in export earnings despite initial setbacks, are some of the significant gains recorded. The year ended on an optimistic note and the outlook for 1961 is heartening.

Last year from this Forum I extended a hand of welcome and cooperation to two new entrants in the aluminium industry. I did not know then, nor did I anticipate, the wild scramble which has since ensued amongst the top flight producers of the world to stake a claim in the developing market in India. It does appear strange and perhaps ironic to me that international groups would take a leaf out of the Indian book of experience--a book which ruefully reveals our short horizons, our quest for the quick rupee, our inability to learn the long and tedious track to true industrialisation. There may have been justfication 20 years ago for such mental attitudes, in as much as the protectorate or colonial era in India deprived the nationals of the country of learning by experience the vicissitudes of industrialisation. With the withdrawal of the British the hitherto financial and the trading classes in India plunged into the industrial vortex hurry scurry in many directions, but still with an eye for a quick rupee. They did not stop to take a long term view; they did not stay to learn from the industrial revolution in Europe of the mid-19th century or even from the later hot-house developments in U.S.S.R. Last quinquennium has however showed a welcome change and long term investments have become fashionable. It is therefore doubly strange that in the specialist field in which your company has pioneered the way, there should emerge a movement reminiscent of the old, old colonial days and ways. Crude and half-baked schemes, based on little or no field investigations or market surveys, and not even presuming to be economically viable, are presented to the public in India, endorsed by reputed concerns of international renown.

Halt-Baked Schemes

The deposits of bauxite ore on which the schemes are based have not been thoroughly field-tested for quality or reserves. Availability of firm and continuous power nor the ultimate costs thereof have been assured. Costs of production, in some cases based on questionable exchanges of metal for raw materials and/or equipment, have not been spelt out and are bound to be unnecessarily high. We in India should look at these proposed new schemes carefully before supporting them, and we should look at them through the factual eyes of experience and viability and not be carried away by mere enthusiasm for expansion.

But why this sudden display of interest in the Indian markets? We know that aluminium industry in the West and in North America has had a bad two years; there is a glut of primary metal and smelters have been working on restricted production. In Europe where smelter operations do not match the requirements of the fabrication units, conditions are not so depressing, and North American groups have moved *en masse* into the European markets. India is slowly emerging as perhaps a desirable non-aligned area and may be, quick rupees can be made. It surprises me, however, that when our own planning techniques are being remodelled and reshaped in the light of experience over a decade, a throw-back emerges as a gift from the West. Alignments of resources with projections of demand become awry and we have begun to wonder if there has not been gross under-estimation of what country has in physical resources for aluminium development and what the country can consume. Our friends from the West did not perhaps reckon with the one obvious consequence of such a presentation, namely, the overall socialistic thinking of the planners. If the development of a basic commodity like aluminium is such a gold mine, Government would not like to be left out. Offer of plant and techniques from a communist country has provided the opportunity for a Minister to say that a new aluminum unit will be set up in the public sector! — a consequence which I am sure, will be irksome to many of the new aspirants.

Rational misjudgements do occur in every large effort but where there are scarcities of resources and of technical knowledge, where the purchasing power of the market is phenomenally low and therefore will take time for the upward geometrical surge, there is critical need for prolonged and deep look into the purposes and end products of investments and of potential investors. Aluminium industry is voracious in its appetite for capital. To produce a ton of primary aluminium one needs an investment in capital equipment and facilities almost ten times what it would need to produce a ton of steel. Let us look at the picture-projections for the next 5 years.

Demand for Non-Ferrous Metals

The demand for all non-ferrous metals during the Third Plan period is expected to go up and since aluminium is the only non-ferrous metal which can be indigenously produced, in adequate quantities, considerable thought is being given to its development. The draft outline of the Plan has set the target at 87,500 tons by 1965/66. Out of this 52,500 tons is already in production or under construction while work on the balance of 35,000 tons is expected to start shortly. As against this the country is currently consuming around 44,000 tons of metal.

Recently, however, there has been talk of raising the target for aluminium production to 150,000 tons, and if I am to add up the pending proposals supply target would be nearer 200,000 tons — a five times jump over current consumption within 5 years. That exports will take care of oversupply is a mirage,

for India cannot hope to compete in the world market on level terms with strong international groups. We know that with our scattered deposits of ore, expensive power and comparably more expensive costs of installation, India will remain a high cost producer. Oversupply has its own quick nemesis and while I favour planning on an ambitious scale, I would nevertheless counsel prudence in weighing the adverse effects which might result from commitments which are premature for the stage of development which the industry has reached in this country. There is no surer way to discourage investment than to encourage over-optimistic growth and invite idle capacity — a fact that has been amply demonstrated even in highly developed economies. Moreover, India is currently power hungry, and its bauxite resources, though apparently considerable, are far from being proven in quantity and quality sufficient to sustain a prodigal rate of growth. The economic supply of these major raw materials is vitally important to the health of the aluminium industry, and, in my view, the country cannot afford to embark too hastily or too lavishly upon new and grandiose schemes, without the most careful thought for the prudent utilisation of these resources.

New Process

A noteworthy development, which also suggests the wisdom of temperate planning, and which is of great potential importance to the nascent industry of this country, is the announcement made by our Canadian associates, Aluminium Limited, that a basically new process — the first major technological change in the method of manufacturing aluminium — is about to be put into semi-commercial operation in Canada. The process, if fully successful, will not appreciably reduce the large power requirements of the existing process, or its dependence upon bauxite, but it does give promise of considerable savings in other elements of production cost, and particularly of substantial reduction in capital costs. The new experimental plant will be completed early in 1962, with a production capacity of six to eight thousand tons of aluminium per year. It is expected that operation on this scale for a couple of years or so will be required to determine whether the estimated savings in capital and operating costs can be realised in large scale operations.

In the light of these impressive possibilities, which we are watching with interest and care, the risks inherent in over-expansion take even clearer form. However, there are many factors to be considered in the formulation of future plans, and all are receiving the constant and critical attention of your management. We do not intend to keep static, but neither will we lose touch with realities and sound business principles, and I express the hope that Government, in its planning, will continue to maintain a similar outlook.

We have lost during the year the able direction of Mr Vance Echols, who retired from India for family reasons. His contribution to the Company's progress was dynamic and we were sorry to lose his services. Pending the appointment of a new Managing Director the Board entrusted the charge to Dr Horwood who has been with the Company for some years, but unfortunately is also due to leave shortly. Your Board realises that quick changes in top management are not healthy, but in specialised fields where talent is very scarce it is inevitable that movement of skilled personnel must go on until we are able to develop such resources indigenously and in plenty.

Once again I am sure that shareholders would wish me to convey their thanks to the Company's able management team and to workers and staff who have served the Company well during the past year.

Note : This does not purport to be a record of the procetdings of the Annual General Meeting.

61,000 Foreigners in India

AS on November 1, 1960, as many as 61,044 registered foreigners were reported to be resident in India. On December 1, 1959 their number was 55,653.

These figures do not include children below the age of 16 years, nationals of Commonwealth countries and foreign deplomats and officials, etc, who are not subject to registration.

Among the residents registered were : Tibetan-16,833, Chinese-12,460; Afghan-6,920; American-4,688; Iranian-4,079; German-3,434; Burmese-1,685; Russian-1,623; Italian-1,161; Portuguese-1,167 and French-982.

THE TATA IRON AND STEEL COMPANY LIMITED

Registered Office : Bombay House,
24 Bruce Street,
Fort,
BOMBAY 1

NOTICE

NOTICE is hereby given that the Register of Members and the Transfer Books of the Company will be closed from Monday, the 29th May 1961, to Friday, the 23rd June 1961, both days inclusive.

Notice is also hereby given that the dividends for the year ended 31st March 1961, when sanctioned, will be made payable to those shareholders whose names stand on the Share Registers of the Company on Friday, the 23rd June 1961.

Dated at Bombay this 28th day of April 1961.

By Order of the Board,
For and on behalf of
The Tata Iron and Steel Company Limited,
Tata Industries Private Limited,
Managing Agents,
By their Constituted Attorney,
V. G. MOKASHI.

Killick Industries Limited

Speech of the Chairman, Mr A N Haksar

THE following is the Speech of the Chairman, Mr A N Haksar, delivered at the Thirteenth Annual General Meeting of the Company held at Bombay on Friday, April 28, 1961 :

Gentlemen,

The Report and Accounts for the year are not as satisfactory as I would have liked them to be. Although I have no wish to make any excuses, I would like the shareholders to appreciate that during the year under review, we were subjected to certain strains and stresses and were forced to incur certain expenditure which I sincerely hope is not of a recurring nature. Overall, I can hope that 1961 will show a modest improvement over the current year. The Managing Agency side of the business will, I think, definitely show better results. I cannot be so sanguine regarding our subsidiaries, Killick Nixon & Co, Ltd, and Stamco Industries Ltd, but I believe that these Companies will eventually become useful earning members of the Group though it will take some time.

The Kohinoor Mills has, one can hope, turned the corner. New machinery has been installed and improvements in working are already evident. The results for 1960 are substantially better than those of 1959 and would have been better still if large amounts had not been paid out in retrenchment and other compensation.

Electricity Companies

The Electricity Companies continue to enlarge their service to their respective communities. The enormous expansion in demand for power for Industry and homes in the Bombay Suburban area has created difficulties over the procurement of materials. In turn this has meant that applications for power are running ahead of services connected. The Surat Electricity Co, in common with the rest of the Licensees in South Gujarat, has been subject to control on new connections and its diesel plant is being called upon to bear an increasing burden to sustain the interests of the South Gujarat Grid. The Ahmedabad station is more than fully loaded and in fact steps are being taken by the Government to effect measures to bring about some form of rationing of power. This is most unfortunate but absolutely necessary. The silver lining in the cloud, however, is that 60 MW of new plant is scheduled to be brought into commission — 30 MW by March 1962 and the balance one year thereafter.

The Shivrajpur Syndicate Ltd, increased its sales of Manganese Ore in the last year but, I am afraid, this increase was mainly due to the fact that during the year Manganese Ore exports were permitted against barter transactions by the Government. Otherwise, Indian Manganese Ore continues to be uncompetitive, generally speaking, in the International market. It is well known that many new mines have been developed in recent years in several countries such as Brazil, South and West Africa, etc. During the same period, F A S costs of Indian Ore suffered unavoidable increases due to additional imposts such as increased royalty rates and Railway freights. The latter difficulty remains unresolved even today and unless adequate relief is granted soon, I cannot visualise an encouraging future for Indian Manganese Ore exports.

The Hingir-Rampur Coal Co's position has shown considerable improvement although, in common with other collieries, it is faced with a serious shortage of railway wagons for the movement of coal supplies, and recently the stocks have reached an unprecedented high level with the result that production of coal has had to be curtailed.

Subsidiaries

The Steel File Factory at the Chandivli Industrial Estate has been suffering from labour problems. It is to be hoped that the Union will show a more positive spirit of cooperation to enable this Factory to improve its contribution to your Company's profits. There is no doubt in my mind that given stable conditions and trouble free working, this factory can make considerable profits.

Turning to the affairs of the Company's Subsidiaries, you will notice that the Working results of Killick, Nixon & Co Ltd, show a considerable improvement compared to the previous year. From a loss of Rs 2 lakhs for the year 1958/59, the Company has shown a reasonable profit of Rs 1¼ lakhs for the year 1959/60. There have been some setbacks during the current year, but every effort is being made to rectify the position.

Stamco Industries continue to show a loss, but I believe that the measures now being undertaken will reverse this tendency. I am very pleased to report that consequent to the visit to the Stamco factory by two Directors of Caribonum Ltd, Leyton, U K, which is one of the major manufacturers and suppliers of carbon paper and stationery products throughout many markets of the world, that Company has agreed to provide financial and technical assistance to develop our production and sales. While no spectacular results should be expected in the near future, I believe that this Company will eventually take its rightful place in the industry in India today.

Although our new Subsidiary, A R Haseler Ltd, shows a loss up to 30th September 1960, the date of acquisition by Killick Industries Ltd, the working since that date has shown an improvement, which I hope will continue.

We expect to receive a handsome return during the current year on our investment in Snowcem India Ltd, which Company is now developing a considerable demand for its products and hopes to continue to increase its range of cement speciality products.

Investment in Industry

What of the future? In the immediate years ahead, your Company will continue to have great responsibilities as Managing Agents of large-scale industrial undertakings. I have always believed and continue to believe that the good Managing Agents serve a most useful function and I trust that Government will continue to recognise their usefulness. Nevertheless, in the cir-

cumstances obtaining today, I think you will agree that it is only prudent that your Company takes steps to broaden the range of its activities by investing in industrial undertakings either directly or through subsidiary Companies. Although at the moment the industrial potential of Killick Industries Limited and the Subsidiary Companies is not all that I could wish, I believe that this diversity of business will in due course not only contribute to the country's expanding economy but will directly benefit you all as shareholders of this Company.

Note : This does not purport to be the proceedings of the Annual General Meeting which can be seen by any shareholder on request.

Company Notes

NATIONAL PIPES & TUBES

WITH the licensing of three more units to manufacture non-ferrous pipes and tubes, National Pipes and Tubes will shortly lose the practical monopoly it enjoys at present in the fabrication of these products. The emergence of competition need not cause the company any worry, however, since demand continues to outstrip its production. Scarcity of raw material has continued to prevent the company from making full use of capacity, but production during the year ended September 30, 1960 was appreciably higher than in the previous year.

Sales exceeded Rs 1 crore for the first time and fetched a gross profit margin of 24 per cent. The net profit of Rs 12 lakhs (against Rs 7 lakhs) represents 17 per cent on capital invested and 19 per cent on net worth. Net earning per equity share is Rs 3.84 against Rs 2.23, and dividend is Rs 2.00 against Rs 1.50. Out of the net profit of Rs 12 lakhs, Rs 7 lakhs has been distributed and the remaining Rs 5 lakhs retained. Retention in 1958-59 was almost *nil*.

The term of appointment of the managing agents has been renewed for a period of five years commencing from August 1960. To meet the increasing demand for non-ferrous semis, the company is contemplating further expansion of capacity, particularly for the manufacture of hollow sections.

JAY SHREE TEXTILES

THE only company manufacturing yarn and fabrics in a single factory from flax, staple fibre, cotton and wool in the East, Jay Shree Textiles has introduced several new varieties in the market. Among these are flaxocot canvas, heavy industrial fabrics, Jacquard twines and linen threads for spindle tape stitching. The manufacture of reinforced rubberlined hose in collaboration with George Angus of England has commenced.

The company has obtained a licence to install a cotton spinning plant of 15,200 spindles and has placed orders for its plant and equipment. The scheme will cost Rs 70 lakhs with production commencing about the middle of 1962. The company has also secured licences to manufacture synthetic rubber oil seals and malleable castings, steel forgings and steel structurals. Implementation of these proposals is receiving the attention of Directors. No progress has been made with the manufacture of high tension electric insulators owing to the late receipt of import license. Permission has been received to issue fresh equity share capital of Rs 24.59 lakhs. The timing of the issue is not yet decided.

Sales in 1960 exceeded Rs 120 lakhs and gross profit margin doubled to 20 per cent. Net profits went up impressively from Rs 4 lakhs to Rs 11 lakhs. Subject to inadequacy of provision for depreciation, the latter amounts to 12 per cent on capital invested, 17 per cent on net worth and Rs 2.20 per equity share. Dividend is Rs 1.00. Out of the net profit, Rs 5 lakhs has been distributed and the remaining Rs 6 lakhs retained.

Birla Brothers Private Ltd, the former managing agents, have been appointed secretaries and treasurers.

OUCHTERLONY ESTATES

IN spite of the decline in sales of tea and coffee from Rs 57 lakhs to Rs 48 lakhs during the year ended October 31, 1960, net profits of Ouchterlony Valley Estates of the Peirce Leslie group have gone up from Rs 2 lakhs to Rs 3.5 lakhs. In the case of tea, all-in cost per lb declined from Rs 2.18 to Rs 1.85 while average price realised came down from Rs 2.24 to Rs 2.16. Out of the net profit, Rs 1 lakh has been retained. In the previous year, Rs 50,000 had to be transferred from reserves to pay the dividend.

GOODYEAR NEW ISSUE

GOODYEAR has announced that the company's new tyre factory at Ballabgarh, East Punjab, on the Delhi-Agra road, is nearing completion and is expected to be in production in the second half of this year.

The company has been converted from a private to a public company and on March 28, 1961 its name was changed to Goodyear India Limited.

The authorised capital of the company has been raised by Rs. 2,00,00,000 and the company has announced that it intends to offer 4,00,000 equity shares of Rs 10 each in the capital of Goodyear India Limited to the public at a premium of Rs 7 per share. The Prospectus for this issue will be published this month.

A special feature of this issue is that no reservation of shares or firm allotments have been made to any of the company's Directors or friends and that the entire issue of 4,00,000 equity shares will be made available to the public.

I M F Assistance to Iceland

THE Government of Iceland has entered into a stand-by arrangement with the International Monetary Fund which makes available $1,625,000 in support of the country's continuing programme of economic stabilization.

When this programme was undertaken a year ago, the Icelandic Government obtained a drawing from the Fund of $2,812,500, and an additional stand-by arrangement for $5,625,000 of which $4,000,000 was subsequently drawn. A line of credit amounting to $12,000,000 was negotiated with the European Fund, of which $5,000,000 remains unused.

These resources strengthened Iceland's balance of payments at a time when the Government unified its exchange system and reduced its reliance on exchange restrictions. The country's reserve position has improved, but is still subject to occasional strain arising from variations in the earnings of its fishing industry.

Around Bombay Markets

Equities Inclined Upward

Thursday, Morning

DALAL STREET'S trading pattern last week provided further indications that the reactionary trend which had set in about the last week of March had spent nearly all its force. While it is difficult to say how the new bull phase might progress week by week, it seems very unlikely that the market will again see the lowest level recorded on 18th April when it was rudely shaken by the Estimates Committee's recommendation that the Government should take over the entire investible funds of the Life Insurance Corporation.

Barring a few exceptions, equities recorded all-round moderate gains and a few shares, namely, Indian Iron, Indian Copper and India United Mills established new peaks for the years, which are also the highest levels for some years. The volume of business was rather small as neither bulls nor bears were inclined to be aggressive. Fluctuations were somewhat erratic, which, however, is quite a normal feature of a market which has undergone an important technical correction.

Dalal Street which had shed 45 to 50 per cent of the rise recorded since the turn of the year has now recovered nearly half the ground lost in the recent technical correction. 'Vyapar's' equity share index which had risen from 127.19 to 148.11 between January and March touched a low of 138.36 on 18th April but it was up again at 143.04 on 2nd May. Wednesday's (3rd May) closing of 142.11 showed a net gain of 1.32 over the week.

Last week's rise may not be large but it is significant that equities edged their way up despite disturbing reports of power shortage in various centres all over the country and the strain on available funds as a result of the calls on earlier issues and subscriptions to new issues. The fall in Indian Iron's output during April also did not have any noticeable effect on the general market sentiment because it is quite normal for steel production to suffer a setback during summer months. By and large, the corporate news continues to be encouraging and it should be possible for the stock market to keep its head high unless, of course, power shortage seriously affects industrial production.

Cotton

Irregular Trend

COTTON futures last week moved up and down in an irregular fashion on fluctuating hopes about an early release of export quota for cotton stapling 23/32" and below. After easing from Rs 568.25 to Rs 564.25 the August contract moved irregularly up to Rs 572.75 on short covering and modest bull support based on reports that the announcement of an export quota was imminent. But the rise could not be sustained due to lack of adequate follow-up support and as expectations about the export quota did not materialise bears pressed sales again and the August contract drifted lower to Rs 565.75 but it soon rallied to wind up the week at Rs 568.

The spot cotton market was generally dull though fairly steady. Among indigenous cottons, Kalagin and Wagad developed further strength on sustained support based mainly on prospects of an export quota. Traders reported good business in short staple U S cotton with which are linked the mills' quotas for indigenous cotton. East African, Sudan and Egyptian cottons which had been distinctly subdued for some time developed a hardening tendency after the release of the global import quota for two lakh bales of long staple cotton. Of these two lakh bales, 50,000 bales are reserved for distribution as retention quota under the export promotion scheme and the balance, comprising 1 lakh bales of 1-3/16" and above in staple and 50,000 bales of 1-1/16" and above but below 1-3/16" will be distributed to the mills on the basis of allocation of these categories of cotton in 1959-60. All these cottons are valid for shipment from July 1 to December 31, 1961. Fine and superfine mills are now assured of regular supplies of raw material.

About Export Quotas

Reliable reports indicate that the Indian Cotton Mills' Federation has recommended to the Government an export quota for 50,000 bales of Kalagin and Wagad and at the same time it has asked the Government not to permit any further export of Bengal Deshi. The Federation is also said to have decided to purchase Vijay, Digvijay and other Gujarat cottons with a view to averting the crisis brought about by the accumulation of stocks of these cottons in that area.

Opinion is sharply divided whether the export of short staple cotton should be permitted but the Federation's opposition to the export of Bengal Deshi is difficult to understand. For all the available reports indicate that there still remains an exportable surplus of nearly 50,000 bales of Bengal Deshi after allowing for a normal carryover and meeting all the domestic requirements. There is hardly any cotton including that grown in Gujarat where a crisis of accumulation is said to have developed, which is quoted more than Rs 50 to Rs 60 per candy below the ceiling rates. There is no cause for anxiety about the easier trend in cotton prices. If anything, it is welcome as it will help to check the rising trend in cloth prices. Inquiries with the trade indicate that yarn of 10 counts is fetching a sizable premium over controlled prices. It might not therefore be advisable to allow the export of short staple cotton. While the Government has still to make up its mind on the export quota, prices of Kalagin and Wagad have already recorded an impressive rise from their recent low levels and they are now not far below the ceiling rates. That prices should have recorded a rise of about Rs 60 per candy on prospects of an export quota suggests that the supply of these cotton is not perhaps so very comfortable as is being made out by those who are pleading for an export quota.

Oilseeds

Dull and Subdued

THE oilseeds market continues to have a dull time. Linseed and cottonseed have never been very popular with the speculating public

and it is quite long that groundnut futures rose above Rs 220 per 250 kilos, the ceiling fixed by the Forward Markets Commission. Speculative interest therefore is centred mainly round castorseed but here again business has shrunk to small proportions because while bulls are being discouraged by the poor performance of castor oil exports bears are reluctant to be aggressive as castorseed look rather cheap compared to other oilseeds, particularly groundnut.

After fluctuating between Rs 179 and Rs 178.25 most of the time Castor September eased to Rs 176.75 near the week-end and the closing rate of Rs 177.50 showed a net loss of Rs 1.12 per 250 kilos over the week. The maturing May contract, however, was up by about Rs 2 at Rs 175.37, despite the issuance of tenders for 2,200 candies on the very first notice day. Linseed September drifted idly between Rs 37.06 and Rs 37.37 per 50 kilos and closed unchanged over the week at Rs 37.06. Cottonseed September eased from Rs 95.25 to Rs 93.25. Very little activity was reported in the maturing contracts. Groundnut and groundnut oil maintained a steady tone with limited turnover. Offerings were readily absorbed by vanaspati manufacturers.

Hardly any export business was reported done in castor oil during the week. The U K buyers were inclined to keep off the market and they reduced their quotations by about £ 2 to £ 3 per ton over the week, with B S S quoted around £ 135 and Commercial around £ 129 per ton. The U S was reported to have purchased fair quantities of Brazilian oil for distant positions and it paid 14.25 cents a pound for first pressure, July shipment, and 14 cents for September shipment. Export houses are gradually revising their ideas about the outlook for Indian castor oil.

Oilcake Freight Raised

Export business in oilcakes was also limited. The trade is considerably upset by the decision of the Karmahom Conference Lines to raise the freight for oilcakes and extractions to the U K and Continental ports by 17-1/2 shillings per long ton to 117-1/2 shillings from 1st July. The freight stood at 85 shillings before 1st February. The increase in freight will naturally make Indian oilcakes costlier to the overseas buyers. It would be unfortunate if oilcake exports were to be adversely affected by the freight rise because Indian oils have already been priced out of world markets. New Delhi could do well to take up this matter with the Conference Lines.

The export performance of oils and oilcakes this year so far is disappointing. Only the export of cottonseed cake shows a marked improvement. Shipments of groundnut extractions have been barely maintained. Exports of castor oil, linseed cake and nigercake are substantially down. Shipments from Bombay between 1st January and 24th April with corresponding figures for the previous year in brackets are as follows: castor oil 4,879 tons (15,918), linseed oil 559 (2,098), groundnut oil 143 (1,893), groundnut 5,982 (11,066), sesameseed 6 (415), kardiseed nil (25), groundnut expellers 4,431 (14,287), groundnut extractions 47,222 (46,218), linseed cake 4,737 (21,687), cottonseed cake 11,599 (1), mowrah cake 30 (79) and niger cake nil (2,580).

Bullion

Prices Ease Further

BULLION prices suffered a further decline last week. The second Jeth contract in gold was marked down from Rs 119.25 to Rs 117.30 and the closing rate on Wednesday was only a little better at Rs 117.45. In silver, the second Jeth contract declined from Rs 197.60 to Rs 195.60 but it rallied to close at Rs 196.50. The current rates for gold and silver are the lowest for several weeks. With the seasonal factor against any marked revival of off-take, most market men expect prices to ease further. Prospects of any marked and sustained recovery in the immediate future are generally discounted. While the market is distinctly weak and off-take is slack, backwardation charges remain high, around Rs 1.60 in silver and about a rupee in gold. Spot gold and silver are commanding heavy premium of about Rs 3.50 over their respective quotations for second Jeth contract.

High backwardation charges are quite a normal feature of futures trading in bullion which is all the time working under abnormal conditions. It is precisely for this reason that the authorities have been trying to formulate a long-term contract, with delivery at sellers' option. For long the Bombay Bullion Association had been toying with the idea of a six-monthly contract, which does not seem to have found favour with the Forward Markets Commission. Accordingly the By-laws Committee has not formulated a three-monthly contract with stiffer margins. The four three-monthly contracts suggested by the Committee are Magsar Sud 15, Phalgun Sud 15, Jeth Sud 15 and Bhadrapad Sud 15. Clearing will continue to be on a fortnightly basis and delivery can be effected at the end of a month at seller's option. But at the end of the four main contracts buyers will be entitled to insist on delivery and failure to do so will attract consequences as at present, which however, are by no means very serious.

Japan's Overseas Investments

THE total amount of Japan's overseas investments came to $790 million at the end of last year, consisting of $ 202 million of official investments in various international financing organs, $ 248 million of direct private investments in foreign industries and $ 340 million of deferred payment exports.

During the last three months of last year, there were, among others, $ 8 million invested in the International Finance Corporation, $ 12,900,000 invested by the Arabia Oil Company of Japan in Arabia, $ 3,880,000 by Toyo Spinning Company in a Brazilian mill project, $ 2,133,000 by the Japanese steel industry in Brazil, and $ 1,130,000 by the Ishikawajima-Harima Heavy Industry Company also in Brazil, and $ 1,300,000 by the Alaska Pulp Company in Alaska.

Exports on deferred payment basis made during the period included $ 16 million in four high-speed freighters built for the Philippines and $ 3 million in machinery export to India.

In both direct investments and deferred payment exports, South East Asian, Latin American and the Middle and Near Eastern countries accounted for the majority of the total figures.

Current Statistics

Industrial Capacity and Production—III

	Accounting Unit	Number of Units						Capacity						Production					
		1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960
Metallurgical Industries																			
Aluminium	'000 Tons	2	2	2	2	3	3	4.0	7.5	7.5	7.5	17.5	18.2	3.8	6.5	7.8	8.2	17.2	17.5
Antimony	Tons	1	1	1	1	1	1	700	700	700	700	900	912	328	589	502	527	663	809
Copper	'000 Tons	1	1	1	1	1	1	6.0	7.2	7.2	7.2	7.2	7.3	1.1	7.6	7.8	7.8	7.6	8.9
Lead	'000 Tons	1	1	1	1	1	1	7.0	6.0	6.0	6.0	6.0	6.1	0.9	2.5	3.0	3.3	4.0	3.5
Aluminium Foils	'000 Tons	1	1	1	1	1	1	—	1.2	1.6	2.0	2.0	2.0	—	1.1	1.4	1.6	1.9	2.0
Aluminium Rods, Sections	Tons	—	1	1	1	1	1	—	960	960	960	1,200	1,224	—	370	730	1,093	1,233	1,200
Aluminium Sheets/Circles/Strips	'000 Tons	8	7	7	8	8	9	7.0	17.4	17.4	18.0	17/18	20.4	7.0	10.5	11.0	13.5	15.9	16.0
Aluminium Wire Rods for ACSR	'000 Tons	2	2	2	2	3	3	—	10.8	10.8	10.8	13.8	14.0	—	2.4	3.3	1.6	2.9	4.9
Brass/Copper Pipes and Tubes	Tons					1	2	—	—	—	—	360	4,020	—	—	—	—	51	1,300
Brass/Copper Rods	'000 Tons	4	3	3	3	3	3	3.5	5.2	5.2	5.2	5.2	5.3	0.8	1.6	1.8	2.1	2.1	2.6
Brass/Copper Sheets/Circles/Strips	'000 Tons	14	19	17	19	17	27	48.0	46.0	45.0	46.0	45/46	70.2	16.4	16.1	20.7	24.7	22.5	40.5
Brass/Copper Wire for non-Electrical Purposes	Tons	4	4	4	4	4	4	2,200	1,958	1,958	1,958	1,958	1,989	1,400	538	676	822	909	1,200
Lead Pipes and Tubes	Tons	3	3	3	3	3	3	4,800	4,800	4,800	4,800	4,800	4,872	200	340	335	339	606	800
Lead Sheets	Tons	2	1	1	1	1	1	1,092	1,092	1,092	1,092	1,092	2,316	118	38	43	85	35	65
Zinc Sheets/Strips	'000 Tons	1	3	4	4	4	4	0.3	3.7	5.7	5.7	5.7	5.9	0.4	0.9	1.8	2.1	2.5	3.2
Non-Ferrous Alloys	'000 Tons	13	15	15	15	15	15	68.0	69.0	69.0	69.0	68/69	70	11.7	17.2	16.7	15.4	16.6	23.0
Steel Castings	'000 Tons	10	9	10	15	15	15	27.0	18.6	18.8	38.6	39.3	39.3	10.0	20.5	23.3	28.1	29.0	32.0
Ferro-Manganese	'000 Tons	....	—	—	5	5	6	—	—	—	85.8	85.6	92.1	—	—	—	44.0	57.7	73.0
Mineral Industries																			
Abrasive Grains	Tons	—	1	1	1	1	2	—	864	864	864	864	2,064	—	527	655	822	626	890
Asbestos Cement Sheets	'000 Tons	5	6	6	6	6	6	170	141	210	210	210	210	83.2	119.8	157.6	185.6	180	205
Cement	'000 Tons	—	28	28	31	32	32	—	5,700	6,332	7,060	8,320	8,570	—	4,928	5,601	6,068	6,826.3	7,685.9
Ceramics																			
(i) Glazed Tiles	'000 Doz	—	4	4	4	4	5	—	870	559.4	559.4	919.2	1,173.2	—	454.7	520.5	545.3	707.2	767.9
(ii) Insulators																			
(a) H T	'000	—	6	6	6	6	7	—	512.2	2,089.3	2089.3	4,556*	4,652*	—	62.2	192.9	751.3	2,612*	2,545*
(b) L T	Lakhs	—	11	12	13	12	13	—	7.3	12.1	12.1	7.514*	7,974*	—	4.7	4.7	5.1	3,330*	4,054*
(iii) Sanitarywares	'000 Tons	—	14	16	18	18	18	—	2.7	4.5	8.5	8.7	8.7	—	2.7	3.5	4.6	5.6	6.0
(iv) Stoneware	'000 Tons	—	26	24	24	24	24	—	15.8	11.5	11.5	11.3	11.5	—	7.1	8.1	8.5	7.9	7.7
(v) Stoneware Pipes	'000 Tons	—	18	19	19	19	19	—	56.4	58.1	62.9	67.9	67.9	—	36.1	43.9	55.0	57.6	56.4
Enamelwares	Million	—	22	22	22	22	22	—	30	30	30	30	30	—	15.2	14.1	16.2	14.5	13
Glass and Glasswares																			
(i) Bottlewares	'000 Tons	—	90	92	92	93	94	—	140.5	143.5	163.2	210.9	223.1	—	62.4	70.2	82.3	100.6	110.3
(ii) Glass Shells	Million	—	3	3	3	3	3	—	27.4	27.4	27.4	27.4	43.2	—	35.9	39.1	30.2	38.8	42.5
(iii) Laboratory Glasswares	'000 Tons	—	12	12	15	15	16	—	6.0	6.0	6.7	6.7	9.4	—	3.4	3.1	4.2	5.2	4.8

* Tons

Industrial Capacity and Production (*contd*)

	Accounting Unit	Number of Units						Capacity						Production					
		1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960
(iv) Lampwares	'000 Tons	—	81	82	82	82	82	—	33.2	34.7	34.7	34.7	45.8	—	19.9	17.9	18.7	18.8	19.6
(v) Miscellaneous Glasswares	'000 Tons	—	28	29	29	29	29	—	19.9	21.4	21.4	21.4	14.3	—	3.0	3.6	5.8	6.5	6.7
(vi) Sheet Glass	Mn Sq Ft	—	4	4	4	4	4	—	100.6	106.6	106.6	106.6	120	—	47.6	54.2	73.8	80.6	78.1
(vii) Table and Pressed Wares	'000 Tons	—	75	79	80	80	80	—	40.4	46.4	63.8	64.6	77.7	—	28.2	31.7	35.5	36.6	40
(viii) Thermos Flasks	'000 Doz	—	2	3	3	6	6	—	77.3	107.3	107.3	297.3	297.3	—	48.3	53.4	71.0	124.1	121.3
Graphite Crucibles	'000	—	12	15	15	15	15	—	—	800	1,000	1,000	926.1	—	—	400	905.4	1,000	916.9
Liquid Gold	'000 ozs	—	—	—	—	5	5	—	—	—	—	456	456	—	—	—	—	170.7	168.6
Pencils	'000 Gross	—	13	13	14	14	15	—	1,330.2	1,330.2	1,570.2	1,570.2	1,720.2	—	580.7	715.1	744.2	825.7	1,075
Refractories	'000 Tons	25	33	33	35	42	46	293.6	444.0	579.2	579.2	724.3	814.3	238.2	318.4	363.7	434.4	500.1	538.5
Timber and Cellulose Industries																			
RAYON																			
Continuous Filament Acetate Rayon Yarn	Metric Tons	—	1	1	1	1	1	—	—	—	1,800	1,800	1,800	—	—	—	1,772	1,409	1,946
Continuous Filament Viscose Rayon Yarn	'000 Metric Tons	—	2	3	3	4	5	—	—	—	16	17.8	21.4	—	—	—	13.2	15.1	18.9
Cellophane	'000 Metric Tons	—	—	—	1	1	1	—	—	—	1.8	1.8	3.6	—	—	—	1.7	1.6	2.1
Viscose Staple Fibre	'000 Metric Tons	—	1	1	1	1	1	—	—	—	21.6	21.6	21.6	—	—	—	13.9	20.5	21.8
PAPER AND PAPER BOARD																			
Kraft Paper and Wrapping Paper	'000 Tons	—	—	—	—			—	—	—	—			—	—	—	40	55.6	67.4
Miscellaneous Varieties	'000 Tons	—	—	—	—			—	—	—	—			—	—	—	6.3	5.3	8.5
Printing and Writing Paper	'000 Tons	—	—	—	—	21	25	—	—	—	—	321	400	—	—	—	154.4	177.4	216.7
Pulp and Paper Board	'000 Tons	—	—	—	—			—	—	—	—			—	—	—	52.3	55.7	57.4
Newsprint and Carbon Paper																			
Carbon Paper	Mn boxes of 100 Sheets	—	—	—	7	5	5	—	—	—	3.23	2.7	2.8	—	—	—	2.33	2.8	2.6
Duplicating Stencils	'000 Reams	—	—	—	3	3	3	—	—	—	28	28	28	—	—	—	55.6	60.3	47.4
Newsprint	'000 Tons	—	—	—	1	1	1	—	—	—	30	30	30	—	—	—	21.7	21.2	24
Typewriter Ribbons	'000 Doz	—	—	—	7	5	5	—	—	—	272.8	216.2	216.2	—	—	—	133.5	147.4	126.1
Timber																			
Battery Separators (Wooden)	Mn	—	3	3	3	3	3	—	20	20	20	20	20	—	9.0	4.6	8.3	10.7	11.1
Chipboard (Particle Board)	Lakh Sq Ft	—	—	—	—	1	1	—	—	—	—	60	60	—	—	—	—	7	8.5
Cork Products																			
(i) Discs	Lakh Gross	—	2	2	2	1	1	—	—	—	30	30	30	—	—	—	14.9	55.7	64.1
(ii) Sheets	Lakh Sq Ft	—	2	2	2	2	2	—	—	—	115	108	108	—	—	—	28	40.5	47.6
(iii) Stoppers	Lakh Gross	—	2	2	2	2	2	—	—	—	12	13.8	13.8	—	—	—	13.1	23.8	14.5
Hard Board	Mn Sq Ft	—	—	—	—	2	2	—	—	—	—	29.3	29.3	—	—	—	—	12	8.9
Jax Board (Reed Board)	Lakh Sq Ft	—	—	—	—	1	1	—	—	—	—	90	90	—	—	—	—	—	4.7
Jute Based Board	Lakh Sq Ft	—	—	—	—	1	1	—	—	—	—	21.6	21.6	—	—	—	—	—	13.1
Plywood																			
(i) Commercial	Mn Sq Ft	—	—	—	70	70	71	—	—	—	250	250	201	—	—	—	37.8	98.7	103
(ii) Teachest	Mn Sq Ft	—	65	67	70			—	150.6	150.6	250	(3 shift basis)	(2 shift basis)	—	98.8	95.0	88.2		
Matches	'000 Boxes of 50 Gross Boxes	—	—	65	65	59	62	—	—	—	996.8	888	905.8	—	—	557.9	625.9	649.2	656.5
Leather and Rubber Industries																			
Leather Industries																			
Tanned Hides :																			
(i) Chrome Tanning of Hides by Organised Units*	Mn Hides	16	13	12	13	13	12	3.2	3.4	3.2	3.9	1.6	1.5	1.7	1.7	1.8	2.1	0.7	0.8
(b) Vegetable Tanning of Hides by Organised Units†	Mn Cow Hides‡	26	24	23	29	32	32	3.2	3.4	3.2	3.9	4.4	4.4	1.7	1.7	1.8	2.1	2.5	2.6
Leather Footwear																			
(a) Indigenous Type by Organised Units†	Mn Pairs	—	12	12	12	12	12	— Production Depends on Demand						—	2.9	3.0	3.3	4.1	3.8
(b) Western Type by Organised Units†	Mn Pairs	—	12	12	12	12	12	—	6.0	6.0	6.7	6.7	7.0	—	3.6	4.4	4.3	4.1	5.3
Glue	'000 Cwts	—	9	9	8	9	9	—	48.1	48.1	37.1	50.67	55.81	—	21.8	25.8	23.7	37.98	36.97
Myrobalan Extracts	Tons	—	3	3	3	4	4	—	10.0	10.0	7.6			—	4.0	3.4	3.3		
Pickers	'000 Gross	—	9	9	5	5	5	—	73.0	56.5	29.8	29.8	29.8	—	27.3	23.3	10.7	9.3	9.5
Rubber manufactures																			
Belts																			
(i) Fan belts	Lakh	3	6	6	6	7	7	—	—	10.1	10.1	12.5	13.0	—	—	6.5	6.7	10.4	11.0
(ii) Vee belts (industrial)	Lakh	3	6	6	6	5	5	—	—	10.1	10.1			—	—	4.5	5.5	7.3	9.3
Camel Back	Mn Lbs	—	—	—	9	10	10	—	—	5.9	6.2	6.1	6.6	—	—	7.1	9.7	10.2	10.9
Dipped Rubber Goods	Mn Doz	15	14	14	14	13	13	20.2	45.6	42.8	42.8	40.3	44.4	16.9	25.9	19.8	24.2	28.9	32.7
Ebonite	Lakh Lbs	—	14	14	14	14	14	—	11.5	13.8	13.8	13.7	12.7	—	2.0	2.4	2.3	2.5	2.7
Hoses																			
(i) Radiator	Lakh	8	9	9	9	9	9	3.9	5.9	5.7	5.7	5.9	5.5	2.2	2.4	1.7	1.7	2.1	2.5
(ii) Vacuum Brake	Lakh	3	4	4	4	4	4	5.9	10.8	10.8	10.8	10.8	10.8	4.7	5.5	7.8	6.0	4.7	3.2
(iii) Other Types	Mn Ft	—	—	14	14	14	14	—	—	11.4	11.4	11.1	11.1	—	—	8.0	9.2	11.1	11.1
Latex Foam Sponge	'000 Lbs	2	7	7	7	7	7	753.0	1,473.9	1,674.0	1,674.0	1,673.2	1,205.9	472.0	1,776.1	1,955.8	2,226.0	2,396.4	2,740.3
Rubber Components of Railway Fittings	Mn	—	—	—	4	4	4	—	—	—	1.5	1.5	1.5	—	—	—	1.3	1.3	0.6
Rubber Footwear	Mn	—	—	—	19	19	19	—	—	—	45.1	45.8	48.8	—	—	—	36.7	39.3	42.3

* There are also about 250 small tanneries mainly in Calcutta owned and run by Chinese with an annual output of about 1.5 million hides.

† Excluding tanning on cottage industry and small scale basis

‡ One buffalo hide = two cow hides

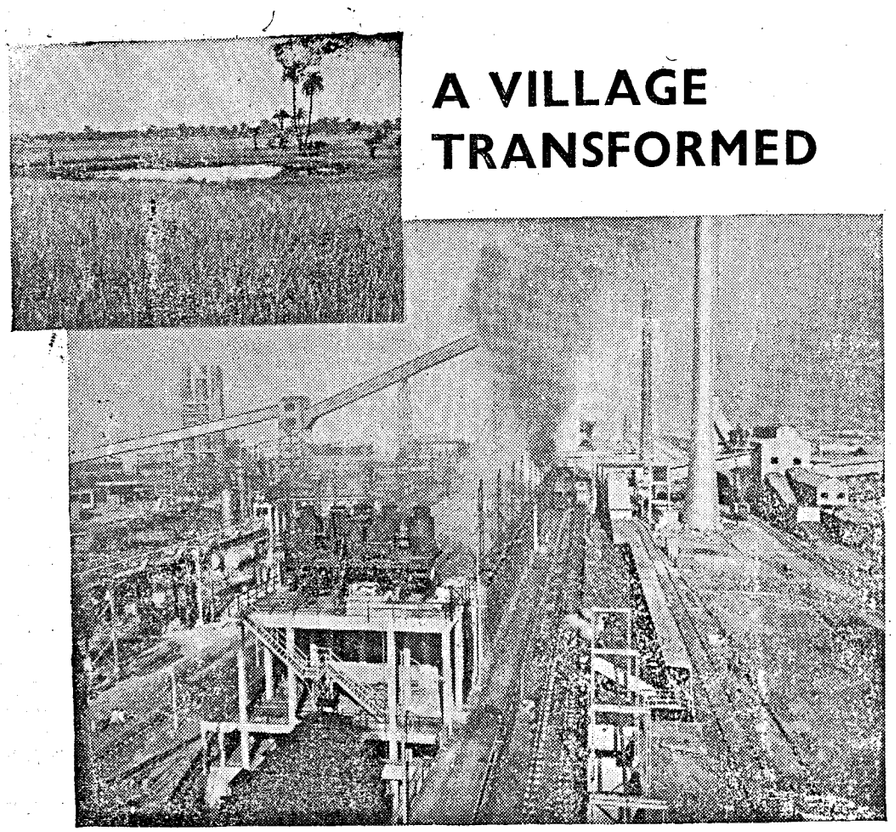
Industrial Capacity and Production (contd)

	Accounting Unit	Number of Units						Capacity						Production					
		1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960	1951	1956	1957	1958	1959	1960
Tyres																			
(i) Automobile																			
(a) Giant	Lakh	2	2	2	2	3	3	—	—	—	6.6	8.5	9.7	—	—	—	6.0	8.1	9.0
(b) Motor	Lakh	2	2	2	2	2	2	—	—	—	3.8	3.4	3.7	—	—	—	2.9	2.7	3.4
(c) Motor Cycle	Lakh	2	2	2	2	2	2	—	—	—	—			—	—	—	59.8	0.5	1.0
(ii) A D V	'000	1	1	1	1	2	2	—	—	46.0	46.1	63.7	47.1	—	—	64.3	55.8	41.5	48.4
(iii) Aero	'000	—	2	2	2	2	1	—	3.6	4.4	4.4	5.9	4.3	—	2.4	2.1	1.1	1.8	3.1
(iv) Bicycle	Mn	5	5	5	5	9	9	7.1	7.6	8.3	8.2	12.1	14.6	4.9	6.4	7.0	7.9	9.5	10.8
(v) Cab	'000 ft	—	—	—	3	3	3	—	—	—	1,284.0	1,282.7	1,282.7	—	—	—	274.1	213.2	203.4
(vi) Off-the-Road	'000	—	—	—	2	2	2	—	—	—	6.4	6.4	3.0	—	—	—	3.3	3.4	3.7
(vii) Tractor	'000	—	—	—	2	2	2	—	—	—	32.1	30.6	38.0	—	—	—	28.9	35.1	46.8
Tubes																			
(i) Automobile																			
(a) Giant	Lakh	2	2	2	2	2	2	—	—	—	6.6	6.6	7.8	—	—	—	6.0	7.3	8.1
(b) Motor	Lakh	2	2	2	2	2	2	—	—	—	3.8	3.9	4.6	—	—	—	2.9	3.2	3.5
(c) Motor Cycle	Lakh	2	2	2	2	2	2	—	—	—	—			—	—	—	0.6	0.8	1.0
(ii) A D V	'000	1	1	1	1	2	2			46.0	46.1	99.4	67.2	—	—	64.3	55.8	56.9	62.9
(iii) Aero	'000	—	2	2	2	2	2	—	3.6	4.4	4.4	4.5	2.9	—	2.4	2.1	1.1	1.1	1.0
(iv) Bicycle	Mn	5	5	5	5	8	8	7.1	7.6	8.3	8.2	12.6	13.8	4.9	6.4	7.0	7.9	10.0	12.5
(v) Off-the-Road	'000	—	—	—	2	2	2	—	—	—	6.4	6.4	5.8	—	—	—	3.3	2.3	2.8
(vi) Tractor	'000		2	2	2	2	2	—	24.0	33.9	33.9	34.9	42.4	—	30.7	45.3	31.1	35.0	50.6
Water Proof Fabrics	Mn Yards	—	—	—	13	13	13	—	—	—	6.3	6.2	6.7	—	—	—	3.2	3.6	3.7
Other Industries																			
Cigarettes	Mn	20	17	17	15	15	15	18,000	24,250	24,250	31,878	31,878	31,878	21,400	26,300	28,072	29,840	32,167	32,878
Food Industries																			
Beer and Ale	Mn Bulk Gals	—	3	3	3	2	2	—	1.70	1.70	1.70	1.70	3.0	—	0.7	1.20	1.57	2.0	2.2
Biscuits	'000 Tons	129	129	129	39	40	40	39.9	35.7	35.7	30.3	30.5	30.5	15.9	12.5	17.3	17.7	19.7	20.2
Breakfast Food																			
(i) Corn and Wheat Flakes	Tons	—	2	2	4	4	4	—	1,500	1,500	1,950	1,950	1,950	—	115	135	162	173	187
(ii) Processed and Pearl Barley	'000 Tons	—	8	8	4	4	4	—	4.8	4.8	4.9	4.5	4.5	—	0.7	1.3	1.2	1.2	1.4
(iii) Processed and Rolled Oats and Oats Flakes	Tons	—	1	1	4	4	4	—	1,350	1,350	1,401	1,401	1,401	—	105	121	134	342	423
Chocolate and Cocoa Powder																			
(i) Chocolate	Tons	—	2	2	3	3	3	—	1,050	1,050	1,062	1,051	1,051	—	160	322	372	597	718
(ii) Cocoa Butter and Cocoa Powder	Tons	—	2	2	3	3	3	—	1,050	1,050	438	438	438	—	90	172	69	94	79
Confectionary	'000 Tons	61	61	61	42	43	43	52.8	52.8	52.8	50.7	51.8	51.8	12.4	8.2	10.9	10.4	13.2	14.9
Flour Milling	Lakh Tons	52	58	58	60	62	64	14.6	14.7	15.8	17.7	18.6	20.1	4.8	5.4	7.3	8.2	9.5	9.2
Liquid Glucose and Destrose																			
(i) Destrose Powder	'000 Tons	—	3	3	3	3	4	—	4.6	4.6	5.7				1.0	3.4	4.4		
(ii) Liquid Glucose	'000 Tons	—	3	3	3	3	3	—	13.0	13.0	12.4			—	—	0.5	1.7		
Plastic Goods																			
Injection Moulding and Compression Moulding	Mn Gross	—	—	—	46	48	50	—	—	—	—	—	—	—	—	—	4.5	5.5	5.7
Leather Cloth	Mn Yards	6	5	6	6	6	6	5.3	7.8	8.7	8.7	8.7	9.0	2.0	2.6	3.6	4.2	5.4	6.1
Linoleum	,000 Linear Yards	—	1	1	1	1	1	—	450	450	450	450	500	—	320	328	269	453	586
Phenol Formaldehyde Moulding Powder	'000 Tons	—	2	2	2	4	4	—	0.85	1.07	1.05	3.0	3.4	—	0.98	1.09	1.32	1.8	2.0
Phenolic Laminates	Tons	—	1	1	1	1	1	—	450	450	450	450	600	—	334	355	369	486	567
Polythylene	'000 Tons	—	—	—	—	—	1	—	—	—	—	—	3.5	—	—	—	—	—	3.4
Polystyrene Moulding Powder	'000 Tons	—	—	1	1	1	1	—	—	2.7	2.7	4.5/5.4	4.5/5.4	—	—	1.0	1.9	3.3	3.7
Polythene Films and Layflat Tubings	Tons	—	3	6	6	6	7	—	—	837	837	837	1,032	—	—	334	827	1,054	1,251
PVC (Flexible) Sheetings (Unsupported)	Tons	—	1	2	3	2	2	—	—	1,120	1,660	1,232	1,232	—	—	148	584	802	961
Urea Formaldehyde Moulding Powder	Tons	—	—	1	2	3	3	—	—	22	442	940	742	—	—	4	162	322	353
U F Resins for Plywood																			
Alcohol																			
Power Alcohol (Absolute)†	Mn Bulk Gals	19	19	17	17	17	20	12.8	14.9	15.5	16.7	—	—	5.7	10.2	10.1	8.6	8.0	11.5
Industrial Alcohol																			
(i) Denatured Spirit	Mn Bulk Gals	—	—	—	—	48	51	—	—	—	—	—	—	—	—	3.4	4.0	4.7	5.6
(ii) Rectified Spirit	Mn Bulk Gals	19	43	44	48	48	51	—	12.9	14.9	13.8	—	—	—	—	5.1	6.2	7.8	8.0
Vegetable Oils																			
Cotton Seed Oil†	'000 Tons	—	8	9	9	9	12	—	81.4	94.6	94.6	94.6	176.5	—	6.0	7.2	9.5	9.1	11.9
Oil Milling†	'000 Milling	300	350	350	350	350	350	578.7	1,495.0	1,495.0	1,495.0	1,495.0	1,495.0	121.9	229.2	240.0	287.4	304.0	318.9
Solvent Extracted Oil from Oilcakes*	'000 Tons	—	10	12	15	17	32	—	136.5	157.5	208.5	261.5	547.5	—	5.8	11.1	16.6	20.7	23.4
Soap and Toilet Goods																			
Carboxy Methyl Cellulose	Tons	—	—	—	—	—	1	—	—	—	—	—	—	—	—	—	—	—	64
Face Cream and Snow	Mn Lbs	9	11	11	11	11	11	1.5	2.6	2.8	2.8	2.8	2.8	—	0.9	1.1	1.1	1.6	1.6
Glycerine (Refined)	'000 Tons	6	8	8	9	9	9	3.5	5.5	5.5	7.6	7.6	7.6	2.4	2.9	2.8	2.8	4.8	5.5
Guar Gum	'000 Tons	—	—	—	2	2	2	—	—	—	—	—	6.2	—	—	—	6.6	6.2	6.9
Metallic Stearates	Tons	—	—	—	3	3	3	—	—	—	312	312	312	—	—	—	128	97	102
Pena Chlore Phenol Powder	Tons	—	—	—	—	—	1	—	—	—	—	—	—	—	—	—	—	—	13
(i) Face Powder	Mn Lbs	6	12	12	12	12	12	—	—	2.9	2.9	2.9	2.9	—	—	1.4	1.5	0.4	0.6
(ii) Toilet Powder	Mn Lbs	6	12	12	12	12	12	—	—	3.2	3.2	3.2	3.2	—	—	3.0	3.0	5.1	5.7
Soap (Organised Units)	'000 Tons	66	90	90	90	90	90	192	253	253	253.3	253.3	253.3	84	110	111	123.4	130.0	136.4
Synthetic Detergent	Tons	—	—	1	1	2	2	—	—	—	—	7,200	7,200	—	—	124	264	1,293	1,530
Textile Auxiliaries	'000 Tons	—	—	—	5	5	5	—	—	—	30.6	30.6	31.5	—	—	—	4.5	4.6	5.0
Tooth Paste	Mn Lbs	7	10	10	10	10	10	—	—	3.2	3.2	3.2	3.2	—	—	2.5	2.7	3.1	3.3
Tooth Powder	Lakh Lbs	3	6	6	6	6	6	—	—	14.1	14.1	14.1	14.1	—	—	4.6	6.6	4.9	5.9

† Capacity in terms of seeds; production in terms of extracted oil
* Capacity in terms of oil cakes; production in terms of extracted oil

(Concluded)

Source : Ministry of Commerce and Industry.



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BRITISH COMPANIES WORKING FOR INDIA

BANKING RETURNS

(Rs Crores)

Reserve Bank	Apr 28	Apr 21	Mar 31	Apr 29, '60
1 Note circulation	1982.43	2007.65	1984.74	1883.59
2 Rupee coin	122.24	122.10	119.62	127.31
3 Deposits	263.25	263.23	264.25	292.39
(a) Central Govt	51.63	63.91	76.46	50.58
(b) Other Govts	18.31	4.30	28.99	45.28
(c) Banks	78.16	87.06	70.85	97.64
(d) Others	115.15	107.95	87.96	98.89
4 Foreign Securities	113.01	118.01	123.01	163.01
5 Balances abroad	10.32	10.79	13.24	17.60
6 Rupee Securities	1661.98	1672.06	1632.20	1506.47
7 Investments	172.91	152.24	180.95	232.38
8 Loans and Advances to Govts	84.00	93.45	39.02	48.22
9 Other loans and advances	125.47	126.27	185.50	114.53
Scheduled Banks	**Apr 21**	**Apr 14**	**Mar 24**	**Apr 22, '60**
1 Liabilities	1761.82	1764.13	1730.32	1937.23
Demand (net)	720.91	716.58	712.46	782.05*
Time (net)	1040.91	1047.55	1017.86	1155.18*
2 Cash in hand	48.20	47.82	44.02	48.62
3 Balances with Reserve Bank	80.28	74.88	72.30	94.19
4 (2) + (3) as % of (1)	6.98	6.65	6.44	7.37
5 Borrowings from Reserve Bank	41.35	56.90	82.63	32.34
(a) Against usance bills and/or promissory notes	25.81	33.30	37.15	8.07
(b) Others	15.54	23.60	45.48	24.27
6 Advances	1099.06	1103.40	1100.52	946.45
(a) State Bank	264.00	262.68	263.06	199.78
(b) Others	835.06	840.72	837.46	746.67
7 Bills discounted				
(a) Inland	155.74	153.57	150.37	133.09
(b) Foreign	47.16	47.56	50.66	48.76
(c) Total	202.90	206.13	201.03	181.85
(i) State Bank	17.45	17.52	17.15	16.66
(ii) Others	185.45	188.61	183.88	165.19
8 (6) + (7c) as % of (1)	70.77	70.97	72.12	58.14
9 Investment in Govt Securities	538.36	560.41	559.62	736.91
(a) State Bank	216.11	236.78	231.43	375.05
(b) Others	322.25	323.63	328.19	361.86
10 (9) as % of (1)	29.26	30.37	31.01	38.04
Cheque clearance	216.42	184.39	225.05	211.50

*Includes deposits of banks and others.

Bombay Money Rates

(% per annum)

(Selected Scheduled Banks other than State Bank) Call Money	Apr 21	Apr 14	Mar 24	Apr 22, '60
From Banks	5.22	5.25	5.25	3.75
Deposits :				
Seven Days	3.00	3.00	3.00	3.37
Three Months	—	3.50	3.50	3.50
Six Months	3.74	3.75	3.75	3.50

Bombay Bullion

(Rs and nP)

	May 4	Apr 27	Apr 6	May 6, '60
Gold (per ten grams)				
Spot	121.75	121.05	118.75	118.57
Forward	117.45	118.80	121.00	111.69
Silver (per kilogram)				
Spot	198.80	201.95	200.35	197.80
Forward	195.70	197.15	198.45	186.29

INDEX NUMBER OF WHOLESALE PRICES

(Base 1952-53 = 100)

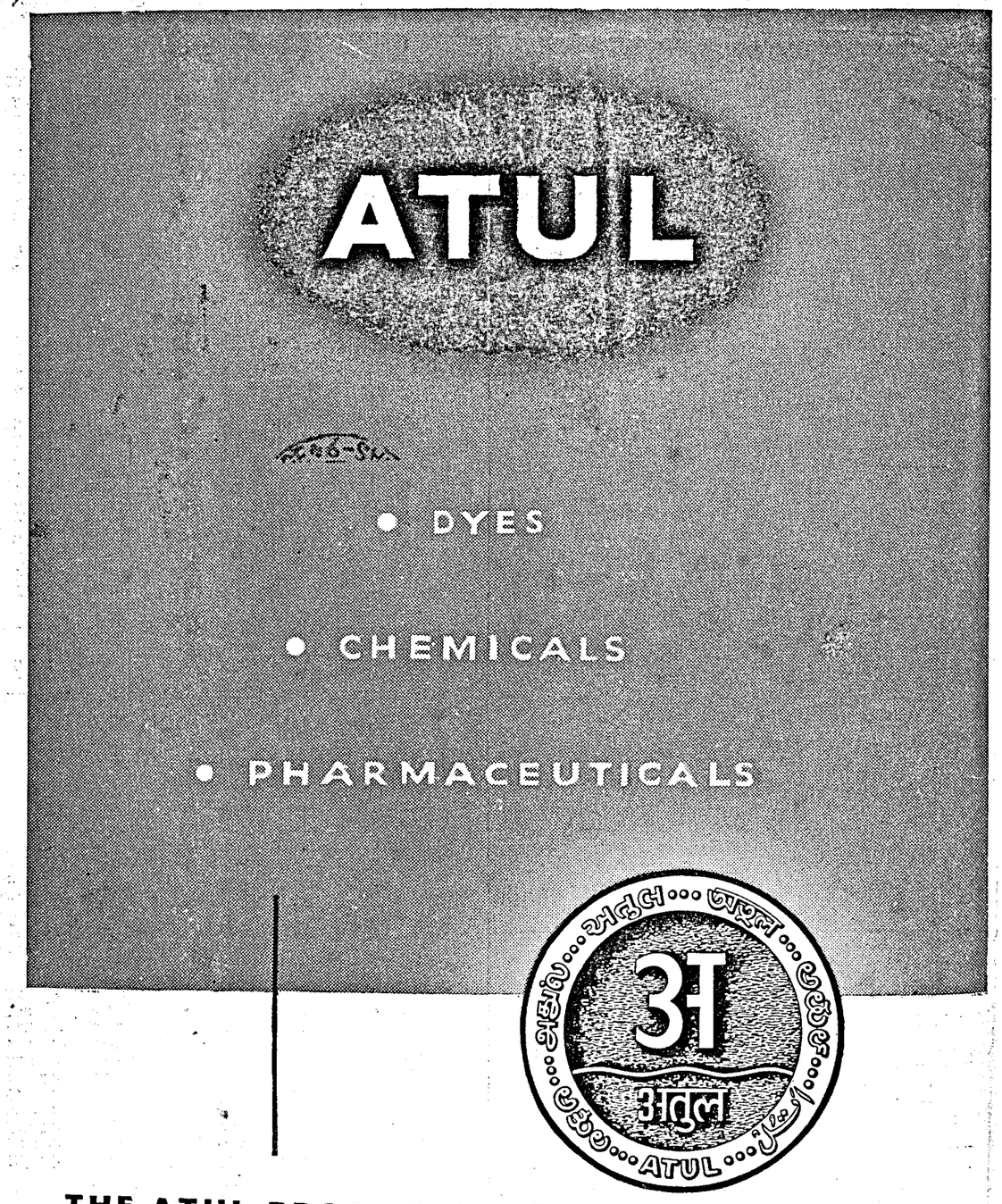
	Apr 15	Apr 8	Mar 18	Apr 16, '60
Food Articles	117.7	118.0	116.8	118.9
Cereals	99.6	99.9	99.9	103.6
Pulses	87.6	88.7	93.3	90.3
Fruits & Vegetables	114.2	115.7	107.8	137.2
Milk & Ghee	117.5	116.0	111.5	116.1
Edible oils	160.3	162.7	165.9	138.0
Fish, Eggs & Meat	126.3	127.0	121.4	118.1
Sugar & Gur	117.0	119.3	116.5	139.9
Others	172.4	170.8	167.0	160.9
Liquor & Tobacco:	112.2	112.7	114.1	100.9
Tobacco	109.5	110.0	111.4	98.9
Fuel, Power, Light & Lubricants:	120.9	120.8	121.5	118.2
Industrial Raw Materials:	152.1	152.8	150.5	134.6
Fibres	162.8	163.0	175.9	130.5
Oilseeds	156.8	158.7	161.6	142.1
Minerals	95.2	95.2	95.2	98.2
Others	126.9	126.1	128.5	130.8
Manufactures:	126.5	126.4	130.0	117.5
Intermediate Products:	136.1	135.3	138.5	122.7
Finished Products:	125.0	124.9	128.6	116.6
Textiles	128.6	128.5	134.7	116.0
Cotton	126.6	126.6	126.6	124.1
Jute	140.6	139.6	164.0	102.7
Woollen	110.1	110.1	110.1	104.2
Silk & Rayon	116.1	117.9	118.1	102.5
Metal Products	146.9	146.9	146.9	148.3
Chemicals	104.9	105.1	104.7	104.4
Oil cakes	144.3	144.1	145.7	137.1
Machinery & Transport Equipment	112.6	112.6	112.5	111.0
Others	118.6	118.6	118.5	114.8
All Commodities	125.6	125.8	127.3	120.5

JOINT STOCK COMPANIES

New Registrations and Liquidations

	Incorporated and Registered		Ceased to Work		
	No of Companies	Authorised Capital (Rs lakhs)	No of Companies	Paid-up Capital (Rs lakhs)	Overall variations in paid-up Capital of all Companies (Rs lakhs)
1960: Nov	129	48,38	64	9	+ 17
Oct	144	18,23	129	35	+ 357
Sept	155	16,50	188	5,35	— 1,15
Aug	118	22,87	201	65	+ 234
July	133	23,24	205	79	+11,37
June	149	27,93	232	47	+12,64
May	150	9,26	218	56	+ 6,48
Apr	141	12,90	265	65	+ 4,62
Mar	138	23,10	245	60	+23,75
Feb	99	16,74	172	144	+ 3,32
Jan	122	24,69	268	70	+16,57
	(Monthly Average)				
1960	134	22,17	199	1,06	+ 7,82
1959	117	14,03	142	76	+ 8,05
1958	88	19,31	151	95	+19,08
1957	76	8,92	156	1,06	+ 5,95
1956	91	20,23	88	92	+ 4,89
1955	110	13,65	77	82	+ 345
1951	159	12,37	75	31	—

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For Whom Was the Homage?

WHAT is it that the world found in Rabindranath that his centenary was celebrated not only all over India but also all over the world? Has any poet ever received such nation-wide adoration and such recognition from the world? One can understand Bengalis paying their homage. He fashioned their speech. They were nurtured on his writings. He made their songs and set them to tune. What did the others find in him, the rest of India and the civilised world?

A poet may be adored by those who love his poems but poetry is notoriously difficult to translate. It cannot cross the barrier of language. Even Tagore's dance dramas or other dramatic compositions that are basically lyrical cannot transcend the limits of the particular form and imagery with which the audience, for whom they are meant, are familiar. They may have a certain exotic appeal to others, but such appeal palls. Novelty alone cannot sustain interest in poetry or drama for long and that is why the appeal of Tagore for western audiences waned. There must be something else, perhaps the synthetic image, which the people have of him, which explains why Tagore's centenary has been observed on a national scale.

Is it the imprint of his perfect personality, which made the world-wide celebration a meaningful, if not a deeply-felt affair? Was it the personality of the man, an image of human dignity in the round and its highest expression—was that the secret of his appeal? Can a world-wide reputation be built on good looks and personal charms, however carefully presented in a perfect stage-setting? There must be something more. Is it that the world in paying homage to the Poet is giving formal recognition to Indian renaissance which Tagore symbolised in his person and that as a symbol he was most complete, most perfect just as as a spectacle, he was certainly most eye-catching?

Let us face it. No art can altogether be direct, it calls for cultivated appreciation and how much did the Poet's work transcend the barriers of language and succeeded in transmitting itself to a multitude of people speaking in diverse tongues and belonging to different social cultural and national groups? Not many later English critics have found in his works the fascination which Yeats or Ezra Pound did when Tagore's verses first appeared in English. In England, he was a rage for a season or two, and then as more of his books began to come in in very indifferent translations, it disappeared quickly. Other countries fell under his charm one by one. Their reaction often depended on the 'accident' of finding the right translator. Tagore's influence, however, never completely died down; it waxes and wanes and the centenary suggests a fresh revival of interest and perhaps a more systematic and penetrating study of his works. What the fruits of it will be, no one knows for sure. Tagore may survive the Tagore cult and some day, people may know him better than they do now.

It is a tragedy that people outside Bengal should know him only as a prophet and philosopher. True enough, the robe of the prophet he may not have donned himself but he did not decline it when others offered it to him. It served a purpose at that time, for he was able to

give India that affirmation which the country needed. A positive and confident view of life helped to restore the self-respect which they had lost, restored in them faith in Indian thought, discovered for them a spiritualism which was not other-worldly. In fullness of his being, man could be free. And he showed it in himself that India need not only receive, she could also give.

Tagore was not content with giving expression to what he felt, he started and ran a school which could develop the child's mind instead of stuffing it with books. The school grew into a university whose doors were thrown open to all quarters of the globe. He invited scholars and savants from other countries and this he did without any help from the Government or any of the foundations, long before educational exchange programmes were even thought of. He opened the world to India, and India to the world; and not the West alone. Viswabharati re-established India's cultural links with the countries of Asia, particularly China, Japan and Indonesia.

The image of the poet as a mystic has fed the illusion that Rabindranath was not concerned over much with the reality around him and that his poetry is by and large tawdry stuff, of no consequence to the modern reader. Tagore straddles the generations and among the lovers of his poetry, few subscribe to the metaphysical doctrine which it is supposed to incorporate. This particular assessment of the poet, by no means uncommon, does not square with a few of his poems which have won all-India currency. Deep and moving were his poems in which he revolted against servitude and insolent might, and condemned the mad violence in which aggressive and armed nationalism threatened to drag the world. But why his poems alone? Those who do not read Bengali know little of the range, depth and penetration of his prose writings. The Centenary Committee has rendered a service by bringing out a selection of his 'non-literary' writings in English-translation. Rabindranath's stirring songs and writings in the days of the Swadeshi movement, his tribute to Shivaji, ballads on Rajput chivalry and deeply-moving poems on the Sikh gurus are not perhaps so unknown; yet the impression persists of the cloying sweetness of his verse

Fashions in poetry change. What is regarded as of the highest merit in one period is often dismissed as artificial, empty and tripe in another. Those who have neither the humility to read him nor the ability to judge his poetry do not hesitate to lay down the verdict that perhaps as a painter, Tagore may survive but not as a poet, and certainly not as a thinker. Those who sought the path of violence tried to use him and later denounced him because he would not yield to their blandishments and when the country was in the grip of the fever of non-co-operation, it was Tagore who raised his voice above the tumult and held aloft his invitation to the whole world. He would not allow the world to be divided into small compartments and close the doors of his country against it —he refused to do that even to win a battle. Gandhiji understood, but few others did.

No poet has ever been honoured and celebrated as Tagore is being celebrated today; no one also perhaps ever suffered *so much stupid* adulation from the crowd or attack from ignorant detractors. The latter had been his fate right from the beginning of his literary career, for he wrote in the language of the people, chose the spoken word as his medium, discarding the stilted, classical style which was the scholastic fashion of the day. He was accused of obscurity and lampooned for the liberty he took with his language. How could a Bengali possibly judge him and be objective in his assessment? What he cannot understand when he looks around are these celebrations, this homage of the whole world. It does not *puff him up with pride*, it makes him humble and wonder.

Foreign Collaboration

THE feeling is getting a strong hold in the minds of Indian businessmen that the road to Delhi is via Tokyo, New York, Bonn and London. In other words, a technical collaboration agreement has more or less become a pre-requisite for getting a licence from the Development Wing for starting any industry in the country. The latest press note issued by the Government underlines this pre-requisite rather than set out the policy in regard to financial and technical collaboration by the private sector in the country with foreign participants. The note does not suggest that the Government is even aware of the many economic and social consequences of such collaboration, far from dilating upon them. It is no policy statement but rather a publicity handout for the newly-started Investment Centre in New Delhi sponsored by the I C I C I.

The role of private foreign investment in the development of underdeveloped countries has always been *recognised*, of course. It is in fact part of what has come to be called the theology of the World Bank. Though also accepted in theory by the Americans, the pattern of U S foreign private investments has not changed basically; it has not become any better oriented to the growth of the capital receiving country, even after a decade of high-level propaganda carried out on behalf of private foreign investment. The subject is not new but of late it has been receiving renewed attention in this country as well as outside. It was given out some time ago that the Government of India had approved 381 agreements between Indian businessmen and foreign manufacturers in 1960 as compared to 154 in 1959 and 64 in 1958. These agreements covered a wide range of industries from toothbrush to aluminium.

Though the press note does not bring it out, there have been considerable changes in Government policy in regard to private foreign investment and financial end tecnical collaborations with Indian business. In the process, the industrial policy of the country as laid down in the Industrial Policy Statement of 1956 has undergone almost a seachange. The changes are primarily in the industries in Schedule B, the concurrent list, in which both the private and public sectors could operate but in which, it was expressly stated, the initiative would rest with the Government and the private sector would only supplement the efforts in the public sector.

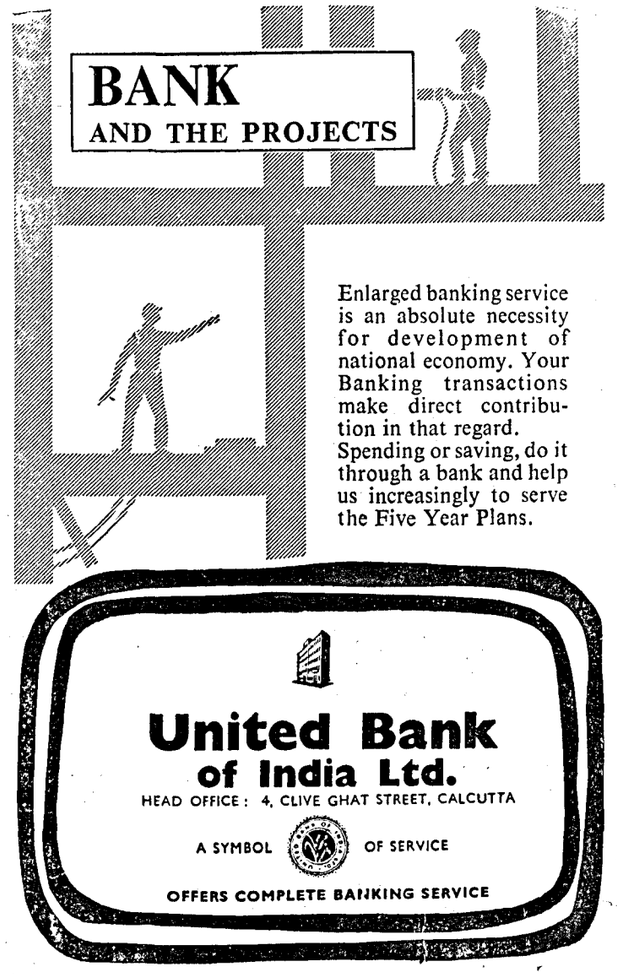
Foreign collaboration is invited in all those industries which are open to the private sector but there is also a list of the fields "in which foreign capital is ordinarily not needed", viz banking, insurance, trading and commerce and plantations. The qualification 'ordinarily' deserves to be noted, coming as i does after press reports of a well-known foreign bank coming in. In cotton textiles or sugar, by implica tion, in that case, foreign collabora tion should be ordinarily needed.

True, the press note also say that basically, the policy would be to attract private foreign capital in those fields in which the country needs to develop in pursuance of the Plan targets, but this has necessarily to be on a 'selective basis'. But what the basis for selection is has *not* been indicated. Nor is it mentioned in what form foreign capital will be encouraged to come in in different types of industries, whether it will be in the form of equity or loan, nor the proportions in which the investment will be shared between the foreign and Indian participants. In regard to the latter, the note says that while Indian majority holdings would be generally welcome, the extent of foreign share holding to be permitted in any particular case will have to be judged on merits. This is no clarification but merely a formal statement of the policy that has been followed in the matter for some years past, ever since the foreign exchange crisis in fact. Since then, the ratio has depended not on any principle but on the foreign exchange cost of the project.

The other changes which have been accepted and followed, of which, too, there is no mention, are in regard to royalty and export restrictions. The Government is now in a better position to introduce some sort of uniformity in the matter of royalty. The large number of agreements which have been made provides a basis for comparison and enables the Government to bring some sort of order in a field which used to be quite chaotic. It is now insisted, unlike in the past, that industries started with foreign collaboration, should be free to export.

From a short-sighted point of view, the establishment of any industry may be welcome but if the objective is to lay the foundation of a self-sustaining economy with a sound industrial base, the press note is clearly very inadequate. It does not suggest that it has been drawn up with any such long term objective in view.

In determining the role of private foreign capital, what is required is a clear idea whether the foreign capital is to be made the central core of our industrial development, whether it is to be used as a stimulant to industrial growth or whether it is only to meet the marginal requirement which our own efforts would not be able to meet. Free flow of foreign capital, however beneficial it may be, from a short-term point of view, is fraught with serious consequences in the long run. There are people who take it for granted that the foreign capital which flows in now will not have to be repatriated. In fact, the press note makes the point that foreign investors have found it to their advantage to retain their investments undisturbed and even ploughed back a substantial part of their remittable profits. There are others who don't bother because, if foreign investments become too burdensome, they could be 'frozen' without much ado. There are still others who think that undue dependence on foreign capital will tie us down to a pattern of development that is not of our own choosing. These may be extreme views. But it is certain that in allowing foreign capital to come freely, one has to be careful that the country does not lose its initiative in economic development. Is the initiative still with the Government or is it gradually slipping from its hands?



Weekly Notes

More Key Currencies for Fund

AFTER a somewhat somnolent early career, the I M F became quite active from 1957 and once it became active, it realised that its resources were quite inadequate to meet the growing requirements of international liquidity. At its New Delhi meeting in 1958, the members of the Fund decided to double its resources.

Even this would have been hardly adequate if the Fund were to assume wider responsibilities but the recent currency switches have proved so disturbing to the maintenance of international equilibrium that some action to prevent it has assumed an immediate urgency. The situation that developed over the prolonged flight from the dollar, following spells of flights from sterling, have some resemblance to the erratic movements of hot money or cloak-room funds which plagued the currency system before the war. The resemblance, however, is only partial insofaras the possibility of changes in the exchange rate feeds such speculative movements of funds.

The rapid increase in the reserves of West Germany provided the focus for disequilibrium by suggesting the possibility of an upward evaluation of Deutchsmark, since Germany, for reasons of her own, refused to adopt the corrective measures necessary in such a situation by reducing the bank rate. Pressure exerted principally by America which was losing gold all this time, though her balance of payments was not in deficit, staved off the crisis, the mark was slightly revalued and Germany also lowered her discount rate. But the present position between three principal currencies dollar, sterling and mark, is that of precarious balance maintained by the co-operation, not easily secured, among these three countries.

The possibility of the Fund ever developing into an international Clearing Union however, remains as remote as ever before. So, the immediate problem is not that of adequate resources for the Fund but that of adequacy of the key currencies, so that it can be of assistance in overcoming pressures on a currency which happens at the moment to be the target of attack. This immediate and limited problem can be solved by increasing the Fund's holdings of key currencies while its aggregate resources remain unchanged.

The Fund Articles of Agreement do provide a way out of such a situation. Under Article VII, the Fund is authorised to borrow from its members to replenish its stock of scarce currencies. This provision was meant to be used only in an emergency, when a particular currency was declared to be 'scarce' in the Fund's sense. The Fund management is now interpreting its Articles of Agreement in a more flexible manner; it finds that in a fast-changing world, there could be no doctrinnaire adherence to the letter of the rules framed in a different situation. Mr Per Jacobsson now feels that the Fund should be in a position to borrow certain currencies without formally declaring them as 'scarce' under Article VII (probably this will involve an amendment of the Article); once a currency is declared 'scarce' under this Article, other members can take discriminatory action against the member whose currency is declared to be scarce. Mr Jacobsson has presented his case for increasing the Fund's resources of particular currencies to the Economic and Social Council of the United Nations; the appropriate method for doing this would be "a network of stand-by arrangements with the main industrial countries under which the Fund will be able to use increased amounts of their currencies, whenever the need for such use would arise as a part of a Fund operation".

The concrete proposals will now be worked out by the Fund and may be presented for acceptance to the next Annual Meeting of the Bank and the Fund in Vienna.

Speculation on Steel Price Policy

THE statement of the Minister of Steel, Mines and Fuel in answer to a question in the Lok Sabha, that the Tariff Commission had been requested to include in the proposed retention prices of iron and steel an element for payment of interest and repayment of advances made to the steel companies, has released a flood of speculation. This has been interpreted to mean that the pricing policy hitherto followed by the Government is going to be modified in important respects and that factors hitherto not taken into consideration will now weigh in fixing price. This is an amusing example of purely wishful thinking, for such speculation is entirely unfounded.

There is not much of a price policy, properly so called. Except for a few industries where the Tariff Commission is asked to recommend a fair price, the talk of a price policy is irrelevant. The case of steel, however, is different. The retention price fixed by the Tariff Commission is what the producers of steel get. The mention by Sardar Swaran Singh of an element of interest and repayment of advance made to the steel companies, however, introduces no new factor in the situation. This was agreed upon when the loans were made to the steel companies years ago. The recent enquiries of the Tariff Commission on steel prices were purely a routine affair and involved certain adjustments already provided for in the agreed price fixing formula. The adjustment in regard to repayment of advance and interest payment has not, however, yet been effected for the decision had to be put off pending the completion and the working results of the expansion which the steel companies had taken on hand.

The speculation aroused by Swaran Singh's innocuous and incomplete statement, however, is partly wishful thinking and partly an attempt to bring up the vexed issue of adequate 'return on capital' adopted by the Tariff Commission in its price enquiries. Prices have to be looked upon from two different angles, that of the producer and the consumer. It is hardly possible to please both and return on capital itself cannot be considered in isolation from the view that the Tariff Commission takes of permissible costs and the manner in which the Commission arrives at costs in a particular enquiry. That a World Bank Mission had looked askance once at the Tariff Commission's formula of adequate returns continues to feed speculation that since the Government of India has towed the line on so many other points, it cannot be long before it does so in the matter of its pricing policy also.

Time to Take Notice

Our Delhi Correspondent Writes:

NEW DELHI, which had not hitherto taken much interest in European Common Market, has been made to sit up and take notice, now that Britain seems to be gradually moving towards it. On what terms Britain will join the Common Market and what would be the position of the Commonwealth exports which have hitherto enjoyed tariff preference in Britain, these and many other things are still matters of speculation. Probably there would be long, protracted negotiations before Britain finally comes in. But New Delhi is quite worried that Britain may come to terms with the European Common Market and India may be left in the lurch. Britain is still India's largest export market in which Indian goods enter either duty free or on preferential tariff. These concessions, it is feared, will either be withdrawn or greatly modified if Britain comes within the ambit of the Common Market.

There is consensus of opinion that the country's export trade will suffer in consequence, particularly raw material exports, with some exceptions such as raw wool, raw cotton, manganese and iron ore; and hides and skins. Tea which suffers from heavy fiscal duties on the continent, which have inhibited the growth of exports and consumption of tea, it is feared, will not be able to enter the U K market duty free. The European Common Market now levies a duty of 20 to 25 per cent on tea. The same fate may overtake Indian coffee. Some manufactured goods like cotton fabrics, and jute textiles may also experience serious difficulties as the Common Market duties on them are pretty high.

The shape of things to come will not be very clear, of course, until the terms on which Britain joins the Common Market are hammered out. These appear to be under negotiation. It is by no means certain yet, for example, whether Britain will become a full-fledged member, or succeed in getting the Rome Treaty suitably modified to safeguard her interests and set up special arrangements with the Common Market. But whatever may be the form of her membership, official circles feel that India will be a loser if Britain joins the Common Market.

There may be compensations, however, and New Delhi has been contemplating what these could be hopefully. It is generally felt that the British tariffs being comparatively low, the general level of tariffs in all the member countries will go down a little, perhaps appreciably, if Britain joins the Common Market. But for India, this may confer only a marginal benefit which will most probably be more than offset by the loss of tariff preference in the British Market.

It does not seem that either India has been taken into confidence about Britain's move or her interests seriously considered in the discussions that have been going on. There is, therefore, a feeling in New Delhi that India has been let down at a time when she is under the overriding necessity of boosting her exports and is keying herself up for the job. That just at such a time Britain, her traditional trade partner, should contemplate a move which would slash her exports is very much of a set back for her. As it is, India's exports to Western countries have been steadily going down. The prospects of such exports will become really dismal with the changes that are in the offing. This will necessitate an energetic drive for finding new markets and have new trade partners, and perhaps a complete re-orientation of the entire pattern of India's foreign trade.

Driving Dowry Underground

WHETHER the Dowry Bill which was finally passed by Parliament on Tuesday constitutes an important step forward in social reform or yet another addition to dead law will continue to be debated. But it created a constitutional precedent by necessitating a joint session of Parliament to iron out differences between the two Houses. That the practice of giving and taking dowry was an evil was accepted by both Houses and all Members, but differences arose about how best it could be combated.

In particular, the Rajya Sabha took exception to two clauses in the Bill as it was passed by the Lok Sabha: one seeking to make it a legal offence to demand dowry and the other setting out exemptions, like gifts offered at the time of marriage but not as "consideration" for the marriage. The Rajya Sabha deleted both the offending clauses and returned the Bill to the Lower House. The Lok Sabha refused to accept the modifications and this necessitated the holding of a joint session of the two Houses which had been provided for in the Constitution in the event of a difference of opinion. This was the first joint session ever held by the Indian Parliament.

The Bill as finally passed retained the clause on the definition of dowry including the provision for exemption as well as the one that made it an offence to demand dowry but added a proviso that the offence would not be cognisable, except with the previous sanction of the State Government. This last was considered necessary in order to prevent the provisions of the Bill from being used for deliberate harassment or persecution.

Shrimati Renu Chakravarti, championing women's rights, held that this change "nullified" the Bill. That the Bill would be ineffective in any case, whatever the form in which it was passed, seemed inevitable. Acharya Kripalani argued, and rightly, if dowry was to continue to be taken and given notwithstanding the Dowry Bill, there was a good case for making it as innocuous as possible so that its provisions did not lead to fresh malpractices.

Both the Prime Minister, who intervened twice in the debate, as also the Law Minister, conceded that the Bill would not go very far in eradicating the evil of dowry. What they hoped it would do was that, like the Sharda Act on the minimum age for marriage, it would create a "powerful climate of opinion" and deter those who gave or took dowry. Even then the Prime Minister admitted that dowry may continue to be demanded "secretly". In any case, the Bill proscribes the giving and taking of gifts only when it is done "as consideration for marriage". How is it possible to be sure whether in a particular case gifts were accepted as consideration for marriage or just as tokens of goodwill?

A Muslim Assam?

THE infiltration of Muslims from East Pakistan into Assam has been very much in the news during the last few days. Judging from the number of people involved, which has been reported in the press, and even from the figure admitted by the Assam Government, it would be misleading to call it infiltration. A large-scale influx or a sizeable invasion would appear to be the more correct description of what has taken place. It is significant that this influx was concentrated in the months immediately preceding the Census operations last March. It is reported that, during the one month between the numbering of houses for Census and actual enumeration, about 42,000 East Pakistan Muslims entered Goalpara. Assam Government has dismissed this figure as exaggerated. It says that the number could not have exceeded 12,000. Even so, one wonders what the border police was doing all this time, and this is not the only district into which such influx has taken place. The Assamese being a minority in their own State, even a slight change in the linguistic composition of the population could upset the political apple-cart of the State. Muslim influx, however, does not hold this particular threat for Assam, for, even in the 1951 Census, an analysis of the data clearly showed that the Bengali Muslim immigrants from East Pakistan recorded Assamese as their mother-tongue!

If this happened in 1951, there is no reason to believe that it would be any different now, particularly after the violent anti-Bengali upsurge which swept Assam before the last Census. Apart from press reports, however, and the admission of the Assam Government, an analysis of the East Pakistan Census for 1961 (see 'Migration from East Pakistan 1951—1961' in the issue of April 1961) powerfully suggested large scale immigration of Muslims into Assam from East Pakistan.

The infiltration of Muslims from East Bengal into Assam had been going on steadily for decades before the Partition. Excessive density of population in East Bengal, the adventurous spirit and enterprise of land hungry Muslims and their ability to reclaim land and grow jute under conditions of hardship which put off the Assamese—these were the factors at work. If not officially welcomed, this infiltration was winked at and allowed by the Government of the day, firstly because the Muslim members in the Government were very influential and secondly because the Assamese themselves wanted these hardy settlers from across the border to bring their vast stretches of untilled land under cultivation.

There is no reason to believe that any of these factors have ceased to be at work. The recent large scale influx, however, has a special character of its own, because of the timing of it—it took place just before the Census. Even if it does not change the linguistic composition of the State, it may change the communal balance. In Goalpara District the Muslims are already the majority community. When the breakdown of the Census figures by religion is published, it will be seen that the proportion of the Muslims has gone up very substantially. It has been creeping towards a majority, according to the forecasts that have appeared in the press. What, if in the next Census, Muslims come out as the predominently majority population of Assam? Will it be possible to resist the demand of the State then to opt out of the Indian Union?

Even without the influx of Muslims, Assam has problems enough of her own. The hill districts have demanded separation or autonomy; it has been resisted. When Nagas wanted autonomy, that demand was also resisted, but with what subsequent consequences, it is not necessary to recapitulate. With the Congress Party unwilling or too weak to do anything about it and the Centre betraying the sacred trust solemnly bestowed upon it by the Constitution, Assam is drifting fast into a dangerous denoument.

Setting and Fulfilling Targets

IN planning we go by targets. The achievement of a target, any target, is a matter for exultation, particularly when the targets fulfilled and over-fulfilled in the Second Plan are not too many. The latest to be achieved is the small savings target. Rs 380 crores were to be collected from small savings in the Second Plan. Actual collections during the five years, it appears, would amount to over Rs 400 crores. Another target over-fulfilled! Who can say that Shrimati Tarakeshwari Sinha, who is Chairman of the National Savings Central Advisory Board, didn't deserve the big pat on the back from the Finance Minister at the Savings Advisory Board meeting the other day?

Having achieved the last target, the immediate task is to set the target for the Third Plan. From goal to goal—so goes planning. The Draft Outline of the Third Plan mentioned the target for small savings as Rs 585 crores. Spurred by the success achieved in the last three years, the Savings Committee of the National Development Council wants it to be raised to Rs 750 crores. The Finance Minister, however, is cautious and the target may finally be fixed at around Rs 700 crores, a substantial amount compared to either the Second Plan achievement or the Draft Third Plan target.

The general enthusiasm so much in evidence at the Savings Board meeting is all to the good, but two facts about the savings performance in the Second Plan deserve to be noticed. First, the Rs 406 crores collected exceeded the *revised* target, but fell short of the *original* target of Rs 500 crores by almost Rs 100 crores. The Plan had expected "Rs 100 crores a year on an average" from small savings but in fact only in the last year of the Plan did collection of small savings exceed Rs 100 crores and then also marginally. Second, it is clear that a part, how significant a part it is difficult to say, has been collected from institutions like panchayats and cooperatives under official pressure to fulfil district and village targets. Most of these "savers" in turn promptly proceeded to borrow to the hilt against the savings certificates. Thus how much of the Rs 406 crores "saved" by small savers represents *net* saving needs to be investigated.

Meanwhile, if the enthusiasm to raise targets reflects readiness to step up efforts, no harm will be done if the savings target is raised. Later on if the target is found to be too high or if efforts do not measure up to the enthusiasm now in evidence, it can always be scaled down and at the end of the Plan it may be found to have been exceeded so that in 1966 once again we will have cause for rejoicing and there will be more pats on the back for Ministers.

Without Comment

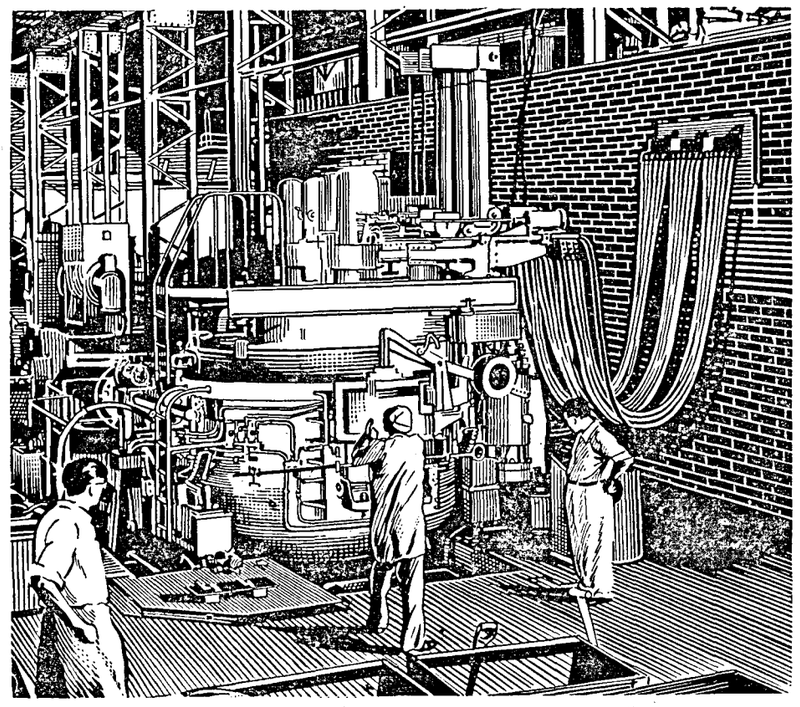
A New Delhi Message Says :

THE Third Plan Draft Outline employment target has been reappraised from 15 million to 17 million, since the new census figures have put the population figure at 480 million — 10 million more than that envisaged by the Planning Commission, it is learnt here.

On the basis of the new light thrown by the census, the number of new entrants to the labour force during the Third Five-Year Plan has been re-estimated. The Draft Plan had calculated that the new entrants to the labour force during the Third Plan would be 15 million.

The Draft had also estimated that employment opportunities would be created for 14 million by the new investments. While the Planning Commission was devising measures like rural pilot projects for absorbing the one million that would have been left uncovered by the new employment opportunities, the census figures caused an increase in the magnitude of the problem to be tackled.

On the basis of the new census figures, the figure of new entrants to the labour force has been reappraised at 17 million.



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Letter from Moscow

More Rockets, Less Rattle

Samar Sen

THE eve of May Day this year was rather unusual. For about four or five days before the festival, things were hard to get. Even butter, always in abundant supply, disappeared from the controlled market, not to speak of meat, fish or fruit. People queued up, grumbled and waited for good luck. The newspapers carried reports of overfulfilment of the plan from all over the country but Moscow faced a curious scarcity. We all talked about it and wondered, but no one could explain why it happened. Of course, we all knew that things would change on May Day; by that time K would be back from the Black Sea. And things did change. In our area a big food store opened, the number of street vendors went up. The memory of scarcity began to fade.

But the mere fact that it happened shows that bottlenecks, sometimes serious bottlenecks, occur. In the ceaseless agitation for increased production workers and managers of a particular industry face shortage of a vital material and have to move heaven and earth before things return to normal. When persuasion and entreaty and, may be, threats, fail on a local level, they take up the matter with the central authorities and write to the national dailies. Persons are not spared. And on this day (May 5), which is celebrated as Press Day in the Soviet Union, one must acknowledge the power of the Press. It is vigilant and relentless in the pursuit of certain definite objectives at home and abroad.

Accent on Variety

Consumer goods, we all know, are on the increase. But mere quantity no longer satisfies the consumer. He wants variety. In the absence of competition, the producer tends to be lethargic, taking it for granted that his goods will sell. He thinks his only business is to fulfil and overfulfil the plan. He does that, but his products do not sell, they pile up in stores. They have become outmoded. What to do with them is a big problem. Administrators of stores complain that the producer does not take note of the changing tastes of the purchaser. The producer says that he has not enough right material to accommodate public taste.

At a big house in Moscow, nearly a thousand people work out new designs for garments. Last year they turned out 5,000 designs. But there is a very big gap between design and manufacture. Only a few designs were used. One of the reasons is that the artists are not satisfied with the materials at hand but always look for rare stuff. Also some of the designs are rather exotic. In the exhibition hall of the house, people look around and wonder who will wear these garments.

Sometimes it is possible to turn out new stuff. But by the time it appears, tastes may have changed. The vicious circle again. Millions of roubles are wasted. Time and energy also. Meanwhile, the demand for imported stuff grows.

CIA — the Villain

The freedom movement in the colonies and the threat of aggression by powerful countries have been the main preoccupation of the Soviet Press in the past few weeks. Columns have appeared about Cuba, and quite a few articles by Americans about their country have been translated. Walter Lippman and James Reston have been quoted at length. The obsession with America is understandable. There is a desire to understand the complexities of a big country headed by a young man. The target of attack, it seems, is the Central Intelligence Agency headed by Allen Dulles. Foreign reports alleging collusion between the rebel French generals and the U S Secret Service have been played up. Over Cuba there is a lot of real sympathy but no one knows what the Russian reaction will be in the case of fresh landings. The attitude to Kennedy is still one of caution.

On May Day we saw a demonstration of Soviet military might. The rockets were impressive indeed, but the desire to rattle them is less marked now. If they impressed foreigners, no less impressive was the overriding desire for peace and complete disarmament. There was a riot of colour, there were flowers. All around there was a huge crowd of confident, happy people. And there was Gagarin, symbol of a new age. Encircled Russia has taken a vertical leap.

Soviet Aid

An article in the *Economic Gazette* points out that the Soviet Union today gives economic and technical aid to 20 underdeveloped countries in Asia, Africa and Latin America. Credits totalling over 2,000 million roubles (18.97 roubles = Rs 100) in new currency have been granted to them. More than 4,000 Soviet specialists are now working in these regions. Engineers, technicians and skilled workers from these regions are being trained in the Soviet Union.

Soviet credits have financed approximately 15 per cent of all investments from foreign sources in India's Second Five Year Plan, more than 33 per cent of such investments in the United Arab Republic's First Five Year Plan and up to 70 per cent in Afghanistan. Nearly 350 industrial enterprises and other projects were being built in Asia, Africa and Latin America with Soviet help in 1960.

Working in close co-operation with Soviet industries in the construction of such enterprises are other Socialist States, members of the Council for Mutual Economic Assistance. Today they are helping in the building of 34 industrial enterprises envisaged in inter-governmental agreements between the U S S R and underdeveloped states.

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Letter from Japan

Tokyo Trade Fair

TOKYO is a port, not an inland city and in order to reach the docks, one has to cross over Tokyo's main street, the Ginza. During the last fortnight, from April 17 until May 7, a large International Trade Fair has been held on a spacious ground near the docks. The fair has completely stopped all traffic on Tokyo's main street for two to three hours every day and given an idea of things to come when 1964 brings the Olympics to Tokyo.

This is the fourth fair which has been held in Tokyo; it is a biannual affair and is held alternately in Tokyo and Osaka. It is directed principally at overseas buyers. During this fortnight, over 2 million people visited the fair and sales over U S $ 43,000,000 were contracted for. Some countries outside Japan also have exhibits on the fair ground and in order to simplify the arrangements, the whole fair has been treated as a bonded warehouse and customs duty is not payable on the goods unless they are sold within Japan. The fair ground has a number of permanent buildings, among which is one of the finest metal buildings that I have ever seen. It consists only of a large dome without any supports and the central part of the building can be removed letting the sun stream in when it is not raining. It is difficult to convey a proper idea of its size. I should only like to mention that all the 412 electrical exhibitors were housed within its interior and that from a platform on the second floor, one could see the position of every single stall.

Of Little Interest to India

From the handouts which were issued, the main purpose of the exhibition appeared to be to sell to the United States and to South East Asia (which from the Japanese point of view includes India). Yet as one walked round the exhibition, one noticed that there were very few things which would be of use to the average Indian. Leaving aside the question of establishing whole industries, such as steel or hydro-electric equipment, among consumer goods transistor radios, ingenious electrical toys, plastic boats, cameras, cloisonne or other advanced type of goods seemed to be predominant.

The woodworking hall was heavy with the whine of enormous bandsaws operated by two or three men on small trolleys. But I looked in vain for cheap and ingenious tools which could be bought for a few rupees and yet which would prove a marked improvement on the present tools. The whole of Japanese selling is now geared either towards the supplying of whole factories to purchasers who can afford them or else to providing extremely complicated, high class consumer goods to such countries as the United States with a high standard of living.

Amazing Variety of Plastics

And so in many ways I was disappointed except in one respect, viz. the Japanese plastics exhibition. This is almost entirely a post-war Japanese development and the space occupied by the plastics section of the fair was twice that of the previous fair at Osaka. Yet the utility and variety of the goods produced appeared to me to be almost endless. Some of these synthetic goods were ropes suitable for deep sea fishing, various types of cheap food containers, shoe leather, paint, liquid for preventing rice bags from tearing when rice is transported, bags, furniture, pipes and hundreds of other useful things. For synthetic plastics, the raw material out of which the goods are made can be easily obtained; it is the capital and skill to operate the processes which are hard to come by.

Yet it is clear that the Japanese are managing to push themselves into the forefront of the synthetic plastics industry and it would be wise for the Indian Government to co-operate very closely with this branch of Japanese industry.

Among the 28 foreign countries participating in the exhibition, there was not one single Asian country other than Japan. But among the non-Asian countries, both Czechoslovakia and East Germany were represented. Every country that was able to do so exhibited heavy presses and complicated machinery. A country's prestige is now so closely tied up with the question as to whether it has or has not got a steel mill that a number of much simpler things seem almost to go by default. Perhaps at some future fair, the question will be asked "What can the countries of S E Asia really afford to buy from the more advanced countries?" And emphasis will be put less on transistor radios and toys and more on redesigned hoes or light weight ploughs.

Prime Minister's Prestige Falls

The last few months have seen a gradual decline in the prestige of the Prime Minister in the eyes of the Japanese press. It is difficult to put this down to any one incident but it seems to be associated with a feeling that he is not the master of his own house in the Liberal Democratic Party but is only a puppet of sinister behind scenes activities. Several weeks ago he was severely criticised by the equivalent of the Federation of Employers for allowing an increase in wages of certain categories of public servants and he was forced to state that the increase in wages had not been as great as the increase in profits. This retort would hardly have been leaked to the press, had the Prime Minister been the darling of this group.

A second incident occurred during the last week when a bill dealing with the buying and selling of agricultural land resulted in the Socialist members of the Diet boycotting the session after forcibly trying to prevent the Speaker from taking the chair. In order to have the bill to be passed this session, it had to be submitted before this week and after ten hours' debate, the Government used its majority to terminate further discussion of the bill. I cannot pretend that either party was clearly in the right but the net result was that the position of the Prime Minister was weakened further, as he must now be invariably associated in people's minds with any form of disturbances in the Diet.

This is a very regrettable state of affairs indeed as Ikeda represents a progressive middle of the

road group in the Liberal Democratic Party. However the extreme development of factionalism in both the Socialist and Liberal Democratic Parties makes it difficult for any Prime Minister to exercise any authority over any faction other than his own.

Government Defeat in Singapore

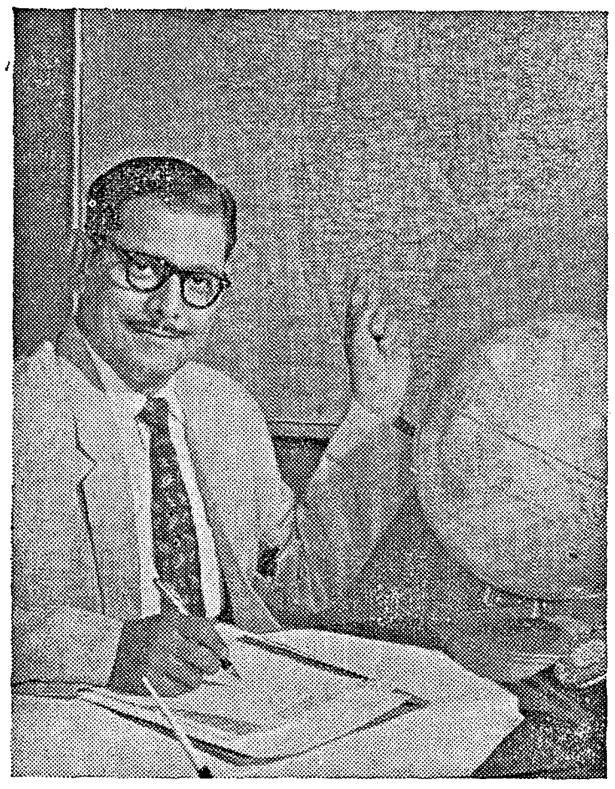
In Singapore in a by-election in the Hong Lim district, which is one of the older parts of the City, with mostly poor Chinese residents, Mr. Jek yeung thong with 2,820 votes was defeated by the sitting candidate, Ong eng guan with 10,567 votes. Mr. Ong, a former member of the Peoples' Action Party and the last Mayor of Singapore city before it was included in Singapore state, had been forced to resign after his secession from the PAP. He then fought the election once again as an independent and for the last three months both he and the Government have been openly criticizing each other. His opponent was the political secretary to the Premier, Lee kwang yu.

Both Ong eng guan and Lee kwang yu have been educated overseas and outside of China. Mr. Lee is a Cambridge man and Ong eng guan is an Australian taught accountant. So, in a sense, neither can be regarded as being supported primarily for Chinese nationalistic ends.

In the early part of the public quarrel between Ong eng guan and the PAP, the quarrel turned almost entirely on personal issues and in such situation, one cannot help feeling that there can be no smoke without fire. This feeling was partly strengthened by the long gap of several weeks between the seat becoming vacant and the actual polling day, also by the dissolution of the Hong Lim branch by PAP headquarters.

But as the election came closer, Mr. Ong concentrated his attack on the PAP on the general issue that the economic conditions of Singapore had not improved and that the PAP was really a dictatorial smokescreen, which concealed the real truth from the masses. This had been a good line of attack and has paid dividends.

There is no doubt that this by-election was a major defeat for the Singapore Government and while it will not lead to any general election, as the PAP is only halfway through its development programme, nevertheless to have an unscrupulous opponent such as Ong eng guan always ready to pounce on governmental defects will weaken the Government, especially as Mr. Ong himself was once PAP. Yet it will not result in the rise of a new party as Mr Ong is essentially a demagogue unable to keep his supporters permanently behind him.



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GOVERNMENT SECRETARIAT MAY 13, 1961 PUBLIC DEPARTMENT

The Finance Commission as a Planning Instrument

S K Bhattacharyya

It has been the experience of the last ten years that State Governments have allowed their non-Plan expenditure to increase disproportionately so that their contribution to Plan resources has been much less than the additional taxation raised by them.

The original function of the Finance Commission—that of apportioning the proceeds of Central taxes between the Centre and the States—is outdated today. Shared taxes as a source of revenue have lost their importance since the major share of the States' expenditure is met by Central assistance outside the devolution scheme recommended by the Finance Commission.

The Finance Commission can, however, still play a useful role in planned development if it frames its recommendations in such a manner as to penalise States incurring excessive expenditure outside the Plan. This it can do by making grants-in-aid from the Centre conditional upon the States' willingness to restrict non-Plan expendiure.

THE Constitution of India enjoins that the Central Government must augment the revenues of the State Governments in a certain prescribed manner. Now, with the experience of a decade of planning, the question is often asked whether these arrangements are at all of any economic significance. The system might have had some rationale when the expenditures of the State Governments were more or less limited by their revenues. But now, when a substantial part of the States' expenditure is made possible by Central assistance outside of the devolution scheme, there seems to be little reason for worrying about how much is constitutionally guaranteed to the States. In a planned economy the Centre is expected to know the total amount that it can spare for each State. And the more that is ensured to a State as a matter of right, the less it will be given otherwise. This is not to question the importance of the Finance Commission's recommendations from other points of view. In particular, the system does have some political importance in a large multi-lingual country like India. But, is it not possible to so devise things that the Constitutional provisions in this regard are made to serve an economic function as well by furthering the development efforts of the country instead of merely adding to the computational labour of the Planning Commission? The object of this note is to explore these possibilities.

States Don't Play the Game

One of the major hindrances to our planning effort over the last decade has been the unwillingness of the State Governments to play the game. There have been notable exceptions of course, but on the whole the State Governments have failed to give evidence of the courage and the vision necessary for implementing development programmes. In the fiscal sphere, they have allowed non-Plan expenditures to grow disproportionately so that their own contribution to Plan resources has been small even though their tax targets have largely been reached.

The following excerpts from the Planning Commission's memorandum on 'Appraisal and Prospects of the Second Five Year Plan' will amply prove this point. "What matters, however, is not the amount of tax effort taken by itself but the contribution from revenues for financing the Plan. The States were expected to find Rs 370 crores in all from this source. For the first three years of the Plan, this contribution will be about Rs 135 crores and for the five-year period at present tax rates, it will approximate Rs 295 crores. In other words, in spite of the additional taxation with a probable yield of Rs 173 crores over the five-year period that has so far been put through, the States' contribution is expected to fall below the original target. This shortfall, it will be noticed, is in spite of the gain of Rs 160 crores as a result of the Finance Commission's award and some improvement in receipts by way of share in some of the Centre's taxation." Further, ". . . the point that emerges on the whole is that the gain to the States from the Finance Commission's award plus a part of the additional taxation they have adopted has been absorbed by expenditures that do not enter into the Plan." Some time afterwards, another review of 'Plan Resources and Outlay' was published after a fresh (!) assessment of resources and of detailed plans for the budgetary year 1959-60. The picture however did not change materially. The total contribution by the States from the Revenue account, towards financing the Plan, was estimated at Rs 359 crores; Rs 141 crores as Balance from Revenue account at old rates of taxation and the remainder of Rs 218 crores from additional taxation. The broad fact, then, remains that non-Plan expenditure by the States during the Second Plan was allowed to increase by more than Rs 160 crores; and even though the original revenue contribution target of Rs 370 crores was nearly achieved, the States' net contribution was of the order of Rs 200 crores only because their revenues increased by more than Rs 160 crores as a result of the Second Finance Commission's award.

Check on Non-Plan Spending

Under the circumstances, any measure which can induce the States do more for the success of the Plans is to be welcomed. The recommendations of the Finance Commission can perhaps be framed in a manner that will spur the State Governments to fulfil Plan targets. It will be better, however, to emphasise at the outset that the scope in this regard is of course very limited. What can be done, at the most, is to devise a system which may deter the State Governments from letting non-Plan expenditures grow beyond what is permitted by the overall Plan. Apart from this, very little can be done. It is next to impossible to devise satisfactory measures to induce the State Governments to undertake positive steps in this connection like spreading of the tax net deep and wide, elimination of waste, judicious and timely planning of projects, etc.

This is so if only for the reason that concepts like 'tax-effort', 'planning-effort' etc are operationally unmeasurable and, if adopted as working criteria, may lead to iniquitous results. Non-Plan expenditures, on the other hand, are something more tangible to go by. Their limits are set by the State Governments themselves when they draw up estimates of the resources they will provide for financing the Plan. The State Governments, therefore, should have little to complain of if the recommendations of the Finance Commission are so devised that a State Government is penalised whenever and to the extent its targetted amount of non-Plan expenditure is exceeded.

The (third) Finance Commission may then bear in mind these basic considerations while formulating their proposals :

(1) The entire scheme of devolution consisting of tax-shares and grants-in-aid shall be so devised that each State will receive a total amount that will be equal to the expected deficit in the revenue budget, if any, on the basis of its taxation structure as existing in 1955-56.

(2) The expenditure side of the revenue budget shall include the non-Plan revenue expenditures and the recurring cost of the plan projects only. The Finance Commission will be guided in these calculations by the estimates already arrived at jointly by the Planning Commission and the State Governments in course of drawing up the five-year plan.

(3) Each State Government shall receive a portion of what it altogether gets from the Centre in this scheme of devolution in the form of grant-in-aid of revenue which shall be paid on condition that the State Government concerned does not spend more on non-Plan account than what is permitted by (2) above, except with the consent of the Planning Commission. If the condition is not fulfilled, the grant-in-aid shall be reduced by the amount of the excess expenditure.**

New Scheme of Devolution

Let us now develop the major points of distinction of the above scheme of devolution of the Central revenues. The most important provision in this scheme is the one that seeks to penalise a State when its non-Plan expenditure exceeds the amount permitted by the Plan. The First and the Second Finance Commissions recommended unconditional grants-in-aid. One effect of such arrangement has been that the States do not need to be very careful about restraining their non-Plan expenditure because their incomes are, so to say, underwritten. If, however, their revenues are linked with expenditures in the manner suggested, one may legitimately expect that the States will be more circumspect in regard to their non-Plan commitments. The budgetary implication of the penal provision will be that the chances of a deficit occurring in the revenue budget will increase, because each rise in the non-Plan expenditure beyond the agreed limit will be equivalent to twice the amount of such rise, the excess expenditure being coupled with an equal reduction in income. However, the deficit may not show up if the reduction in the Central grant-in-aid is offset by higher yield from State taxes.

It is important to appreciate exactly the intended role of the above provision in the devolution scheme. The purpose is to contrive a device whereby the income on revenue account of a State is reduced whenever its non-Plan expenditure exceeds the agreed limit. The State Governments in that case are expected to be more careful about increases in non-Plan expenditure as these will be automatically the focus of attention and will have to be justified in the legislature. The purpose will not be served, however, to the same extent if reduction is made in non-statutory grants. The Penal aspect will not be apparent and non-Plan expenditures will not be under the same degree of scrutiny, because the reduction on this count will in all probability be swamped by changes in the non-statutory grants made for other reasons.

Adoption of a system of conditional grant-in-aid will be a major departure from the existing practice which has the sanctity of a long tradition and was also approved by the last two Finance Commissions. We should see, therefore, whether any important economic advantage is likely to be lost by such a change-over. Under Article 280 (1) (b) of the Constitution, the Finance Commission is charged with the duty of making recommendations to the President as to the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India. What principles were recommended by the last two Finance Commissions in this regard and on what basis?

Grants-in Aid

According to the First Finance Commission, "The First statutory provision for grants-in-aid . . . came with the Government of India Act, 1935, under which grants-in-aid were given to Provinces in need of assistance. These were prescribed on the basis of Sir Otto Niemeyer's Report ..... He proceeded from the premise that each Province should be so equipped as to be able to enjoy a reasonable prospect of maintaining financial equilibrium .... Grants-in-aid were thus based on an assessment of the final measure of need, being the amounts which were estimated to be sufficient to place the finances of the Provinces on an even keel, after taking into account all other forms of assistance including devolution of revenue and adjustment of debts.

"Grants-in-aid which were recommended by Sir Otto Niemeyer were unconditional grants. The amounts were charged on the revenues of the Central Government and accrued as revenues to the Governments of the units, and there was no question of the State Governments conforming to any condition".

Then, after discussing the experience of other countries in this matter, the Commission concluded, "As regards the relative role of unconditional and conditional grants in the scheme of financial assistance by the federal authority, there is no clear lead in the experience of other federations .... It appears that each country has tried to find for itself the system or combination of systems that best fits the facts of its political, economic and administrative conditions.

"We believe that both the methods of conditional and unconditional grants should have their part to play in the schemes of assistance by the Centre. Unconditional grants should reinforce the general resources of the State Governments, which they would be free to allocate among competitive purposes according to their best judgement, subject to the usual administrative and parliamentary checks. . ."

Outdated Approach

These extracts from the Report of the first Finance Commission clearly show that in regard to the question of making statutory grants-in-aid conditional or unconditional, the Commission were largely guided by tradition,—political and economic. Considerations which are vital for planning hardly influenced their decision in this connection. The argument that a State ought to be free to allocate its resources among competitive purposes is itself questionable because the resources themselves (the devolved revenues) are supposed to have been fixed after the various needs of the State were gone into. In any case, the argument does not answer the question why the *total* of such grants-in-aid also should be given unconditionally.

The Second Finance Commission hardly did any better. According to them, "The transition from a police state to a welfare state brought about fundamental changes in the scope of governmental functions and resulted in widening the content of fiscal need. Nevertheless, the basic overall approach remains valid; the States and the Union have to balance their budgets within their available resources and the needs of the States, which cannot be met by devolution of shares of taxes, have to be covered by grants-in-aid.

"The principles formulated by the previous Finance Commission for regulating grants-in-aid of the revenues of the States are, if we may say so, unexceptionable. They suggest that the budgetary needs of the States should be the starting point for determining the assistance required by the States, but that the needs thus disclosed should be adjusted with regard to certain other considerations . . . . ."

Finally, they recommended the following principles :

"(i) The eligibility of a State to grants-in-aid and the amount of such aid should depend upon its fiscal need in a comprehensive sense. In a Union, in which the Centre and the States co-operate for planned development, grants-in-aid should subserve this end. Priorities and provisions in the plan itself should determine the fiscal needs for development for the period of the plan.

(ii) The gap between the ordinary revenue of a State and its normal inescapable expenditure should, as far as possible, be met by sharing of taxes. Grants-in-aid should be largely a residuary form of assistance given in the form of general and unconditional grants.

(iii) Grants for broad purposes may also be given. While they last, they should be grants-in-aid of revenues, but the States would be under an obligation to spend the whole amount in furtherance of the broad purposes indicated. Where those purposes are provided for in a comprehensive plan, there will be no scope for such grants."

It is thus evident that the question of making grants-in-aid conditional did not claim much attention from the Second Finance Commission also. That the revenue budget of a State should be balanced, that the gap should be met by tax-shares and grant-in-aid and that the grants-in-aid should be unconditional,—all these principles were seemingly accepted by them as axiomatic. Later, the Commission observed, "since our scheme of devolution involves substantial transfer of resources for implementing the revenue portion of the plan, which for most States is reflected in the grants-in-aid recommended for them, we consider whether we should make any part of the grants-in-aid conditional on such implementation. We would have liked to do so, if the assistance provided under our scheme had represented the major part of the expenditure ....." Thus, statutory grants-in-aid were first reduced in importance by laying down that deficit in the revenue budget of a State should as far as possible be met by sharing of taxes. Then, the question of making grants-in-aid conditional was dismissed on the ground that they did not represent the major part of development expenditure. The possibility of devising a system of statutory grants-in-aid, which might be used as a tool in furtherance of planning aims, was not even considered.

Bogey of Balanced Budgets

In a way, it was perhaps inevitable that such questions would fail to attract the attention of the last two Finance Commissions, once they had accepted the theoretical confines of the Niemeyer Award as valid and proper. One of the underlying ideas of the Niemeyer Award and its predecessors had been that the budget of the different units of the Government (the Provinces and the Centre) should be balanced, accumulation of deficits being considered a sign of bankruptcy. As the Provinces were saddled with the responsibility of administering what were called the 'nation-building' departments while their sources of revenue were of an inelastic nature, a scheme of devolution of revenues was devised which would help the Provinces to balance their budgets. The grants-in-aid of revenues were contemplated for the purpose of applying correctives when sharing of taxes alone did not prove to be sufficient for the job. In such a set-up, conditional statutory grants had hardly any place. As their very naming implies, the intention was plainly to *aid* the revenues of the Province and never to influence their budgetary policies. If certain expenditures were deemed to be particularly necessary, they were financed by way of specific grants.

It is however surprising that both the Finance Commissions should have taken over 'balancing of the revenue budgets of the States' as a guiding notion, in an era when the world over the classical precept of a balanced budget has already been discarded. The Second Finance Commission in fact devoted a whole paragraph at the end of their Report to a discussion of the virtues of such a balanced budget. It would have been perfect-

** The reason of choosing 1955-56 as the base year is merely one of convenience. It was noted above that the States' balance from Revenue Account at 1955-56 rates of taxation had been estimated at Rs 141 crores over the Second Plan. This balance would have been about Rs 180 crores if the Second Finance Commission's recommendations operative for five years instead of for four. Assuming that committed expenditure by the States would be allowed to increase over the Third Plan by a similar amount, there would be need for marginal changes only in the scheme suggested by the Second Finance Commission.

ly understandable if they had emphasised on the need to restrain non-Plan expenditure and to increase tax revenues to the maximum. But one fails to appreciate the importance of balanced budgets as such. In any case, the feat can have little fiscal significance if the balance is struck by transferring revenues from the Centre. The State budgets then are balanced at the cost of reduced surplus or increased deficit at the Centre.

Arguments for Devolution

The other important argument for the devolution of revenues was that the Provinces would thereby have an incentive to enhance tax collections as well as economise expenditure. The argument is basic to all proposals for financial decentralisation and does have considerable force. Like the previous two Commissions, the Third Finance Commission also is being urged on this ground to increase the States' total allotment. During the Second Plan, Central grants helped to cover more than 50 per cent of the States' deficit on revenue account. This, it is being maintained, is not a very satisfactory state of affairs. It tends to make the States indifferent to expenditure efficiency as they think of the corresponding projects as 'central projects', that is, as somebody else's affair.

But this argument does not tell us why the increased devolution has to be in the form of proceeds from shared taxes and not in the form of statutory grants. Project grants may not encourage efficiency; they may even imply some restriction on a State's power to allocate between competitive purposes. A statutory grant, however, has none of these disadvantages. Actually, there is little to distinguish between tax-proceeds and statutory grants excepting that one is expected to increase over the next five-year period and the other is kept fixed. But this is a minor difference because the growth of tax-proceeds can be estimated and an equivalent statutory grant can be substituted in its place; if need be, the grant-in-aid also can be adjusted to an increasing scale. There is, however, one difference that is important from the planning point of view. A statutory grant can be made conditional and thus can serve as an instrument of planning, whereas tax-sharing cannot be made to do the job. It does not seem proper, therefore, that a State should be enabled to meet its revenue deficit by increased earnings from shared taxes only. That would make its revenue expenditure nearly independent of Central control, which would be negation of planning.

This apart, according to the point of view adopted in this paper, the total allotment to the States by way of devolution, whether in the form of tax-shares or in the form of statutory grants, should not be as high as the entire deficit of the States on revenue account. This is because a considerable part of Plan expenditure is incurred on revenue account. And if a State's total earnings increase to that level by way of devolution, it would thereby gain greater freedom to alter the priorities of Plan projects, — a prospect which can hardly be reconciled with planning. The scheme suggested by us, therefore, limits the deficit to be covered to an amount calculated on the basis of committed expenditures only, that is, the agreed amount of non-Plan revenue expenditure and the recurring cost of the Plan projects. In this way, the resources that can be deployed for the Plan in the public sector come to be controlled directly by the Central Government, assuming that the revenues that the States can raise on their own will not be equal to the above expenditures.

Fillip to Tax-Efforts

What happens if the revenue budget of a State does not show any deficit on the basis of the above calculation? Does it not mean that the State will not get anything from the Centre just because it has been able to manage its household better either by increasing tax-yield or by restraining non-plan expenditure? If so, will not the suggested scheme be a direct inducement to inefficiency and laxity? Now, it does follow from our scheme that a State which can raise more revenues on its own than necessary for its committed expenditure will not get anything by way of devolution. If there arises any constitutional difficulty on that score, it can be met easily by granting a nominal amount to that State. But why should there be any apprehension that the State may lose interest in raising resources for the Plan because of the scheme itself? After all, the State will require Central assistance for Plan projects also, which depends to a large extent on the resources the State itself can provide for the projects. Only, Central assistance has to be linked with the extra revenues that a State can raise and not with the surplus of its revenue budget as determined above. In that case, 'tax-effort' will not be penalised because reduced tax-yield will mean less by way of development grants even though a greater amount by way of devolution may be enjoyed. The propensity to increase non-Plan expenditure, of course, is directly controlled by our scheme.

Allocation among States

In the end, we would like to touch on a point which appears to be the most intriguing aspect of the problem of devolution of the Central revenues, viz, the basis of allocation of the divisible pool of tax revenues among the serveral States. Indeed, it may be wondered whether our scheme will at all be of any practical value since it has nothing to say directly on this point. Let us state clearly at the beginning that it is not our intention to undermine the importance of this allocation controversy. On the other hand, we do believe that unless certain principles of distribution of the total funds are decided upon, the scheme will fall through because demands for increase in non-plan expenditure cannot be reconciled leaving revenue budget deficit indeterminate.

It does seem, however, that the specific problem of allocating the divisible pool of the yields from income tax, excise duties, etc, becomes largely unreal once it is accepted that the total amount to be given to a State should be equal to its revenue budget deficit, whatever may be the method adopted for determining its budgetary needs. In that case, if a State gets more through tax-shares, it will get less by way of other kinds of statutory grants, as the total is already fixed.

The following two paragraphs taken from the Report of the Second Finance Commission are revealing in this connection.

(85): In examining the claims put forward by the States, our main objective has been to ensure that the States should have sufficient revenues to meet normal expenditure and their commitments in respect of the Plan expenditure on revenue account

(123): In our scheme of devolution, we have sought to provide for both the committed needs of the States and their needs for implementing the Five-Year Plan, to the extent to which the expenditure has to be met from revenue. We have, as far as possible, tried to meet the requirements of the States by giving them shares of taxes. For most of them, however, this devolution, on a basis common for all the States, falls short of their total needs and we have tried to make good the deficiency by grant-in-aid.

Meaningless Controversy

Thus, the entire controversy regarding the relative importance of the criteria of collection or of population in determining allocation of divisible tax-yields becomes economically meaningless. The real fight takes place in the background much earlier when the budgetary needs are determined; in particular, when 'normal' or 'committed' expenditures are fixed and when Plan projects are distributed. A State's concern for greater share in the divisible pool, therefore, becomes largely misplaced unless it is advocating at the same time complete financial autonomy.

Of course, the 'budgetary need' of a State should depend on such factors as population, collection (that is, the extra expenditure burden that makes greater collection possible), etc. But, obviously, it should depend on many other factors as well, like relative backwardness, its own tax effort, its administrative efficiency etc. Many of these notions cannot be quantified but can hardly be ignored on that account. Hence, the determination of the total budgetary need has to be left to a central body. The Second Finance Commission accepted the estimates of the Planning Commission in this regard as valid and it is difficult to see what else can be done under the circumstance.

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Form and Substance in Indian Politics—II

Panchayati Raj : A Reassessment

Rajni Kothari

Current thinking on panchayati raj follows from the assumption that territorial autonomy ipso facto *makes for greater individual freedom. This is, in fact, baseless assumption.*

In the absence of a genuine political and social unity, decentralisation may lead to a more centralised and authoritative exercise of political power than when a political elite, educated and liberal and sharing a common ideology, exercises power from above.

Our brief experience with panchayats has shown that within the local village community, concentration of power can be as narrow at the State or the Centre. Caste distinctions and other social barriers preclude vast section of people from actively exercising political power.

This is not an argument against delegating power to panchayats or other local institutions. What is questioned here is the assumption that panchayati raj will automatically transfer power to the people.

CONTEMPORARY discussions on the role of local-self-governing institutions in this country display the same characteritics as mark the arguments for greater State autonomy within the federal structure. There is the same assumption that only by a diffusion of power right till the village base can a democracy be established. There is the same identification between territorial jurisdictions and individual rights. It is assumed that the quality of a democracy depends upon quantitative and linear considerations, such as the extent to which power has been delegated to the lower organs of government. "Democratic decentralisation" is therefore, the inescapable corollary of a parliamentary democracy which is, at the same time, federal.

Theoretical Framework

Such views were examined in general in the first article in this series. It is proposed to carry the analysis a step further here both because the issues involved become clearer and more vivid when the concept of decentralisation of power is carried to its logical conclusions and because there is far greater agreement now on establishing panchayati raj than was the case with federalisms when the constituent assembly chose a federal structure of government for the country. Reference may here be made to the fact that the political controversy to which Shri Jayaprakash Narayan's stimulating *thesis* has given rise turns on this very issue of the relationship between local autonomy and political democracy. This analysis, therefore, also applies to the argument of the *thesis*.[1]

The Indian National Congress at its 66th Session held at Sardarnagar passed, among others, resolutions on National Integration and Panchayati Raj. The Resolution on National Integration said :

> "..... Through the educational processes and governmental activities every effort should be made to instil a broad national outlook in our people so that the forces of provincialism, communalism and casteism are eliminated ....."

The Resolution on Panchayati Raj said:

> "..... The Congress welcomes this movement (for establishing a Panchayati Raj) and congratulates the States which have already adopted it. It trusts, that the remaining States and Union territories in India will also establish Panchayati Raj in the course of this year and *transfer responsibility to the Panchayats* in as large a measure as possible..." (Emphasis mine.)

No Mention in Constitution

It is the purpose of this article to examine the compatibility of these resolutions, which explicitly state the most important policy preoccupations and ideological contours of our politicians. In other words how far, would decentralisation of power to local communities strengthen or weaken the unity of the nation? Such an examination must proceed in terms of (1) an inquiry into the theoretical assumptions of panchayati raj and (2) the relevance of those assumptions to the substantive experience gained.

It is important to note that, apart from a casual reference in the Directive Principles wherein the States are directed to "take steps to organise village Panchayats . . . to enable them to function as units of self-government", the Constitution, one of the most detailed constitutional documents in the world, says nothing about panchayati raj as a form of political organisation. Even this reference was largely in the nature of a concession to Gandhian opinion. The Draft Constitution did not even mention village panchayats.

Soon after the Constitution was adopted, the country launched on a programme of planned development. The steps leading from the establishment of the Planning Commission at New Delhi to the adoption of the proposal for a panchayati raj throughout the country are easy to trace. The main consideration has been the increasingly felt need for public cooperation and participation in national construction. The frustration on the agricultural front, the slow pace of economic development and the unfavourable contrast with performance in some other countries (such as China, Yugoslavia and Israel) led to the conclusion that the "lethargy of the masses" was the principal stumbling block in the way of development. This led, in the first instance, to a mammoth programme of Community Development and National Extension Service started in 1952, then to the proclamation of the ideal of a "Cooperative Commonwealth" as the sheet-anchor of future social and economic organisation in 1958, and, with the admission of failure on those fronts, to the adoption of the Report of the Balvantrai Mehta Study Team[2] as the basis of

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rural reorganisation. Optimism regarding the experiment in Andhra and Rajasthan has led, finally, to the recent adoption by the Planning Commission as well as the ruling party, of panchayati raj as the pattern of future political organisation[3].

The shift from a simple directive to organise village panchayats, to which power was to be gradually devolved, to the proposal to establish a panchayati raj at one stroke was reinforced by a parallel development in thinking on the political front. Failure of parliamentary institutions to evoke popular enthusiasm, led to the demand to make Indian democracy more broad-based. Panchayati raj came to be visualised not simply as an efficient instrument of social and economic development but as an end in itself which will enable village communities to govern themselves, in a constructive and non-partisan manner, thus making democracy real for the people. As the indefatigable Shri S K Dey put it, village panchayats are to become little republics of India. "We would be having 5,00,000 village republics, which would be, morally, physically and spiritually, integrated into the great republic of India".[4] J P's *thesis* of establishing a communitarian society made up of self-governing villages is, in this sense, only an extreme manifestation of a common concern to establish "gram swarajya" in India. Indeed, J P seems to have exercised considerable influence on official thinking in this respect.

Theory of Panchayati Raj

The theoritical assumptions underlying such thinking can now be examined. In the main they are four: (a) that panchayati raj will enable the people to effectively participate in politics; (b) that by making the local community the author of change, and by awakening plan-consciousness among the people, it will make economic development both speedy and efficient; (c) that the "transference" of power to village panchayats will enable basic institutions — the cooperatives, the community development centres and the yojana samitis — to usher in a new social order. Panchayati Raj, in other words, will pave the way for a Sahakari Samaj; and lastly (d) that on the bases of common and shared experiences among the people at large, such a system of political organisation would lead to genuine national unity. In sum, panchayati raj is conceived as the closest approximation, under existing conditions, to the ancient concept of direct democracy as practised in Athens and, we are told, in ancient India as well.

Underlying these assumptions is a general theory of local self-government. According to this theory, true democracy consists in maximum decentralisation of power to the lower units of government. Self-government on the basis of popularly elected local councils is, on this view, a necessary prerequisite of a free society and the only guarantee of a vigorous democracy where power can be effectively exercised by the people as well as for the people. The basic concepts around which such a theoretical framework is built are those of: (i) public participation in politics, (ii) resource mobilisation for economic development; (iii) "basic institutions" in a democracy and (iv) national unity. What needs to be examined is the peculiar meaning given to each of these concepts in such a theory.

Popular Participation

The idea that a vigorous democracy entails popular participation is unexceptionable[5]. The concept of participation, however, is vague and ambivalent. This is not the place to enter into a detailed analysis. Suffice it to say that participation by itself is a meaningless term; it is the type of participation one has in view that is really relevant. For, like so many other concepts in politics, the concept of participation cuts both ways: it can lead as much to authoritarianism as to democracy. Participation that is based on a metaphysical theory of society such as in the Corporate State or the Dictatorship of the Proletariat can only lead to rigid conformism and loss of individual initiative. The need, in the present context, is to distinguish between (1) participation based on the dignity and rights of the individual citizen and (2) participation based on communal ties. The former is based on the democratic principles of individual sovereignty and voluntary association, the latter on the individual's status in society; only in a perfectly egalitarian society, however, can a communitarian system lead to democratic polity.

The ancient tradition from which the doctrine of panchayati raj draws its inspiration is the tradition of "Panch Parameshwar", where "God speaks through the Five"[6]. Even the three-tier elective structure of local-self-government as envisaged in the Balwantrai Mehta Committee Report is based on a system of indirect elections from the base to the apex. Such a structure not only leads to a hierarchical system which brings representatives to power who are far removed from the community they seek to represent; it also stifles the dissenting voice at its very source. One of the most important pivots of democracy is the tradition of a dissenting minority receiving utmost respect from the majority. The type of participation envisaged in the proposal for democratic decentralisation leads to quite the opposite result.

Studies in the actual working of panchayats in States where democratic decentralisation has been implemented have, in fact, shown that while progress has been made on some other counts, the new system has failed to evoke individual initiative. But it was precisely the need for such initiative that led to the advocacy of the new system.

The pattern of administration advocated by the Mehta Committee, far from being a system in which "the Village Panchayats will be organically linked with popular organisations at a higher level", would only sap local initiative at the village level. The tendency would be further accentuated by the proposal to place sub-divisional officers and the collector in charge of the Panchayat Samiti and the Zila Parishad respectively and the presence of MLAs and MPs on the Parishad. Studies have also indicated that the real power has passed on to the Panchayat Samitis and not the village panchayats; even at the level of Panchayat Samitis, power is largely enjoyed by standing Committees to whom final decision making powers are delegated. It has been observed that "decisions taken by these standing committees are usually partisan and in many cases extremely unfair and corrupt". The interesting point is that while on the one hand there

is an all-out bid to transfer power to the villages, the exercise of such power is overlaid with a number of encumbrances which only stifle local initiative and enterprise. Participation gets limited to the local potentates, the overall effect being an accentuation of social and economic disparities in the villages.

Resource Mobilisation

There is some force in the argument that by giving greater power to lower administrative units, a more ready response from the people for planned development would be forthcoming. This is important in its own way as one of the principal problems in planning is how best to mobilise economic resources and local initiative. Observers in Rajasthan and other States where democratic decentralisation has been implemented have also noted an increase in plan-consciousness among the people who are eager to benefit from planned development. The concept of resource mobilisation, in this context, is not without its difficulties. The eargerness to benefit from planned development is not the same thing as the eagerness to contribute to it. There is no way of establishing that local savings could be more effectively harnessed for financing the Plans by transferring power to the base: indeed, it is often argued to the contrary that such power would only involve greater utilisation of local resources for local purposes. What remains is the mobilisation of man-power and it is clear it is this mobilisation that the planners have in view while pleading for democratic decentralisation. Now, of itself, there is nothing wrong in such an approach; in fact, it is quite in keeping with the concept of growth in which primitive accumulation is achieved by transforming practically unaided human labour into economic surplus. It should not be forgotten, however, that in all countries where such mobilisation has been successfully carried out, the political implication has always been in the direction of authoritarianism. The belief that is possible to "enthuse" the people without rigidly controlling their behaviour is based on western assumptions regarding political consciousness and the existence of popular movements and readiness to make voluntary effort which are all but lacking in politically underdeveloped nations. In their absence, the concern for harnessing greater manpower would result either in undermining the democratic character of panchayati raj or in defeating its own purpose by frittering away the extra resources into wasteful channels. Quite apart from the democrat's suspicion of a programme which seeks to conceive local institutions as mere instruments of economic planning, there is little force in the belief, even on purely economic grounds, that local resources can only be locally mobilised. In any event, the gains from decentralisation of power in terms of physical mobilisation of local resources have to be weighed against the political dangers inherent in such an approach, the economic disadvantage in the form of a diminished marketable surplus and wasteful expenditure, and the social disadvantage resulting from conflicts between the dominant caste or economic interest in charge of the local panchayat and the large mass of villagers sought to be "mobilised" by them.

"Basic Democracy"

Although it has become fashionable in this country to sneer at experiments in political innovation in countries like Pakistan and the U. A R, there appears to be a great deal of similarity in the steps taken to establish so-called "basic democracies" in those countries and the Indian approach to "grass-root institutions". The National Development Council has outlined the ideal of a Cooperative Commonwealth in which the cooperatives and the panchayats are conceived as basic institutions in each village, supported by the C D block in which a group of neighbouring villages are brought together. The conception smacks of a neat blueprint for a future utopia. Apart from the usual arguments against pre-conceived utopias, the arrangement offered suffers from a number of weaknesses. Experience has already revealed the considerable extent of overlapping between these institutions. Such overlapping is not simply a matter of administrative inefficiency; it also gives rise to power conflicts and jurisdictional squabbles between opposing bureaucracies. The situation is aggravated as these institutions have to work in collaboration with traditional government departments. In reality, such collaboration is considered as an encroachment upon the functions of officials who now turn into vested interests on the defensive. A study of the working of the Panchayat Samitis Act in Rajasthan reveals a complete lack of coordination between various institutions in the village, the rivalry between those who get into the panchayat and those who are in charge of cooperatives, the slackening of extension officers at the Block level and the loss of interest and "perfunctory attitudes" displayed by district level officers in development programmes[9]. Thirdly, there is the fact that these institutions not only create rivalry among each other but, by their bureaucratic intrusion into village life, undermine voluntary effort and self-help. The growing tendency to look to the government for help in every problem is accentuated and saps the vitality of social organisations. The result of a mushroom growth of institutions in small communities, under governmental patronage, therefore, is often quite the contrary of what is desired. By conceiving participation and cooperation of the people in purely political terms, the N D C approach only succeeds in institutionalising all initiative and centralising administration in the name of decentralisation.

There is another theoretical consideration which needs to be stressed in this connection. An integral principle of democratic government is found in the doctrine of responsibility: authority must be answerable at all events. The principle of ministerial responsibility in parliamentary government makes precisely for such answerability. In so far as delegation of power leads to a dilution of the line of responsibility and makes it posisible shift blame to others, democratic government gets weakened. The temptation to enjoy power without responsibility becomes endemic and makes for inefficiency and frustration. Decentralisation, under such conditions, instead of leading to the devolution of initiative right down the hierarchy, may result in loss of intiative even where it formerly existed. Care should be taken to see that in the zeal to hand down power, the line of responsibility does not get blurred and confused.

We can now consider the problem posed at the beginning of this section. Will the delegation of power as entailed in the establishment of a panchayati raj help or hinder the achievement of political unity in the country? The question is of immense importance under the existing conditions of Indian political life. The relevance of the question to the substantive political process obtaining in the country will be discussed below; here the theoretical position can be examined.

National Unity

Those who conceive of local autonomy as the principal characteristic of a democratic society take their model from Western communities where the historical process consisted of establishing national unity at first by means of cultural assimilation, economic prosperity and a common ideology before the diffusion of political power to localities was undertaken and made effective. To import the form and the idea without the substantive conditions under which they operated can only lead to distortion and false complacency.

The essential point is that in the absence of a genuine political unity, decentralisation can only lead to an exercise of political power which is qualitatively more centralised and authoritarian than is the case where a political elite sharing a common ideology and steeped in the liberal tradition exercises power from above.

Political unity in a society where loyalties to parochial units have not given place to loyalty to the larger community and where parochialism assumes not one but several forms, can only be achieved on the basis of shared beliefs and convictions; in other words, on the basis of a common ideology. In India in the past such movements as "Sanskritisation" and "Westernisation" provided unifying forces. The movement for national independence also provided the feeling of unity that comes out of a community of objectives, although this was more in the nature of a temporary alliance than a genuine unity. In the absence of a similar consensus in the post-independence period, the framing out of political power, far from fostering unity, would give rise to sharp cleavages that would ultimately undermine whatever unity there is. The spread of such a consensus is the function of an elite nursed in common traditions and used to an agreed code of behaviour. Such a process percolates, of necessity, from above, from the educated middle classes and from urban centres. Not until this has gone a long way in creating a common outlook can sudden and far reaching experiments in "handing down real power" be hazarded. To assume that panchayati raj can create unity is to misunderstand the nature of political consensus. The consensus to which panchayati raj would give rise would be only local conformism under another name. It would be a different type of unity altogether.

To identify democracy with local autonomy, irrespective of the degree of social cohesion and political integration, is to confound individual liberty with territorial jurisdictions. The objectives of democracy do not depend for their realisation so much on the size of the unit of government as on its quality. Centralisation is not necessarily a function of the relations between the State and its localities; it may exist in a far graver and more suffocating form in the power relations that obtains *within* a locality. Democracy should not be confused with the parcelling of power into territorial portions. To do so is to misunderstand the locus of power in a democracy which resides in the individual, not the territory.

In this context, the very concept of "rural democracy" gives rise to suspicion. Both political fraternity and individual liberty are essentially urban ideas, generated amidst urban conditions of living. From there they percolate into the villages. The call of going "back to the villages" smacks of a crude idealisation of archaic forms and a glorification of past culture. It will defeat the achievement of unity, first, by creating vested interests in the territories which frustrate the unity of the larger community; and, secondly, by a more cramping, because more immediate, exercise of political authority, thus preventing a common outlook on fundamentals from developing.

An Exercise in Utopia

It is not argued here that power should not be dispersed to the people or that decentralisation of power is not desirable. On the contrary, our argument is directed precisely against centralised exercise of political power. What is questioned here is a position where centralisation and decentralisation are conceived in purely territorial terms. Under conditions where local government becomes the preserve of a few, where the absence of organised public opinion leads to a monopoly of political power and where the public at large is left at the mercy of self-styled politicians, territorial decentralisation, far from furthering democracy, only frustrates it.

Local self-government at the village level is a legitimate cause to strive for. But it is not an end in itself, just as an elected parliament or an independent judiciary are not ends in themselves. It is a means to an end — the end of being the creation of an open society in which the individual breathes the air of freedom. In so far as, and at times and places where, local-self-government paves the way for such realisation, it is to be encouraged without any reserve. Under conditions, however, where power given to localities only succeeds in politicising ordinary life processes and steamrolling the individual into conformism, the enthusiasm for such an institution has to be received with utmost circumspection.

Delegation of power to the panchayats gradually, always bearing in mind the level of political development, is indeed desirable; to progressively give power to village panchayats, however, is not the same thing as establishing a panchayati raj in the country. The latter implies institution of a new type of polity altogether. It is an exercise in Utopia. The proponents of such Utopias romantically seek to establish — or re-establish — a mythical Golden Age, since they do not understand the forces that are transforming their own society. The trouble is that these Utopian blueprints are bound to get distorted and perverted in practice. While doctrinnaire convictions disguise reality, the political dynamics of an authoritarian social order undermines the very purposes for which the "reconstructions" are undertaken. It also brings in its wake greater frustration and disappointment, as we already know from experience.

To summarise the assumption that an elected local body exercising wide powers is a necessary part

of the machinery of democratic government is open to question. The need is to examine the question in the context of actual political development (or under-development) that obtains in a particular society. It is a well tried maxim of political prudence that the transfer of power, in order to be smooth, should be continuously and gradually carried out, always bearing in mind the peculiar stage of development. An over-night "revolution" on the other hand, while it sounds exciting, only leads to consequent frustration and revulsion. Finally, it needs to be assessed how far a premature introduction of "self-rule" retards political development. The question, so posed, turns into an inquiry as to how far such a step would lead, first to a waste of scarce resources in terms of administrative talent, political skill, and economic resources; and, secondly, to the rise of new considerations and incentives that would affect the very functioning of democratic instittuions.

These considerations have been dealt with in point of theory; they would become more clear when viewed in the context of the actual political experience of the country in the post-independence period.

The Substantive Context

Political development in India over the last fourteen years reveals to a marked degree the variance between the formal political set-up established under the Constitution and other legislative measures and the substantive political process which not only cuts across the forms but gives rise to its own forms. Such a variance follows from many factors. The political process is conditioned by indigenous culture patterns, social structure, bureaucratic traditions of an earlier period and historical events such as the movement for national independence. These factors account both for the divisive tendencies that are superimposed on the functioning of political institutions and for the loyalties that cut across formal divisions of political authority.

The most important fact of Indian politics in the post-independence period is the very wide hold of local, communal and sectional loyalties on the political process. It has become customary in this country to castigate the 'parochial' people. The remarkable fact, however, is that the most potent forms of parochialism are found in the topmost circles. The ordinary individual's association with his caste or community is far less harmful than the personal ambitions and group rivalries of those in positions of power. These create a complex of cleavages that transforms the whole political set-up. Such cleavages cut across the administrative hierarchy, party divisions and governmental institutions. The resulting power complex is substantially different from the one suggested by the forms of parliamentary democracy and local self-government.

Political Underdevelopment

Now there is no doubt that the prevalence of factions within political institutions at the national or State level has its own role to play in political development. It prevents the rise of a monolithic State, helps to create a tradition of compromise and political persuasion and paves the way for a more democratic order. The impact of such tendencies on the functioning of local self-governing institutions must, not however be ignored. At the present stage of political development, a system which hands over power precisely to agencies within which factionalism assumes most acute proportions can only lead to conflicts that were so far restrained by a competent political leadership on the national level. The politicisation of caste and communal cleavages can only make for further disintegration. The exercise of power by the local communities either results in the perpetuation of old vested interests now reinforced by a monopoly of political power and financial resources or leads to disorder and corruption.

So much for the general problems arising out of political under-development. If we examine the actual power relations that obtain within a State, we are struck by the extent of concentration of power under cover of a formally decentralised political order. This has several reasons. The bureaucracy at the State and district levels jealously guards its privileges from outside encroachments; a situation in which political parties dominate all other institutions in India renders local politics into an instrument of State and national politics; the fact that political aspirations in this country have been traditionally in the direction of "climbing up" the official hierarchy hampers local initiative; finally, the lack of vigorous and popular movements of social and political reform hampers the growth of enlightenment which is the only guarantee against the rise of a top-heavy administrative and political order[11].

Dynamics of Party System

The clearest manifestation of the characteristics of Indian politics mentioned above is found in the functioning of the party system in local politics. It gives rise to both a steamroller effect in the decision-making process and monopolisation of political power in the localities. Of great interest in this regard is the plea so often made for non-interference by political parties in the elections to village panchayats. There are even appeals from known political leaders to select panchayats without resort to elections. The doctrine of "unanimous elections", reflecting the traditional approach to gram panchayats, has been gaining ground of late. Such a doctrine is not limited to Sarvodaya leaders only. The Congress Panchayat Committee (1954) went to the extent of recommending a larger devolution of powers to panchayats selected without elections. Such pleas have since been revived regularly by Congressmen and other leaders. Shri Morarji Desai, addressing Congressmen in Gauhati recently implored them to work for unanimity in elections to panchayats as well as to Congress committees, declaring that those "who worked for that end did greater service to the organisation and the country.." Opinions expressed by Congressmen before the Democratic Decentralisation Committe of the Gujarat State, which has recently concluded its work, show the same emphasis on unanimity. Reports of recent meetings of Block Development officers at the State level also indicate the same trend. It is held by many in this country that although the holding of elections are part of the democratic process, they are not desirable at the local level.

Even for those who believe in the electoral process as a lever for change in the village structure, party conflict seems undesirable. The Congress Resolution on Panchayati Raj has advocated that political parties be kept out of local elections. The sentiment is shared by a large body of opinion in this country. To the general aversion to party politics in this country, is added the feeling that if employed at the village level, it will contaminate local politics and lead to jobbery and curruption. It is not realised that the village unity which is feared to be disrupted by parties is a myth and does not exist in reality, that political parties have an educative role to perform in the country's development and that party conflicts would eventually cut across caste cleavages and parochial loyalties, replacing the latter by political and secular divisions based on voluntary association and some identification of programmes and principles in place of hereditary privileges and status considerations.

Greater power for the village panchayats and other local institutions, far from resulting in diffusion of power, makes for greater concentration of power in the hands of a few politicians. Panchayats and municipalities, under such conditions, turn into so many pockets of power. The coalescence of local, communal and party factions is the most significant fact that emerges from a study of the substantive political process in the village communities.

This is a danger signal that the proponents of local autonomy ought to bear in mind. Other dangerous trends consist in the revival of the ancient practice of handing over judicial functions to the panchas, the civil disorder and threats of violence at the time of elections, the misappropriation of funds and the undermining of "traditional leadership" by upstarts who find their opportunity in the new Utopia[12].

Experience of Municipalities

If we turn to our experience of local self-government in this country, especially in running municipalities where there is a long experience to draw upon, we find that while some of the larger municipalities in big cities have excellent records and have also proved effective training grounds for leadership, the smaller municipalities, with some notable exceptions, suffer from incessant bickerings, personal rivalries and the worst species of corruption and power politics. This only brings out the fact that, in the absence of widespread political consciousness, a responsible exercise of political power is more likely to occur in larger units of political organisation where the prevalence of middle-class values and the scope for political competition turns local self-government to advantage. There is also the fact that such areas provide more efficient units of government in terms of administrative viability, financial resources and technical know-how. The attempt at grouping village panchayats under Panchayat Samitis which again are under subject to Zila Parishads, on the basis of indirect elections, far from making for efficient self-government will only accentuate the tendencies towards concentration of power, centralisation of initiative and factionalism. Indeed, it has been pertinently observed that the 'linkage' established between the village panchayat and the district administration by means of the institutional structure of panchayati raj, makes for official usurpation of local initiative and undermines the dispersal of real power. It brings democratic decentralisation dangerously near the older concept of 'democratic centralism'[13].

Panchayat Elections

Recent studies of panchayat elections also bring out some of these trends. Monopolisation of power by leaders from the upper castes is the most universal feature. In a State-wide survey of panchayat elections, it was found that whereas the scheduled castes constituted 17 percent of the total population, they secured barely 1 per cent of the seats[14]. Intimidation is freely employed against members of the lower castes aspiring to an elected office. During the course of election campaigns, threats of reprisal by and of withdrawal of money-lending and other facilities are freely employed.[15] The candidates for the reserved seats that must be filled by persons from lower castes are nominated by high-caste leaders; subsequently they are found never to attend any meeting of the panchayat, thus leaving the administration in the hands of the dominant caste[16]. Interference with the electoral process, when the doctrine of unanimity noted above is found not to work, is resorted to. In one village with a panchayat of long standing, a rumour was spread that if elections to the panchayat were avoided, the village will get more development grants. No attempt was made to counter the rumour either by party leaders or by officials and as a result sitting members and those considered respectable by them got in unopposed[17]. While it is reasonable to assume that elections will in the long run pave the way to greater political consciousness, the lowering of caste and social barriers, the prevailing power complex in the village frustrates such a development. On the question whether the institutions of political democracy would gradually secularise caste and local conflicts or whether the latter would utilise the former for their own end, much would depend on the way the leadership approaches the problem. All that can be said at present is that until secularism becomes a dominant value in our villages, experiments with structural "revolutions" in the political organisation of the country must be viewed with caution and circumspection.

Panchayati Raj and Democracy

The above analysis is not intended to be a plea against delegating power to village panchayats and other local institutions. Nor is it suggested that we should ignore the problems of rural development. This is both necessary and desirable. Greater power to the people, however illiterate and ignorant, is the only way to begin the process of popular participation so vital to a democracy. The whole question is the precise mode in which such participation takes place. Organisation of enlightened opinion, emergence of new cadres of leadership and political education of the unopinionated have to been seen as an integrated task: the power that is delegated must go to the people, not to existing pockets of power.

That, indeed, is the criterion of measuring the extent to which power has been diffused in a democratic society. This article questions the twin assumptions that an elected local government is in all cases a necessary ingredient of democratic politics and that a panchayati raj will usher in an age where political power will be exercised by the people at large. It is argued here that the criterion of judging a democracy is provided by the freedom and autonomy of the individuals, not of any area of authority; secondly, that at the present stage of political development there is the danger that

local autonomy may be exploited by a few to their personal or sectional advantage; and thirdly that such a system may entail greater centralisation of political power than is found in a system where efficient administration and trained leadership is exercised from larger units of government. The latter allows greater scope for individual initiative, freedom of dissent, healthy competition for power and a wide consensus on fundamentals; the former inevitably makes for a neglect of the individual, conformism in ideas, unprincipled scramble for power and the undermining of unifying forces within the larger community.

This examination of the proposal for panchayati raj shows that the doctrinaire attachment to local self government irrespective of the level of political development is a product of mistaken identities in point of theory, and that, in point of practice, the claims made for such a system of political organisation bear little resemblance to the substantive political experience gained in the country.

The actual power complex that manifests itself in the country cuts across the formal divisions of authority between the Centre, the States, the Zila, the Block and the Village. The system as it works is, of course, not to be regretted; it has its own merits at the present stage of our development. But to cling to an ideology which is so much at variance with facts is to fail to appreciate the true dimensions of Indian political life.

An analysis of the latter reveals that the two dominant institutions which make for order, purposiveness and discipline in Indian politics are the political parties and the administrative bureaucracy. These indeed give rise to centralisation of political power but it is a centralisation which is less cramping and more flexible than the one entailed in a panchayati raj. They are capable of gradually dispersing power to lower levels of political organisation without resort to abrupt changes and without undermining the unity of the larger community.

Notes

1 *A plea for the Reconstruction of India Polity* by Jayaprakash Narayan.

The Thesis has been discussed in some detail in this journal. See 'The Unhappy Utopia—J P in Wonder land' by W H Morris-Jones, *The Economic Weekly*, July 25, 1960; 'Reconstruction of Indian Polity—Defence of J P' by William Carpenter and 'Rejoinder' by Morris-Jones in the Annual Number, February 4, 1961; 'Jayaprakash Narayan's Thesis' by Rajni Kothari, April 9, 1960.

2 The details of the Report are now common knowledge. A brief outline is given in *Democratic Decentralisation*, published by the Ministry of Community Development and Cooperation. For a critical review of the Report, see the article by A Dotson in the *Indian Journal of Public Administration*, January-March 1958.

3 See, in this connection, the Planning Commission Circular to State Governments dated April 28, 1954; *Recommendations made at the Conference of State Ministers of Local-Self-Government* held in Simla, 1954; *Report of the Congress Panchayat Committee* of July 1954; *Resolutions passed at the All India First Panchayat Conference* held on 12th April, 1958 at Deoghar, Bihar; and *Report of the Study Team of Congress M Ps* on Panchayati Raj in Rajasthan, October, 1960. The boldest proposals so far are to be found in the *Report of the Democratic Decentralisation Committee*, Gujarat State, January 1961.

4 For the earliest statement to this effect by Mahatma Gandhi, see *Young India*, September 17, 1925.

5 For the opposite viewpoint, see Morris-Jones, op. cit. The idea of the very need of public cooperation, at the present stage of development, has been challenged by Sisir Gupta, 'Indian Democracy: What Gives It Stability? in *The Economic Weekly*, Special Number, June, 1960.

6 The idea has been elaborated in an article entitled 'Gram-Rajya' in the *A I C C Economic Review*, July 24, 1954.

7 *The Balvantrai Mehta Committee Report; The Rajasthan Panchayat Samitis and Zilla Parishads Act*, 1959.

8 'A year of Panchayati Raj' by P K Chaudhuri in *The Economic Weekly*, Annual Number; February 4, 1961.

9 op. cit.

10 See M N Srinivas, 'The Nature and Problem of Indian Unity' in *The Economic Weekly*, April 26, 1958.

11 Recent appraisals of the failures of the Bhoodan movement have led to precisely this realisation that, however lofty a reform, it is bound to get distorted without a powerful cadre of social workers spread all over the country.

12 On the relationship between traditional and "modernist" leadership, see Myron Weiner, 'Some Hypotheses on the Politics of Modernization in India' in *Leadership and Political Institution in India* ed. by Richand Park and Irene Tinker.

13 S P Aiyar, 'Democratic Decentralisation : Experiment in India' in *The Economic Weekly*, Janury 14, 1961.

14 P K Chandhuri, op. cit.

15 Morris Opler, "Factors of Tradition and Change in a Local Election in Rural India", Park and Tinker, op. cit. On this theme, see also F G Bailey, "Traditional Society and Representation : A Case Study In Orissa", *Archives Europeennes De Sociologie*, Vol 1, No 1, 1960.

16 Unpublished dissertation by Ghanshyam Shah, Department of Political Science, M S University of Baroda. *Role of Patidars in the Public Life of Kalali.*

17 ibid.

Alloy Steel

A number of applications, including those from major producers, for setting up units for manufacture of special alloy steels, are under consideration and a decision in the matter is likely to be taken shortly by the Government of India.

Capacity already existing or licensed for steels with a minimum of chromium, nickel, mylybdenum and other alloying elements which required specialised plant, is about 10,000 tons. It is estimated that the requirements would be about 200,000 tons per year by the end of the Third Plan.

As it takes some time for production to come up to capacity, it is proposed to license capacity necessary to produce initially 200,000 tons a year. Of this, the Central Alloy Steel Plant will contribute about 50,000 tons and the ordnance factories would make available 35,000 tons.

From the Chair

The Central Bank of India Limited

Speech of the Chairman, Sir Homi Mody

THE following is the summary of the Speech delivered by the Chairman, Sir Homi Mody, at the Fiftieth Annual General Meeting of the Shareholders of the Central Bank of India, Ltd., on Friday, the 5th May, 1961 :

Sir Homi Mody, Chairman of the Central Bank of India, Ltd., speaking at the Fiftieth Annual General Meeting of the Bank struck a cheerful note when he informed the Shareholders that the net profit of the Bank amounted to Rs 133 lacs, the highest in the Bank's history.

At the beginning of his speech, Sir Homi commented briefly on some of the notable events of the year under review.

He said that there was a general upward trend in trade and industry and notable advances were made in West Germany and Japan where production, employment and exports continued to rise resulting in substantial increases in the gold and foreign currency resources of these countries. "In Britain," continued Sir Homi, "there was an abnormal expansion of Bank credit and special measures had to be taken to deal with it, and for the first time Banks were called upon to make special deposits." "In the United States, a recession set in, the extent and duration of which are difficult to estimate. Considerable loss of gold and dollar resources took place and the balance of payments position deteriorated. The situation has since improved and the drain on the reserves has been arrested."

Economic Situation

Sir Homi said that in India during the first eleven months of the year, industrial production showed a significant increase, and despite shortage of coal, iron and steel production was up, though not to the extent of the target set. The textile industry passed through a difficult phase, owing mainly to a poor cotton crop, non-availability of raw materials at reasonable prices and a heavier wage bill. Sugar production reached a peak level of 2.42 million tons, as a result of the establishment of new factories and the expansion of the crushing capacity of existing units. Sir Homi emphasised that the most encouraging feature of recent economic growth had been the emergence of a more broad-based industrial structure and a steady diversification of the general pattern of development.

The general price level, which Sir Homi considers of vital importance, continued to soar. A relieving feature, however, was the fact that the price level of food articles had not gone out of hand and the upward trend had been arrested temporarily. "In respect of industrial raw materials," Sir Homi Mody stated, "there had been a big jump in prices and consequently the price level of manufactured articles had also moved up substantially." "The extent and seriousness of the damage," Sir Homi said, "may be gauged from the fact that between March 1956 and November 1960 there had been an increase of nearly 28% in the general price index."

Touching upon the Third Five-Year Plan, Sir Homi Mody expressed that in spite of all the assurances that public opinion would be fully consulted and given due weight the Plan had finally emerged as it was originally conceived. The total outlay on the Plan was estimated to be of the order of Rs 11,250 crores. He, however, observed that while the size of the Plan was equal to that of the first two Plans together, its physical proportions were likely to be smaller because of the inflated prices prevailing and further pressures on the price-level which might be expected.

Discussing the emphasis on rapid industrialisation indicated in the Third Plan, Sir Homi Mody stated that it was certainly open to question whether with our limited resources in materials and technical personnel, it was wise to accord such preponderance to heavy industry in our development plans. "The products of heavy capital industries," he observed "were by their very nature, incapable of absorbing all the additional purchasing power pumped into the economy, and it might legitimately be feared that such a lop-sided pattern of outlay might tend to aggravate the general inflationary pressure."

"Amongst the resources for Third Plan," Sir Homi Mody stated, "additional taxation had been given an important place and was expected to provide as much as Rs. 1,650 crores during the five-year period and it would be obvious to all but the Planners that the country was not in a position to bear such a crushing burden and deficit financing to an extent higher than what had been estimated might have to be resorted to." Sir Homi went on to say that by far the most important and crucial source of finance for the Third Plan was foreign aid and the Plan must depend vitally on the availability of a far larger volume of foreign assistance. He was, however, doubtful whether with all the good-will in the world under the present world conditions, foreign resources of the magnitude required would be made available to us. He felt that even at the best we were mortgaging the future a little too recklessly, and it was possible that the Third Plan might have to be recast drastically.

Monetary and Banking Trends

Dealing briefly with the main trends noticed in the monetary and banking fields, Sir Homi Mody said that the money supply with the public had increased during the year by Rs 217 crores. The Scheduled Banks' advances had shown a steep rise of Rs 216 crores to reach a record figure of Rs 1,180 crores, reflecting the unmistakable impact of the growing tempo of economic activity on the banking system.

Sir Homi at this stage pointed out the difficulties that the Bank had to face whilst meeting the heavy demand for finances. While the Bank tried to do all it could to accommodate its old customers, it had to a certain extent also to cater for its new constituents. The Sugar Industry was a case in point which was meeting with considerable difficulty in securing adequate finance to take care of its substan-

tial increase in production. Sir Homi was of the opinion that this problem could be dealt with only by a suitable revision of the policy of the Government. In the meanwhile, he suggested more liberal rediscount facilities on the part of the Reserve Bank of India to provide some relief to the Industry.

With a view to curbing undue expansion of Bank credit, Sir Homi said that the Reserve Bank, in addition to the Selective Credit Control measures, had resorted, for the first time, to the more direct devise of variable reserve ratios, whereby they impounded and immobilised, in two stages, 50% of all additional deposits secured by Scheduled Banks. In addition, ceilings were fixed on the limits up to which individual Banks could borrow from the Reserve Bank, any excess over the ceilings being subjected to penal rates of interest. Banks were also directed not only to enforce a minimum interest rate of 5% on all their advances, but also to step up their average lending rate by ½%. Sir Homi Mody warned that the fact that the general price level continued to rise in spite of these measures adopted by the Central Banking Authority should serve as a timely reminder to the Government that if they wished to maintain price stability, which was an essential pre-requisite for the success of any Plan, they should not fight shy of shedding their doctrinaire attitudes and of adopting a more realistic fiscal and economic policy.

Balance Sheet and Statement of Accounts

Dealing with the Balance Sheet and Statement of Accounts, Sir Homi Mody informed the Shareholders that the Bank's working fund at Rs 225 crores represented a substantial increase of Rs 32 crores, or 17%, over the 1959 figures. The gross earnings and net income amounted respectively to Rs 10.78 crores and Rs 6.44 crores, as compared to Rs 9 crores and Rs 5.14 crores in the previous year. The net profit amounted to Rs 133 lacs, which is the highest in the Bank's history.

Advances, too, had reached a high level and recorded a jump of Rs 32.92 crores over the previous year.

The Establishment Charges continued to move up disconcertingly year after year and over the period 1956-60 the increase has been of the order of Rs 107 lacs, equivalent to over 41%. He said that during the year under review alone, Establishment Charges went up by Rs 32 lacs and that in relation to the gross earnings and net income, they absorbed as high a proportion as 34% and 56.8% respectively. What was particularly a matter of concern was the fact that despite the increase in the strength of the Bank's staff, overtime allowance should have amounted to as much as Rs 13 lacs during the year.

"In view of the higher profits that had been made," Sir Homi Mody said, "the Directors have proposed an increase over the dividend paid to Shareholders last year. The interim dividend of Rs 2.10 per share, subject to tax, already paid for the half-year ended 30th June, together with the final dividend of Rs 2.50 per share, subject to tax, now recommended for the second half of the year, would make a total dividend of Rs 4.60 per share, subject to tax, equivalent to Rs 3.22 net per share. This works out to 12.88% net for the whole year. In addition, it was proposed to give the Shareholders a Jubilee Bonus of 50 nP. per share, subject to tax."

Before concluding his speech, Sir Homi Mody thanked the Vice Chairman, Mr C H Bhabha, the General Manager, Mr N K Karanjia, and the Deputy Managers, Mr F C Cooper and Mr V C Patel, and the other Officers at the Head Office and Branches and the members of the clerical and subordinate staff throughout the country. He also thanked the Local Advisory Committees at the various centres for the co-operation and guidance they had always extended to the Bank.

Finally, Sir Homi Mody expressed the hope that as the years rolled by, it would be the good fortune of the Bank to serve the interests of the industrial and business community even more efficiently than in the past. He looked forward with confidence to greater and greater efforts on the part of one and all connected with the Bank to enhance the prestige, position and prosperity of the great Institution with which all had the privilege to be associated.



The Kohinoor Mills Company Limited

Speech of the Chairman, Mr A N Haksar

THE following is the speech of the Chairman, Mr A N Haksar, delivered at the Annual General Meeting of the Company held at Bombay on Wednesday, May 10, 1961 :

Gentlemen,

I am glad to report that the year under review has definitely been an improved one for your Company. The working in all sectors of the Mill was better than last year and higher efficiency and production were achieved. Your Company increased the production of fine and super-fine fabrics to suit consumer demand. New bleached and dyed sorts in both men and women's wear were introduced and some of these have been popularised in the market. The Company progressively started 45,500 spindles by introducing a third shift in the spinning section of No. 2 Mill. This was done without additions to preparatory machinery. In your No. 3 Mill, screen printing was introduced and is running satisfactorily now.

Cotton

The Cotton Year 1960 was a most difficult one. Untimely rains in most cotton producing districts adversely affected the crop quality and quantity. Early estimates of a 48 lac bales crop had to be revised to 38 lacs resulting in an acute scarcity of desirable qualities and a sharp advance in prices. Despite liberal imports and restrictive measures taken by the Textile Commissioner in the form of quality controls and Mill Quotas, cotton prices continued to advance. By the end of December, an extremely tight supply position was evident and at January end the situation was alarming. To overcome this shortage and enable Mills to maintain their production, Government was forced to step up imports of foreign cotton, especially of short staples from America. Even so, stocks in mills were reduced to a minimum at the commencement of the new crop. Fortunately, the quality of the new crop was good and first estimates forecast 50 lac bales. To stabilise the market, however, the Textile Commissioner continued the system of Mill Quotas and Quality Control. These measures assisted by a larger crop, had the desired effect of bringing down prices and the position was much improved by the new cotton year. Your Company, like other textile units, suffered from higher prices both for Indian and imported cotton for the year under review.

Cloth

During the first half of the year, cloth movement was good and the stocks carried by the Company were reasonably low. In the second half, however, Government made it known that a reduction in cloth prices was desired. This caused uncertainty in the market and the movement of cloth became extremely sluggish. Negotiations took place between Government and the Indian Cotton Mills Federation and it was agreed to start stamping prices on cloth from 10th September 1960, on a formula based on August 1959 cloth prices. Even after this agreement was reached, Government required still further reduction in cloth prices and, therefore, uncertainty in the market continued. The final formula applicable from 1st January 1961, resulted in a still further reduction. This price reduction will obviously bring down the profit margin of all mills. It will be the endeavour of your management to make up this short-fall in profit by improving working efficiency. Until the formula was agreed, movement of cloth was nominal and, therefore, stocks at the end of the year were higher than had been expected.

In our endeavour to earn foreign exchange both for the country's and your Company's benefit, we stepped up our exports from Rs 22.37 lacs last year to Rs 34.97 lacs. Even though we sell in the export markets at marginal profit levels your management considers it beneficial to export with a view to earning machinery licences to modernise your Mills and to obtain licences for the import of extra quantities of Cotton. In the coming year we hope to maintain and, if possible, to step up our export programme. This would, of course, depend upon market tendencies.

Yarn

We had no problems in the marketing of sewing thread and its movement was well maintained through the year. We ventured into certain new and more paying counts of yarn, and a part of this benefit was felt during 1960. Our yarn exports for 1960 were Rs. 15.51 lacs against Rs. 7.44 lacs last year.

Sales and Stocks

Our sales for both cloth and yarn continued smoothly. I have explained above the reason for an increase in stocks in December, but as the trade finally settled down in January 1961, stocks moved extremely well. I am glad to report that today our total stocks of finished products constitute only about three weeks production. This is a very satisfactory position. It will be our endeavour to maintain low stocks and reduce them further if possible. Our thanks are due to your Selling Agents who have done very well throughout this period.

Labour

By the Central Wage Board Award 1959, the basic wages of textile workers were enhanced by an average of Rs. 8/- per worker. This was the first step in a two-phased programme which was intended to give a total benefit of Rs 10/- per worker. The additional Rs. 2/- will be levied in 1962. Whereas this was a benefit to the labour force in the textile industry, it was a tremendous drain on the profitability of Mill units. This Award, however, recognised rationalisation as a part of the total scheme. This, I feel, is a step in the right direction as the Indian textile industry can only become competitive in world markets by linking up the utilisation of rationalised labour with high production machines.

Our relations with the Rashtriya Mill Mazdoor Sangh, which is the recognised Labour Union for our Mill, were most cordial, and with their help rationalisation and standardisation measures were introduced in various sectors. In all 785 posts were reduced and this without any deterioration in our labour relations. Out of this, retrenchment compensation and gratuity was paid to 547 persons and we took advantage of natural wastage to abolish the ba-

lance 238 posts. The RMMS gave us their full co-operation during this period and assured us of their complete assistance in future. In our No 3 Mill, the four-looms-to-a-weaver system was introduced in half the Weaving Shed and to avoid unemployment and the payment of retrenchment compensation and gratuity, a second shift was started in the whole Weaving Shed in the middle of the year.

Machinery

A comprehensive programme of maintenance and rehabilitation was carried out throughout the year. New machinery of the value of Rs. 37.68 lacs was installed in your Mill and we have further orders on hand for machinery worth Rs. 46 lacs. New N.M.M. Ring Frames were received from the month of March onwards and these are being progressively erected to replace old ones. A new set of Whitin Combers was erected and are in production. The Company also installed the latest type of hot air stenter from Germany and automatic pirn winders from Holland. Most humidification systems were renovated and these have greatly improved working conditions. We have still to receive a number of modern machines which will improve the quality of your mill production. The 48 automatic looms which we had been allotted some while ago are now on order, but unfortunately no further allotments have been made. I trust, however, that in due course we will receive further licences to enable us to have a full shed of this machine. Your Management is seeking all avenues to modernise in the best and quickest manner possible.

No 3 Mill

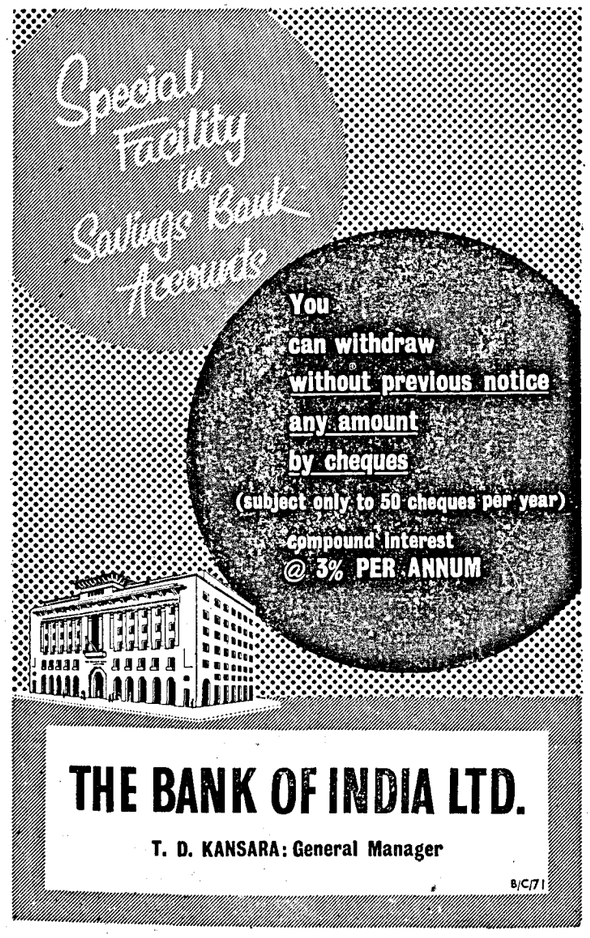
For your No. 3 Mill which is a Silk and Art Silk Unit, we have been facing the problem of non-availability of raw material. There is a great shortage of synthetic yarn in the country and sometimes very high premiums have to be paid for yarn vitally needed to keep the Unit working. To solve this problem, your Management has decided on a policy of export for earning licences for the direct import of the required yarn. This policy will certainly bear fruit and we hope the accounts of No. 3 Mill will show a marked improvement in 1961.

Profit and Loss Account

From this you will notice that we have shown a gross profit of Rs. 32.18 lacs after adding back to the net profit Depreciation, Taxation, Managing Agents' Remuneration and Development Rebate totalling Rs 24,41,572/-This profit has been arrived at after payment of certain non-recurring charges which absorbed Rs. 15.91 lacs. These constituted mainly of retrenchment compensation and gratuity paid (Rs. 6.49 lacs and Rs. 4.50 lacs respectively), and the payment of staggering compensation for the year 1952 amounting to Rs. 4.92 lacs. Although these measures have reduced the profits in the year under review, there is no doubt that in the years to come these losses will be more than recouped and the Company will stand to benefit. You will appreciate that the actual working profit for this year was more than double that of the preceding one. This, I submit, is a reasonable achievement. I can only hope that this improvement will be maintained.

There were a few other additional burdens the Company had to bear over and above last year. Like all other Mills, we paid an additional average of Rs. 8/- per worker which totalled Rs. 7 lacs for the year. Dearness allowance was higher by Rs. 11.75 lacs. The bonus for 1958 was also paid which amounted to Rs. 2.96 lacs.

Note : This does not purport to be the proceeding of the Annual General Meeting which can be seen by any shareholder on request.



Around Bombay Markets

Dalal Street Makes Further Headway

Thursday, Morning

EVIDENCE accumulates that a new bull phase is now well under way. Slowly but confidently Dalal Street pushed its way further up last week. "Vyapar's" equity share index which had closed at 142.11 on 3rd May receded to 140.92 on the 5th but thereafter improved to 144.68 by 10th May and closed a little lower at 143.73. Last week's rise takes the index nearer to its previous top of 148.11 established on 20th March and it might not be long before the index goes into new high ground.

Though interest continued to be still rather selective, there was a considerable improvement in turnover. There was very little in the week's news to excite bulls but they could certainly draw much comfort from the carry-forward charges at the end of the last settlement on 5th May which clearly indicated that the market's technical position was very healthy. If anything, the market appeared to be in an oversold position.

Gains recorded last week were fairly widespread and quite substantial in many cases. Cotton Mill shares provided the lead, with Century, Kohinoor, Swadeshi and Tata Mill showing conspicuous strength. Shipping shares which had been quite neglected for a long time shot into the limelight on active short covering and renewed bull support because of the favourable turn in shipping news. While Steels held barely steady, Engineering and a few Miscellaneous counters showed marked strength.

New Issues Easy

Notwithstanding the growing strength in speculative counters, cash shares continued to be rather subdued. "Vyapar's" index for new issues which has been steadily losing ground since 20th March suffered a further setback last week. From a high of 100.62 on 20th March the index has come down to 90.28. Not much need, however, be read into the weakness in the new issue index. For even small business can produce wide fluctuations in prices of cash scrips. The locking up of funds in the more recent issues seems to be the main reason for the dull and easy conditions in the market for cash shares, more particularly new issues.

About Margins

The stock exchange community has often expressed considerable concern over the various margins and more particularly the system of special deposit making-up prices because quite often these prices have been fixed in a most arbitrary manner. The Bombay Stock Exchange Governing Board has now appointed a committee of six directors to examine the question of margins from all angles and submit its report at the earliest. It is quite natural for the stock exchange community to raise its voice against any measures which has a restraining effect on the volume of activity because it affects its income. But margins have an important part to play in checking unhealthy speculation. All that the authorities administering the affairs of the stock exchange need to take care is that in their zeal to curb excessive speculation they do not assume the role of price determination which must be left to the market. It is dangerous to think, as the authorities have often thought, that a rising trend in prices implies excessive speculation. Besides, unlike higher commodity prices, the rising trend in equity prices should normally be welcomed because it helps to attract risk capital for productive purposes.

Oilseeds

Dullness Persists

EXTREMELY dull conditions continue to prevail in the oilseeds market, ready as well as futures. With outside interest virtually absent, professional operators are in no mood to extend large commitments either side. Oilseeds futures therefore continue to drift idly in a narrow range. Fluctuations last week were indeed very narrow, with castor September moving between Rs 178.62 and Rs 177.12, linseed September between Rs 37.37 and Rs 36.84 and cottonseed September between Rs 93.35 and Rs 95. Closing prices on Wednesday (12th May) showed only nominal variations from their previous week-end levels.

Oilseeds and oil prices have suffered a sizable decline from their highest levels recorded some weeks ago. Groundnut Karad bold which had been marked up to around Rs 56 per 50 kilos are now quoted around Rs 52 and oil is down by about Rs 1.50 per 10 kilos at around Rs 21.90. The decline has been more marked in respect of linseed oil, rapeseed oil and cottonseed oil. Prospects of any marked and sustained recovery in prices are now generally discounted because of the improved supply of rapeseed oil, kardi oil and cottonseed oil, which has brought about a marked change in the relative prices of various oils. Last year, cottonseed oil fetched a fair premium over groundnut oil but this year it is quoted nearly Rs 2 per 10 kilos cheaper. This is attributable to increased crushing of cottonseed. Rapeseed oil which was quoted as much as Rs 40 per Bengal maund higher than linseed oil is now quoted only about Rs 8 higher. This has naturally reduced the demand for linseed oil for adulteration with rapeseed oil. Kardi oil, which has often been costlier than groundnut oil, is now available about Re 1 per 10 kilos cheaper.

Export Prospects

But the decline in domestic prices has not in any way improved chances of export business because Indian prices are still substantially out of world parity. It is extremely doubtful whether Indian oils can ever compete with oils from rival sources because most countries continue to sell in world markets without much consideration for their internal prices. New Delhi will need to do some fresh thinking on the subject if it really wants to boost the export of oils.

Even in respect of castor oil in which India established a new all-time record last year, exporters are gradually revising their ideas about the current year's prospects. India had shipped about 17,000 tons of castor oil by the end of April and had sales outstanding of the order of 10,000 tons. But this year ship-

ments during the first four months total hardly 5,000 tons and business outstanding is estimated at no more than 5,500 tons. The performance might have been much worse but for the substantial purchases by the Communist bloc, estimated around 6,000 tons. Export activity has been extremely restricted in recent weeks. The U K buyers have been restricting their purchases to a bare minimum even though their stocks have seldom been on the high side. Latest reports indicate that Rumania has been trying to dispose of unsuccessfully castor oil B S S in the U K market at around £ 132 per ton, duty paid. The U S, which had been keeping off the Indian market for a long while is reported to be well-supplied by Brazil.

Export business in oilcakes put through during the week continued to be limited. With the freight from July raised by 17-½ shillings per long ton and overseas prices down rather than up after the freight rise, exporters are revising their ideas about the outlook for groundnut extractions which have been doing fairly well up to now. The U K quotations have come down by about £1-10 per ton over the past fortnight because of considerable re-selling activity. Fresh offerings have been poor. Prospects of selling large quantities of groundnut extractions to Japan are also considered to have deteriorated with the reported opposition to the import of groundnut extractions by the cattle-feeders there. The exorbitant prices of soyabean meal had turned the attention of Japanese importers towards Indian groundnut extractions. While interest in groundnut oilcakes was negligible, the U K was said to have purchased nearly 500 tons of linseed cake at around £ 29-5 per ton.

Cotton

Prices Harden

COTTON prices recorded fair gains over the week and traders reported a marked increase in turnover, both in ready and futures. The announcement of an export quota for short staple cotton, Shri Manubhai Shah's statement in Lok Sabha that the Government was taking necessary steps to help Gujarat tide over the 'crisis' of accumulation of stocks and the Indian Cotton Mills Federation's entry into the market as a bulk buyer of cotton, particularly Gujarat varieties—all these factors contributed to the improvement in market sentiment last week.

In ready, Kalagin and Wagad rose substantially above the ceiling rates on sustained shipper buying and despite the sizable setback that followed after shippers had covered their requirements prices showed moderate gains over the previous week-end levels. Substantial purchases of Kalyan and other short staple cottons, mostly Gujarat varieties, had also a steadying effect on the market. Foreign cottons attracted good attention and Africans showed a hardening tendency due to scarcity of offerings. Improved spot advices caused considerable anxious short covering in futures and also encouraged fresh bull support with the result that the August contract which had earlier eased from Rs 570.25 to Rs 564.75 advanced to Rs 578.75 by the week-end.

Export Quota

Despite growing opposition from the trade, New Delhi has released from export a further quantity of 50,000 bales of cotton stapling 25/32 inch and below other than Bengal Deshi, of which 5 per cent is earmarked for co-operative societies. The view is widely shared that it is not foreign exchange considerations which have prompted the Government to allow the export of short staple cotton; New Delhi has merely yielded to the pressure from the Gujarat State. Recently the Gujarat Chief Minister had urged the Central Government to allow an export quota of short staple cotton, especially Gujarat varieties, because of the mounting stocks of cotton in the State. This plea had been endorsed by the Indian Cotton Mills' Federation, which, however, had opposed any further export quota for Bengal Deshi. The latest quota brings the total quantity of cotton allowed for export this season to 2.10 lakh bales. Inquiries with the trade indicate that exporters have sold nearly 70,000 bales against the present quota which implies that the ceiling for the quota will be reached on 12th April when shipping bills are received and the quota will need to be rationed on a pro rata basis.

Bullion

Spot Premiums Down

TRADING in bullion last week was notable less for the up and down movements in futures than for the steady decline in the spot premiums over futures quotations. Spot silver which commanded a premium of Rs 5.10 per kilo over the quotation for second Jeth contract at the end of the previous week was quoted only Rs 2.95 higher on 12th May. The premium in the case of gold declined from Rs. 3.50 to Rs 2.05 per 10 grams. The marked decline in the spot premiums was due mainly to reduced off-take and the slack season ahead. Arrivals were seldom large. The fall in the premiums on the spot metals had its impact on the backwardation charges which recorded a small decline, from 95 nP to 80 nP for gold and from Rs 1.60 to Rs 1.45 for silver. The spread between the two contracts narrowed down mainly because of the decline in the near-by Adhik Jeth contracts.

Activity in futures was generally on the low side. Outside participation continues to be poor because of the margins. And what are the professional speculators to do if the outside public does not take much interest because it is only an outside public money that professional speculators thrive. Fluctuations in futures during the week were two-sided and net changes over the week were small. After rallying from Rs 117.45 to Rs 117.85 gold second Jeth contract eased to Rs 117.05, rallied to Rs 117.75, drifted lower to Rs 117.30 and closed at Rs 117.60. Silver second Jeth contract which had eased from Rs 196.50 to Rs 184.95 early in the week recovered quickly to Rs 196.55 but eased again to Rs 195.80 before winding up the week at Rs 196.05.

Sugar Production and Stocks

SUGAR production in March 1961 was 5,02,000 tons compared to 4,44,000 tons in March 1960. This brought the total production in the 1960-61 season to 22,90,000 tons. Production during this period in the last season was 20,57,000 tons.

The offtake of sugar from factories in March this year was 2,25,00 tons compared to 1,52,000 tons in March 1960. Total despatches, including despatches for exports, for the current season amount to 8,75,000 compared to 7,81,000 tons during the same period of the last season.

The closing stock of sugar with factories on March 31, was 19,57,000 tons as against 14,18,000 tons last year.

Company Notes

BRITISH OXYGEN

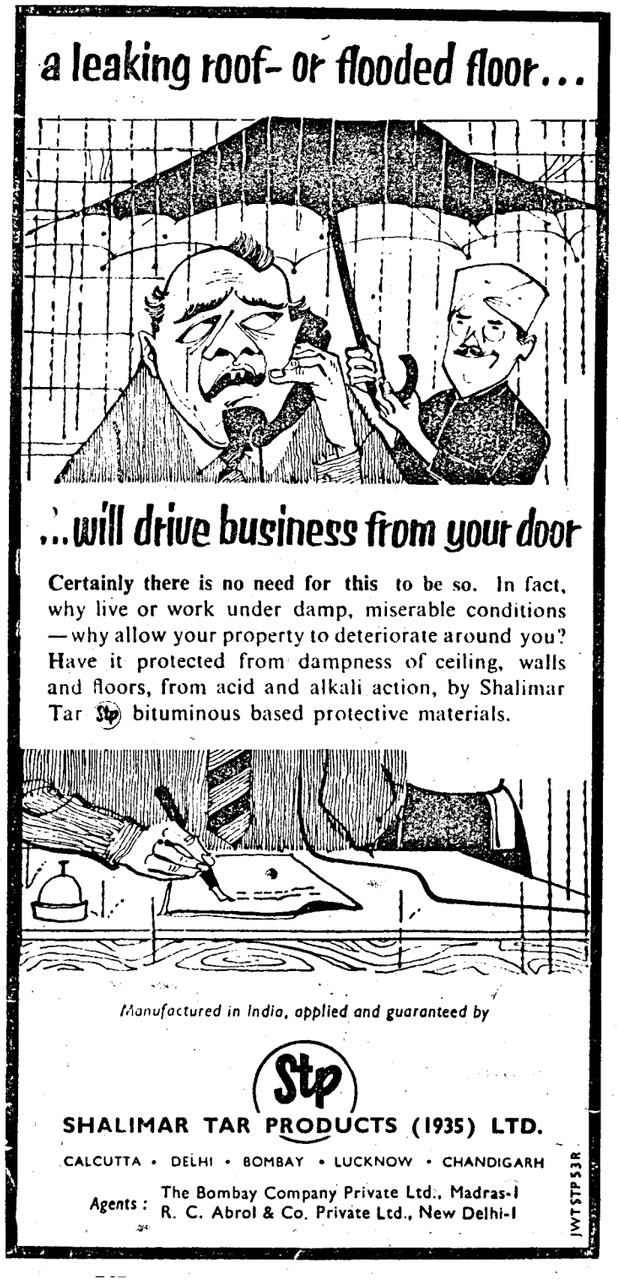
OVERSEAS trading continues to be responsible for half the total group profits of British Oxygen, the U K principal of Indian Oxygen. Its Chairman, Mr J S Hutchison, is hopeful that overseas operations will continue to expand and make a larger contribution to group earnings which are being affected adversely at home by higher costs and severe competition. Profit margins in the U K, already much lower than a few years ago, could be reduced to an uneconomic level by any further cost increases. Although the probable use of oxygen in steel-making can be accurately forecast, it is not always known whether steelmakers would prefer to operate their own oxygen plants or purchase oxygen from others. The oxygen-makers are subject to the further uncertainty that they do not know how much business each of them would be able to obtain in conditions of severe competition.

The tonnage oxygen plants supplied to Durgapur and Rourkela are in operation. The group has on hand the building of 19 tonnage oxygen and nitrogen plant having a value of £10.5 mn. A considerable improvement in sales of electrodes, led by the new types recently introduced, gave increased profit despite a general slackness on the automatic welding side which persisted for the greater part of 1960. In chemicals, the group has made considerable headway despite competition both at home and overseas.

Research and development continue with full vigour and have proved a great help in operational work. Arrangements have been completed recently for the production in liquid form, of hydrogen and helium the uses of which are still small in volume but are of vital importance for many special scientific applications where the ability to reach temperatures near absolute zero minus 273°C is of prime importance.

Regarding the Indian subsidiary, the Chairman is "particularly glad" that the factory making user equipment for industrial gases set up only two years ago is now working to full capacity. Plans are in hand for its extension: "it is a mark of the current rate of development in India that such rapid progress should have been made in so short a time."

The parent company has resumed trading under its own name in the U K in activities which had been under subsidiary companies. This change has enabled the adoption of a revised form of management structure in which specialised knowledge in various fields comes under separate chief executives. The rapid growth of business in recent years had made it increasingly difficult for senior management to work efficiently through a number of subsidiary boards which had to handle their own trading and at the same time achieve a great measure of co-operation with other units. The new structure of management has already demonstrated its merits.



SHIVRAJPUR SYNDICATE

BARTER deals have permitted a considerable increase in the shipments of Killick's Shivrajpur Syndicate, the leading producer of manganese ore. Shipments and deliveries increased during the year ended November 30, 1960 by more than 50 per cent while the value of sales went up from Rs 86 lakhs to Rs 124 lakhs. Profits have increased from a nominal Rs 41,000 to Rs 14.60 lakhs.

The licensing system both for movement and export of ore remained the same as in the previous year but under the new export policy no movement quota is required to move ore on the Western Railway. This will facilitate free movement to the port of Bombay for the next three years.

In response to repeated requests, Government has reduced the royalty rates with effect from February 1960 on high and low grade ore from 12½ percent and 10 per cent of pitsmouth value to 7½ per cent and 5 per cent, respectively. The demand for ore has been somewhat subdued of late because numerous deposits of manganese ore have been developed in countries much closure to the consuming centres and because production of steel in the U S at present is considerably below its rated capacity. The decision of Government not to permit for the time being any steel-manganese barter deals is also responsible to a certain extent for the poor offtake of ore from India. An improvement is, nevertheless, expected towards the end of the current year.

BHARAT COMMERCE

THE accounts of Bharat Commerce and Industries are now completely out of the red, barring a arears of Rs 8 lakhs depreciation. A maiden dividend on both preference and equity shares has been declared out of the profit of Rs 22 lakhs for 1960. The company now enjoys a fairly sound financial position against a debit balance of Rs 42 lakhs in 1954, when it was on the verge of liquidation. The market price of the equity share has gone up from Rs 2 in 1954 to Rs 20 now. Sales during 1960 almost reached Rs 1.50 crores and revenue from aircraft charter operation amounted to nearly Rs 4 lakhs. The rayon spinning plant at Nagda is working satisfactorily.

The mills had an installed capacity of 20,240 ring spindles and 8,864 doubling spindles at the end of 1960. The programme of expanding the number of ring spindles to 30,000 could not be implemented in time owing to delay in deliveries. The company made a successful bid of Rs 22 lakhs for the purchase of a composite mill with 302 automatic looms and 15,000 spindles in Mysore belonging to a company in liquidation. A suit against the acceptance of this bid is pending before the High Court.

The company has received a licence for the manufacture of H T and L T porcelain insulators in Rajasthan. Efforts are also being made to acquire another staple fibre spinning unit. A few other schemes are also under consideration.

CIBA Research Centre at Goregaon

THE Centre for Basic Research to be set up by CIBA in Goregaon near Bombay will be the first project of its kind undertaken by a commercial firm in the chemical industry. The Research Centre will have a complete set of laboratories and offices to be sumptually housed in an area covering 65 acres alongside the western express highway at Goregaon. The construction of the buildings is now in full swing.

A well knit team of outstanding Indian scientists will be recruited in India and abroad to staff the Centre and work is expected to begin early in 1963.

Supply of Stores to Govt. of Ceylon

This office is making arrangements for purchase of articles and Stores produced in India for use by the Govt. of Ceylon. For this purpose it is proposed to register the names of manufacturers, their sole representatives, whole-sale dealers, and exporters, of articles, that may be purchased from time to time.

2. Those interested may apply with their credentials for the necessary registration. The articles that are normally purchased in India are :—

(a) Cotton waste and Cotton yarn.
(b) Textiles of various descriptions—Kit-rugs, Khaki drill, Blue drill and Jute Hessian.
(c) Cotton wool, Sanitary Towels, Bandages etc.
(d) Sack twine.
(e) Parcelling twine.
(f) Linseed oil.
(g) Vegetable turpentine.
(h) Lanterns.
(i) Peak-caps.
(j) Bicycle tyres & Tubes.
(k) Books, publications and Mathematical equipment.
(l) Coal.
(m) Manilla and Sisal ropes.
(n) Laboratory equipments.
(o) Drugs etc.

3. It is also notified for general information that tender documents for supplies, services, and works, for which World-Wide tenders are invited by the Govt. of Ceylon, are made available here for distribution as and when issued. Prospective tenderers are requested to apply for registration for this purpose.

Ceylon House,
Bruce Street,
Fort,
BOMBAY-1.

Ceylon Govt. Trade Commission.

CURRENT STATISTICS

BANKING RETURNS

(Rs Crores)

Reserve Bank	May 5	Apr 28	Apr 7	May 6, '60
1 Note circulation	2002.38	1982.43	2039.91	1904.49
2 Rupee coin	119.02	122.24	121.82	125.63
3 Deposits	264.16	263.25	222.89	266.47
(a) Central Govt	53.13	51.63	54.56	60.30
(b) Other Govts	15.07	18.31	8.31	18.90
(c) Banks	81.80	78.16	70.60	88.42
(d) Others	114.16	115.15	89.42	98.85
4 Foreign Securities	113.01	113.01	123.01	163.01
5 Balances abroad	17.68	10.32	11.31	15.67
6 Rupee Securities	1661.97	1661.98	1687.20	1511.43
7 Investments	177.58	172.91	125.21	217.38
8 Loans and Advances to Govts	86.30	84.00	70.69	51.33
9 Other loans and advances	128.49	125.47	146.78	117.52
Scheduled Banks	**Apr 28**	**Apr 21**	**Mar 31**	**Apr 29, '60**
1 Liabilities	1767.85	1761.82	1740.78	1929.65
Demand (net)	725.61	720.91	714.27	771.03*
Time (net)	1042.24	1040.91	1026.51	1158.63*
2 Cash in hand	47.69	48.20	45.32	48.88
3 Balances with Reserve Bank	73.89	80.28	70.76	91.52
4 (2) + (3) as % of (1)	6.58	6.98	6.40	7.28
5 Borrowings from Reserve Bank	38.16	41.35	94.53	43.65
(a) Against usuance bills and/or promissory notes	21.09	25.81	45.39	11.54
(b) Others	17.07	15.54	49.15	32.10
6 Advances	1100.00	1099.06	1109.37	955.15
(a) State Bank	258.98	264.00	263.92	202.48
(b) Others	841.02	835.06	845.45	752.67
7 Bills discounted				
(a) Inland	153.57	155.74	158.92	128.38
(b) Foreign	47.54	47.16	49.08	46.85
(c) Total	201.11	202.90	208.00	175.23
(i) State Bank	17.34	17.45	17.37	15.22
(ii) Others	183.77	185.45	190.63	160.01
8 (6) + (7c) as % of (1)	70.46	70.77	72.59	58.58
9 Investment in Govt Securities	562.46	538.36	555.93	741.63
(a) State Bank	237.47	216.11	233.21	379.84
(b) Others	324.99	322.25	322.72	361.79
10 (9) as % of (1)	30.46	29.26	30.80	38.43
Cheque clearance	222.04	216.42	205.04	196.93

*Includes deposits of banks and others.

Bombay Money Rates

(% per annum)

(Selected Scheduled Banks other than State Bank)

Call Money	Apr 28	Apr 21	Mar 31	Apr 29, '60
From Banks	4.95	5.22	5.33	3.75
Deposits :				
Seven Days	—	3.00	3.00	3.37
Months	—	—	3.50	3.50
Months	3.75	3.75	3.75	3.50

FOODGRAINS PRODUCTION AND YIELD

	Area ('000 acres)	Production ('000 Tons)	Yield (Lbs)
1959-60	278,132	71,750	578
1958-59	279,855	75,503	604
1957-58	268,611	62,511	521
1956-57	274,627	68,752	561
1955-56	273,203	65,794	539
1954-55	266,527	66,960	563
1953-54	269,509	68,718	571
1952-53	252,269	58,266	517
1951-52	239,599	51,175	478
1950-51	240,489	50,022	466
1949-50	245,330	54,048	493

Source: Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India.

INDUSTRIAL DISPUTES IN INDIA

(Numbers)

	Disputes	Workers involved	Working days lost
1960 : Dec	95	27,363	281,413
Nov	81	21,659	210,982
Oct	86	40,484	205,419
Sept	129	32,179	242,901
Aug	50	16,993	69,951
Jul	125	168,407	748,651
Jun	154	65,783	390,425
May	127	37,675	414,789
Apr	92	47,770	331,511
Mar	125	47,770	470,258
Feb	133	62,075	412,797
Jan	141	73,891	423,077
	(Monthly Average)		
1960	114	66,138	354,970
1959	127	57,801	467,090
1958	127	77,381	649,799
1957	136	74,114	535,777
1956	100	59,594	582,670
1955	97	43,980	474,821

Source : Ministry of Labour and Employment

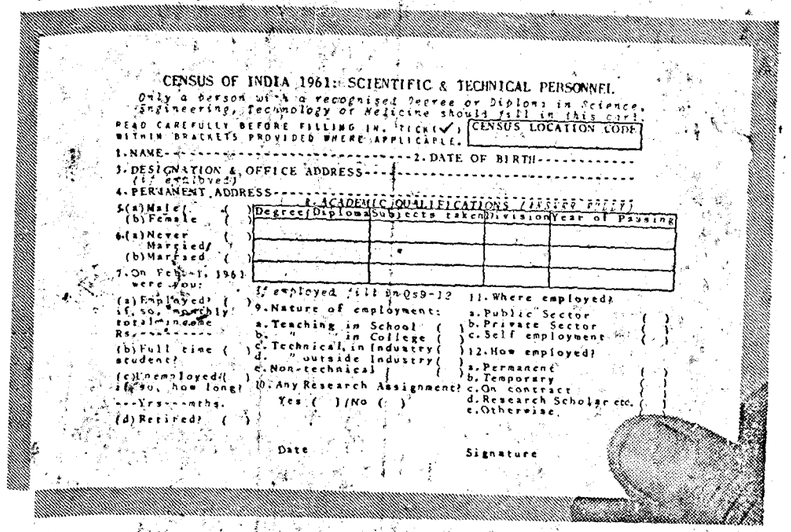
Bombay Bullion

(Rs and nP)

	May 11	May 4	Apr 13	May 12 '60
Gold (per ten grams)				
Spot	119.50	121.75	121.55	112.23
Forward	117.40	117.45	120.90	109.65
Silver (per kilogram)				
Spot	198.50	198.80	203.40	189.20
Forward	195.80	195.70	200.15	185.43

Regd. No. B 5489

CENSUS 1961



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The card can also be had from the Registrar-General India, Man Singh Road, New Delhi.

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Wastage in Industrial Capacity

THE rise in industrial production last year was the sharpest for any year in the Second Plan period, according to the Annual Report of the Ministry of Commerce and Industry. In 1956, the first year of the Second Plan, industrial production had recorded a sizeable rise. In the following two years, however, the rise was relatively meagre, 3.5 per cent and 1.7 per cent respectively, compared to 8.3 per cent in 1956. In 1959, production picked up once again and the rise was of the order of 7.4 per cent. In 1960, the average of the monthly indices of production for the first eleven months was 168, compared to 150 during the corresponding period of 1959. The increase compared to the previous year was thus about 12 per cent.

The detailed industry-wise statistics of production and capacity contained in the Commerce Ministry's Report indicate the growth of industrial production better than the index number. Even these statistics, which were reproduced with comparable figures for earlier years in the issues of April 22 and 29 and May 6, are not exhaustive. They exclude cotton textile, iron and steel, electricity, fuel and mining industries.

Taking all the industries covered in the above Report, production in 1960 increased in 355 of them compared to 1959, and declined in 90. The rise in production was over 10 per cent for some 260 industries and over 50 per cent for 83 industries. Of the 90 industries in which production declined, as many as 43 were in the chemical group.

Compared to 1955, the last year of the Second Plan, of the 282 industries for which comparative figures are available, production increased in 251 and declined in 31. The increase was over 50 per cent in over 200 industries. Production of mechanical, electrical and general engineering industries, industrial machinery and tools, automobiles and ancillaries, diesel engines and pumping sets and metallurgical and mineral industries registered impressive increases. Progress in chemical industries, however, was tardy, production actually declining in 16 out of 92 industries.

Among the reasons mentioned in the Ministry's Report for the relatively slow progress of chemical industries are: delays in commissioning expansion of existing units, poor production in some of the new units and delays in issuing import licenses. The shortage of foreign exchange, which held up production in many industries to a greater or lesser extent, affected chemical industries more adversely than most others. This was because of a basic weakness in the structure of our chemical industries—production of drugs, dyestuffs and many other organic chemicals is based on imported intermediates.

The study of capacity and its utilisation, however, is much more difficult for a number of reasons. The definition of capacity remains as unsatisfactory as ever and, of the 445 industries which are listed, the rated capacity is given for only 397. Comparable figures of capacity for 1955 are available in the case of 258 industries. Of the latter, 229 industries recorded an increase in their capacity during the Second Plan, while only 29 showed a reduction.

By comparing the growth of capacity and production, it will be seen that not an inconsiderable part of the increased production has been secured through fuller ulitisation of existing capacity. In 1955, production was less than 50 per cent of capacity in nearly half of the industries. By 1960, the position had improved to the extent that production was over 50 per cent of capacity in some 65 per cent of the industries.

But though there has been thus some improvement in the utilisation of capacity, it must be remembered that capacity in most industries is calculated only on a single-shift basis. Hence, even in industries where production is 100 per cent of capacity, it cannot be said that capacity is being fully utilised, for in few industries can there be any technical obstacle to working more than one shift. An idea of the extent of unutilised capacity can be had from the fact that even single-shift capacity is not fully utilised in 85 per cent of the industries.

It is a scandalous situation on all counts that a country short of capital and short of goods should allow so much capacity to go waste year after year. True, under-utilisation may be due to various factors some of which may be unavoidable. New industries must have their teething troubles. There may be breakdowns or labour troubles and errors of estimation in regard to demand. The last possibility is remote, for plan expenditure takes care of it. But such special factors apart, idle capacity can only be due to shortage of materials, power or transport. The inadequacy of imported raw materials, the so-called maintenance imports, has received a great deal of attention, of late. The need for fuller utilisation of capacity, as the country advances in industrial development and production capacity is steadily built up, is now being widely appreciated.

The extent of unutilised capacity, however, is so great and in some cases increase in production, despite shortage of imported materials has been so striking, that it would be wrong to regard foreign exchange shortage as the only or even the principal factor responsible for the continued existence of idle capacity. Shortage of capital and the concealed subsidy which both monetary policy and import control give to capital goods makes it incumbent on the country to make the fullest use of existing capacity by removing all the impediments to the fuller utilisation of plant and machinery have been installed at such heavy capital cost. It may pay the producers to install a larger plant and work it single shift rather than work a smaller plant two or three shifts. This is an area in which private marginal returns obviously do not square with the social marginal returns. The additional cost of working an extra shift may so lower marginal profit as to leave little incentive to the producer to make the extra organisational effort. Depreciation may be one of such additional costs. It has been a long-standing grievance of the industries, particularly of the cotton textile industry, that the present system of depreciation allowed militates against working multiple shifts.

Whenever the organisation and the structure of industry had been carefully investigated, it has invariably been found, however, behind idle capacity, there is managerial deficiency, unbalanced plant and unsatisfactory labour relations. Whatever be the factors which hold up fuller utilisation, it is high time that they were carefully investigated and speedily remedied. Planned development cannot do without a system of incentives and disincentives. The time has come to consider whether along with encouraging fuller utilisation, a penalty should not attach to keeping installed capacity idle and eliminate thereby an avoidable waste which is mounting with the steady expansion of industrial capacity in the country.

Flexible Excise Duties

FISCAL measures as an instrument of economic policy have suffered so long from a severe handicap. This is because the budget is presented only once a year. Precedents and past associations have so invested supplementary budgets with the presence or near presence of a crisis that it has not been possible for any country to make fiscal measures flexible by changing them frequently through this procedure. Monetary policy as an instrument of control has its uses and limitations. The uses are more limited in a partially-planned economy of the sort we have launched upon and the limitations are far greater because of various well known reasons. It is, therefore, surprising that India had to wait for Britain to act before thinking of making fiscal policies more flexible by making them independent of the budget. This the Government of India now proposes to do, following Britain — so great is the hold of precedence and of the British model, on New Delhi's thinking.

The Government, it is reported, is going to take powers to change the whole set of excise duties at any time during the course of the year, without waiting for the approval of Parliament. Even in Britain, no objection has been raised to the limited powers the Government has taken for varying the purchase taxes in the course of the year without consulting Parliament on the ground that Parliament would thereby surrender to the Executive a power which it has hitherto guarded jealously. By now, the British seem to have got used to what would have been violently criticised in an earlier day as the tyranny of the executive. In India, of course, the Government enjoys complete freedom of action and free exercise of power which is hardly resisted or even challenged by Parliament. In fact, it would be surprising if Parliament would even be aware what it was parting with when the Government asks for and takes powers for varying excise duties without consulting Parliament.

This proposal, according to press reports, forms an integral part of a number of measures which are envisaged collectively for the implementation of a price policy. One of these is fixation of minimum prices of the principal food crops and the important commercial crops by announcing them before the sowing season. Another measure is that of the utilisation of buffer stocks of foodgrains for stabilising foodgrains prices. A third is the now-accepted price policy for enterprises in the public sector, a price policy which will enable these enterprises to pay for their expansion from their own surpluses. Where does the power of varying the excise duties come in and how does it fit into this

As an instrument of economic control, fiscal policy will have to have a direct impact on total spending, on prices and on incentives to invest. That is to say, it has to be conceived as a regulator of the economy which can, as the situation demands, either strengthen the forces of expansion or exercise a restraint on economic activity. This is something different from the effect which a particular fiscal measure may have within its own specific sphere of influence. It is the latter which one thinks of naturally when the powers which the Government proposes to take is that of varying excise duties.

It is some such specific purpose which the Government seems to have in mind since it is reported that excise duties are to be pressed into service to secure expansion of export to the extent of some Rs 300 crores in value, to make good the deficiency in the foreign exchange left uncovered by the quantum of foreign aid which India has asked formally for the implementation of the Third Five-Year Plan. It would be idle at this stage to raise the question whether past experience warrants such reliance being placed on export duties primarily as an effective instrument for securing this particular end.

There have been occasions in the past when lack of flexibility of fiscal measures was felt as a serious handicap in the enforcement of desirable economic policies. The case that readily comes to mind is that of export duties at the time of the Korean boom when the Government found itself checkmated by speculators in oilseeds and various other export products. Export duties in such a situation needed to be changed quickly but the procedural delay of reference to the Central Board of Revenue and seeking authorisation of the Parliament proved crippling at the time. Shri T T Krishnamachari, when he was the Finance Minister took the powers to vary the rates of excise duties as the situation demanded, without waiting for Parliament to give the necessary sanction. But the powers he sought and obtained were for varying the excise duty when the Parliament was not in session.

The First 'Soft' Loan

THE International Development Association which was established last year has made its first loan. There was some speculation that India might be the first country to get a loan from this newly-formed affiliate of the World Bank. That distinction has gone to a Latin American country — Honduras — which is among the least developed countries of Latin America. With only one-quarter of its land under cultivation, the proportion of rural population of Honduras is the highest in the western hemisphere and its per capita income, one of the lowest. Among the reasons for the extreme backwardness of Honduras is its mountainous terrain which constitutes almost 90 per cent of its land area and makes communications difficult. It is in the fitness of things, therefore, that the loan to Honduras has been made for the construction of a highway to traverse a region which is one of the most populous and still not accessible by road.

As development loans go, there is nothing very special about this particular loan, it satisfies the usual criteria. But there are a number of surprises in the very first loan made by the I D A in the matter of terms and conditions, especially in regard to repayment. To begin with, it is for a term of 50 years, which is much longer than the currency of any loan made by the World Bank. Secondly, it carries no interest at all, interest properly so-called. There is only a service charge of 3/4 of one per cent annually on the amounts withdrawn and outstanding. This is to meet I D A's administrative costs. The repayment does not begin until after 10 years and the first payment will be due only in September 1971. Thirdly, it is not called a loan at all. The I D A's subvensions have been given the special name of 'Development Credits' to distinguish them from conventional loans. Finally—this is contrary to expectations—the repayment will have to be made in foreign currency and not in the currency of the borrowing country.

The Articles of the I D A give it considerable latitude in its lending operations. The Association is authorised to finance any project which is of high developmental priority, whether or not the project is revenue producing or directly productive. Thus apart from the type of projects financed by the World Bank e g, road development, port and irirgation works, the IDA is free to lend, say for industrial estates, urban development or technical training programmes, which may not meet the criterion of direct returns within a specified period.

Except that the terms of lending will be more flexible and bear less heavily on the balance of payments of the borrowing country than the World Bank loans, the Articles in its charter are not very specific. Though the terms of repayment of the first development credit it has extended are 'soft' enough, the condition of repayment in foreign exchange, however, raises some questions. As now constituted, the IDA starts with a sizable currency convertibility problem. Its initial resources made up from subscriptions from members consists of two parts one of which is convertible currency but the other may not be. Its members are divided into two classes, the first of which, consisting of the highly developed countries, pay their subscriptions in gold or convertible currencies, while the second, consisting of the less developed countries, pay only 10 per cent of their subscriptions in gold or convertible funds and balance in national currencies.

The IDA starts with extremely limited resources $1,000 million. True, many more countries have yet to join the Association—the present membership covers only 42 out of 68 members of the World Bank. All new members of the Bank will also be eligible for admission to the IDA, but the total resources of the members who have yet to join or are likely to join will not add up to much. The commencement of the operations of the Association is, therefore, significant not for what it is immediately likely to achieve, but for the widening of the assistance for development which it makes possible by freeing the borrowing countries from the crippling restrictions imposed by their balance of payments and adding a new dimension to the concept of multilateral aid through an international agency.

Weekly Notes

What about The Price Index?

WE are just at the beginning of the Third Five-Year Plan. It is, therefore, hazardous to prophesy with sureness what will happen to the general level of prices in the coming years. We can, however, have a look back at the price trends that have emerged during the Second Plan period without any trepidation as the country has already passed through them. The average of the Economic Adviser's index (1952-53 = 100) of wholesale prices for the year 1960-61, the last year of the Second Plan, works out to 124.8. Compared with the average for 1955-56, the last year of the First Plan, this represents an increase of about 31 per cent. Comparing the last week of March 1961 with the last week of March 1956, the increase is of the order of 28.5 per cent.

The magnitude of the increase whether one compares the average of 1955-56 with 1960-61 or the two year-end figures for the corresponding years, has been sufficiently high to set people thinking with apprehensions regarding the prospects under the Third Plan. It is interesting to observe that during the last two years of the Second Five-Year Plan, while prices of food articles showed a relatively subdued trend, the strong upward pressure was exerted by both industrial raw materials and manufactured goods. Corresponding to the increase of 31 per cent in general index over the Plan period, industrial raw materials went up by 47 per cent and manufactured goods by 24 per cent.

While examining the wholesale price index number in this manner, a doubt assails one's mind as to whether the magnitude of the increase in commodity prices that might have actually taken place is correctly reflected in the index or not. Is the present price index technically adequate to measure the magnitude of price changes in commodities correctly? Taking into consideration the rapid developments that have taken place, can 1952-53 be accepted as a sound base for the index? Weights assigned to the index relate to the year 1948. Aren't these weights out of tune with the pattern of trade transactions prevailing now? Are price quotations well spread out to provide a representative cross-section of the wholesale market? There is no knowing whether a more comprehensive index than the existing one with a more recent base year and weight pattern would make a perceptible difference to the magnitude of price increase mentioned above and the behaviour of the different subgroups, but such an index will at least remove doubt and make people read and interpret the index with confidence.

It is from this point of view that one views with dismay and permissible irritation the inordinately long time taken by the Wholesale Price Index Revision Committee appointed by Government as far back as July 1956. Apart from the changes in the composition of the Committee which come in the news much too frequently, hardly anything is known about the progress of this Committee, which by and large is a Departmental Committee. Will it be too much to expect that the committee would publish its report soon and that its recommendations would be implemented expeditiously?

Shepard and Found Generation

An American Correspondent Writes:

AMERICANS know it that they have not achieved what the Russians did — send out a man into the orbit and get him back safely — but they have done the next best, by sending Commander Allan Shepard on a sub-orbital flight. They know it too that the battle for space is by no means a neck-to-neck affair yet. The features about Shepard's triumph which have been seized upon by the public and the press are that it was carried out in the full limelight of publicity and even more important, Shepard was not just an automaton, some piece of stuff packed into a rocket and brought back. He fully navigated his own flight. That the flight strengthened the morale of the people a great deal after a succession of national reverses goes without saying.

Another, but a little noticed incident has helped to build up — restore would be the wrong word —the confidence of a thoughtful group of people, still small but not insignificant or unimportant. The incident is a year old — the spontaneous demonstration of the students in San Francisco against the House Un-American Activities Committee. Some have read in this the signs of a promise that American youth can no longer be written off as a 'lost' generation, that it is now the 'found' generation.

What incited the students was their exclusion from a public hearing of the House Committee. What they did was to demonstrate by singing and chanting in front of the hall in which the Committee was sitting. The police, incited by the Committee, responded in the only way policemen know how to respond to non-violent resistance — they turned fire-hoses on the students, beat them up and arrested 64 of them. Charges against 63 were soon dismissed and the remaining one had to face his trial, and a fortnight ago, he too was acquitted. Though not played up by the national or popular press, the incident became memorable because of the propaganda use the Government made of the incident in a cooked up documentary. It was a blatantly false and propagandist film against imaginary subversion and this film was shown widely inspite of protests against it. Referring to the incident and its sequel, Milton Mayer wrote in the March issue of *The Progressive*:

"Just as the struggle for civil rights in the South is passing to the young from the palsied hands of their gradualist elders, so the struggle for civil liberty in the country as a whole is passing. The generation of law-suits lost or won by five-to-four decisions is on its way out. We know that the FBI will not be restrained by the old men in Congress. We know that the Un-American Activities Committee will not be abolished by the old men in Congress. There will be fighting minorities of us codgers; but there is beginning (just beginning, to be sure) to rise on the campuses a generation of young men and women who will not accept the inch-at-a-time — forward or backward — respectability that offers them good jobs, a lifetime of futile letters to their Congressmen, and a constitutionality under which the HUAC (House Un-American Committee) is constitutional.

"There were a good five thousand of them .... picketing the City Hall the day after the "riot" in San Francisco. There were two thousand at Berkeley alone who signed the petition against the Committee in the space of a few days before the hearings began. If the country survives the attack of Messrs Hoover, Fishman, Brown, and Brodsky for another decade, and the Russians by-pass us for the moon, these students will be doing something somewhere in America. They are, by and large, the best students on these campuses. The future is (as F D R would say) iffy. But there may be a found generation".

* * *

When told of Gagarin's achievement, President Kennedy remarked to newsmen that a discovery such as how to make cheap drinking water from sea water would be more important in terms of benefit to humanity. If the lost generation found itself, the importance of the event would be no less than that of the invention of an inexpensive process of turning brine into sweet water.

Barter Deals for Manganese

MANGANESE exports have proved a grievous disappointment. One of the traditional, long-established foreign-exchange earners, it was expected that during the Second Plan period, it would be stepped to an annual total of 2 million tons. From the figures available it does not seem that exports of manganese ore in the last year of the Plan would come up much above half this figure. This is depressing indeed, for efforts to promote new exports and to gradually convert new industries into export-earners would avail little, if simultaneously the traditional exports which are long-established do not show better performance.

Before anything can be done about it, it is necessary to make sure why is it that India has been losing ground as an exporter of manganese ore. A simple answer to this question cannot be found for a number of reasons. There have been so many changes in the method and organisation of manganese exports in the last few years that trade blames the Government for interfering with the export trade and making a mess of it and the State Trading Corporation, on the other hand, claims that it has salvaged manganese from the impossible situation, to which it had been reduced by high-pressure selling and the unreasonable demands on transport, which careless commitments on the part of trade invariably involve.

A target of attack from the trade is the barter agreements concluded by the State Trading Corporation, which, it is complained, are a scarcely veiled method for subsidising exports. Some changes must have occurred in the structure of mining of ore and its exports by recent development of beneficiation of low grade ores and production of ferro-manganese in the country. These are, so to say, the domestic factors.

In the world market for manganese, the changes that have taken place are far more considerable. Soviet Russia has emerged as a major producer and exporter, with price policies which beat the trade and bulk consumers of manganese have been developing their own sources of supply. The principal example of the latter is the development of manganese mining in Brazil under American auspices. There are others. Britain and France have also been relying more and more on their own sources of supply in West Africa.

There was besides a recession in the American steel industry and since America was India's principal export market, the impact of this factor alone has been very severe. This may be only a short-term factor, but the long-run tendency has also been to economise more and more in the use of manganese ore as a result of technological advances. This is a long-run factor, which, as is well-known, has a continuously depressing effect on the exports of all primary producing countries. The cumulative and combined result of all these is a sharp decline in world prices of manganese and an abrupt fall in the export demand for Indian ore.

When the Second Plan fixed the target of annual exports at 2 million tons in the last year of the Plan, there was perhaps some warrant for such optimism, since exports had exceeded 1.7 million tons in 1957. In the very next year, however, exports dropped to nearly half of this figure and they have remained more or less stagnant at around that level. After the State Trading Corporation moved in in a big way from 1958 onwards, its share in the total of exports has progressively risen from 40 per cent to nearly 80 per cent in 1960. In 1958, the S T C exported 3.95 lakh tons against 5.33 lakh exported by the trade. In 1959, the figures were 4.6 lakh and 5.2 lakh tons respectively. Of the 4.6 lakh tons exported by S T C in 1959, 2.7 lakh tons were exported under some sort of barter agreement. In 1960, however, the bulk of the exports were under barter, e g, 5.9 lakh tons out of a total of 7.7 lakh tons exported by S T C. Exports by the trade has progressively declined from 5.3 lakh tons in 1958 to 5.2 lakh tons in 1959 and to a little over 3 lakh tons in 1960. It is the contention of the State Trading Corporation that only through barter agreements has it been able to maintain exports and get a price.

Of the barter deals, it may be noted, the most important ones were with the United States, the Wheat-Manganese Agreement with C C C, and several steel barters with various countries.

The decline in world prices of manganese has left the Indian producers high and dry. Internal prices are completely out of alignment with world prices and for once, the S T C adopted the professional speculators' trick of reversing its operations. It suspended barter for some time in orde to see if, as a result, cash sales would improve and internal prices fall. None of these happened and resumption of barter now seems to be on the cards.

Govt Corporation for Art Silk

BARTERS, unfortunately, are not always very smooth-going. The difficulty is always at this end—how to operate the element of subsidy and at the same time prevent the usual mal-practices which spring up in such a situation. The S T C says that it has now worked out a foolproof system, that barters would be linked with imports of these selected items—(1) silk yarn; (2) fertilisers; (3) steel; (4) non-ferrous metal; and (5) machinery—the last only where the price has been previously established by tender.

In all conscience, it is a highly mixed up situation and even the basic

facts are difficult to come by. The temptation to ask for a thorough enquiry and call for full publicity, however, may have to be resisted for, if Government Corporations go into trading, they will demand more and more flexibility of operations and secrecy of their deals. The de mand that it should be screenec from the glare of publicity to which the Auditor General's probe exposes it has already been put up by the S T C.

In regard to import and distribution of art silk yarn against advance licences issued under the Export Promotion Scheme for art silk fabrics, the Government has decided to set up a committee to advise the State Trading Corporation. The committee will also advise the Textile Commissioner with regard to the formation of a Rayon and Synthetic Textiles Corporation. The latter will be formed as a private company with an authorised capital of Rs. 10 lakhs divided into 1,000 shares of Rs 1,000 each. The shares will be allotted only to organisations of manufacturers, exporters and traders of art silk. The representation of the various art silk interests on the Board of Directors of the proposed Corporation shall be: fabrics manufacturers 6, yarn spinners 6, exporters of fabric 3, yarn merchants 1 and Government nominees 2.

Incidentally, it is not traders in manganese ore alone who have been up in arms against the State Trading Corporation. The last to join the fray is the Board of the Mineral Development of the Mysore Government which complains that the not-too-helpful attitude of the STC, coupled with the shortage of the railway wagons, is crippling its ore export drive. Recently, the Mysore Government has concluded an agreement with the STC to share the profits from ore export in the ratio of 1 : 2, the State's share being double of that of the STC. The Board exports both manganese and iron ore through the ports on the west coast.

Long Lead vs Low Load in Coal

THE Railway Ministry and the Coal Controller have again differed on the availability of wagons to move coal. The Railways, it will be recalled, had undertaken last year to maintain a minimum supply of 5,000 wagons a day to transport coal from the Bihar-Bengal coalfields, where the shortage of wagons has been most acutely felt. According to the Coal Controller, the actual supply of wagons till the end of April fell short of this promised figure by some 300 wagons a day. In view of this, it is surprising that the Railways should claim that during the period October 1960—March 1961, they could have stretched themselves a little more than they did with regard to the supply of wagons had they been called upon to do so. The Railways maintain that allotment of wagons and indents for wagons by collieries were in fact lower than what they were prepared to supply.

It would be worthwhile to find out why, as the Coal Controller alleges, the Railways were not able to keep their promise in respect of the supply of wagons or alternately, why, as the Railway Ministry claims, wagon allotment and loadings fell short of what the Railways were prepared to supply. But more important, it is clear that for quite some time to come the Railways cannot supply enough wagons to move all the coal produced in Bengal and Bihar. The stocks of coal at pitheads in this area have now reached a record of 4.12 million tons. Even at the present rate of coal production, the wagon requirement of the Bihar-Bengal coalfields is about 6,160 per day which is far more than the maximum of 5,030 wagons per day which the Railways themselves consider their best effort.

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The shortage of wagons is a long term problem and the steps taken by the Railways to increase their rolling stock will take time to materialise. The Government have, therefore, decided to increase movement of coal by road and sea. The first ships which are to carry an additional million tons have been loaded. Another step which has been considered is to build up coal dumps at strategic points. Many States have expressed their readiness to cooperate in executing the scheme.

The Federation of Chambers of Commerce and Industry has, however, criticised the proposal in a letter addressed to the Coal Controller. According to the FICCI, coal dumps would increase the cost of coal to consumers because of the additional expenditure on unloading wagons at the dumps, storing up the coal and again loading it in wagons or trucks, as the case might be, for despatch from the dumps. The Federation has suggested that rakes and half-rake should be used to move coal. Rake movement of coal is undertaken even now by the Railways but not all collieries can load wagons in the form of block rakes as it requires special mechanical loading facilities, such as overhead bunkers, etc.

The FICCI has also suggested that the schedule of different grades of coal supplied to industrial consumers should be revised. Industrial units situated at a distance from the coal fields would need larger quantities of coal if they are compelled to take lower grades and so, according to the Federation, the railways can economise on wagon capacity if such consumers are permitted to use higher grades. As a matter of fact, however, the economy from smaller loads is likely to be more than offset by the longer leads, since practically all high grade coal in the country is produced in the Bihar-Bengal fields. A wider dispersal of production e g in Central India and other outlying fields, should help so that consumers need not get their supplies all the way from Bengal and Bihar. It is true that for certain uses high grade coal is indispensible, but the majority of consumers prefer better grade coal because of its higher heat value, bulk for bulk. Since in the present circumstances, it is necessary to economise on the lead of coal movement, it is time that consumers in the southern and western parts of the country adjusted themselves to the coal available in neighbouring coalfields. Perhaps a marked widening of price differentials of the different grades of coal might induce a shift in the pattern of consumption. Price differential can be widened if only part of the higher cost of transporting coal by sea is subsidised. This is not unlikely since official pronouncements on the subject have referred to the Government providing *an element of* subsidy and not a *complete* subsidy.

Punjabi Suba Where It Was

THE failure of the talks between the Prime Minister and Sant Fateh Singh, the Akali Dal Leader, in New Delhi last week was as inevitable as it was unfortunate. It was obvious that there was in fact nothing in common between the Akali and the Government stands on the Punjabi Suba issue. Prior to the Sant's meeting with Pandit Nehru, Master Tara Singh had reiterated that nothing short of the acceptance of "the purely Punjabi-speaking areas of the bilingual Punjab State as the Punjabi Suba" would be acceptable to the Dal. The Government's stand was no less unequivocal. The Prime Minister has said repeatedly that the Government considered the whole of Punjab in a sense a Punjabi Suba since Punjabi was the dominant language. Any division of the State on linguistic basis would be harmful to the Sikhs no less than the Hindus.

The Akalis deliberately read more into the Prime Minister's remarks than was justified and raised hopes that Sant Fateh Singh's meeting with him would pave the way for acceptance by the Government of the Suba demand "in principle". This was necessary to bolster up Akali rank and file after the disappointment of last year's abortive morcha. Now, however, the pretence cannot be continued and we are back where we were before Sant Fateh Singh's fast last December.

The Akalis have threatened to resume their "struggle"; in what precise form, is presumably to be decided at the meeting of the Dal's Working Committee in Amritsar later in the week. They may resume their morcha or, alternatively, some prominent leaders may go on another fast. The consensus of opinion among Akalis, however, seems to disfavour mass agitation at the moment. The executive may decide to "permit" Sant Fateh Singh or Master Tara Singh or both to go on a "fast to death".

From a wider viewpoint, whatever course of action the Akalis choose, the result would be to divide the Hindus and Sikhs in Punjab further. With the general elections at hand this prospect cannot but please the Jan Sangh which must surely hope to benefit from anti-Sikh feeling among the Hindus. The cleavage may even lead ultimately to a division of the State, on communal, not linguistic, basis.

Geneva Meeting of Economists

THE East-West Economists' Conference, to which a reference was made in these columns in the issue of May 6, it is learnt, will be held at a technical and non-governmental level. Many of the Governments, including that of India, are likely to take a friendly interest in the Conference without, however, any active participation. In addition to purely organisational matters, the following have been suggested by the participants for consideration :

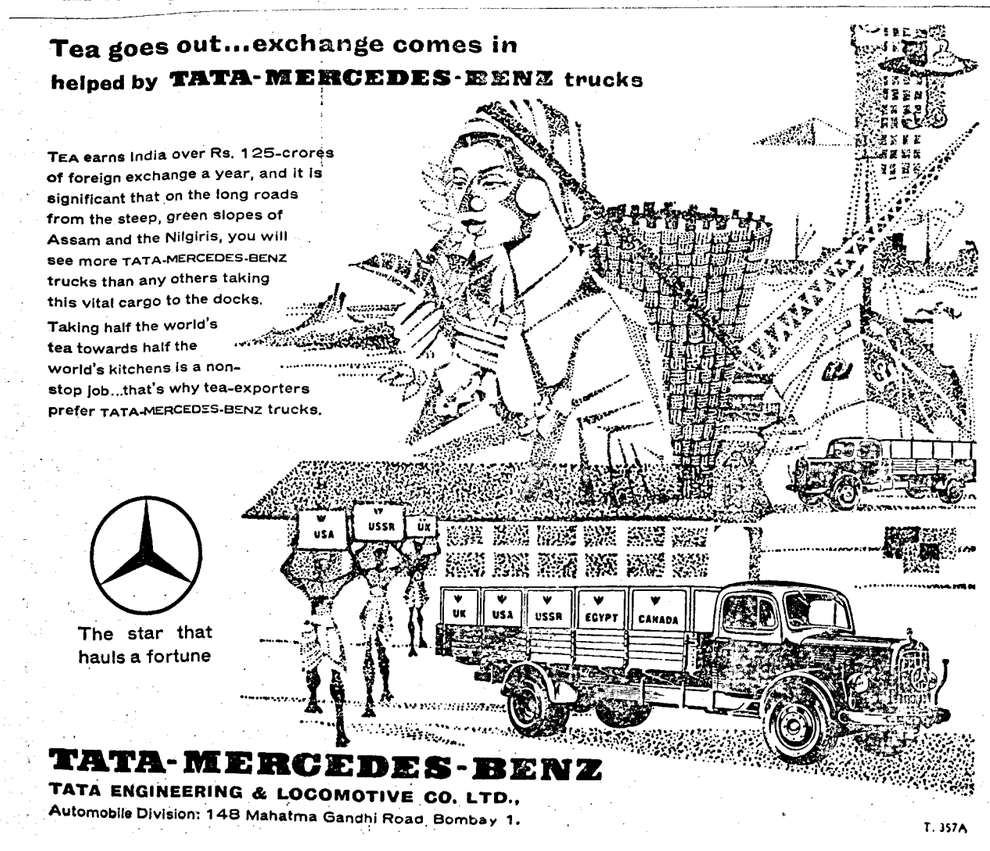
(1) Methods of economic development of the less advanced countries;
(2) Technical problems involved in framing long-range developmental plans;
(3) Capital formation and sources of domestic finance;
(4) The role of foreign aid : loans, grants, and technical assistance;
(5) Possible effects of disarmament on economic development;
(6) International Planning of economic policy and foreign trade;
(7) The role of education and technical training in economic development;
(8) Administrative machinery for the implementation of policy decisions; and
(9) Methods of raising productivity in agriculture.

Particular interest attaches to items (5) and (6) in the agenda. Neither the possible effects of disarmament on economic development nor the planning of economic policy and international trade on a global basis have hitherto been considered at a high expert level from the standpoint of the economic development of underdeveloped countries. The results of the Conference would, therefore, be awaited with interest.

The rationale for such a meeting had been stated by the sponsors earlier as follows:

"Problems of economic development of less advanced countries are receiving increasing attention all over the world. It is convenient to demarcate three broad levels of ideas and information. A great deal of literature is available in, what may be called, a first abstract level of mostly verbal ideas and theories, either in the form of Marxism and its later development or in the form of refined methods of growth analysis which may be appropriate for the highly industrialised economies but have little relevance to underdeveloped countries. A great deal of knowledge and experience is also available at what may be called a third level of engineering and technological practice. Once a decision has been made to build roads, or to set up a textile mill, or a heavy machine building factory, etc, the engineers and technologists can prepare suitable projects and complete the construction work. It is, however, difficult to pass from the first abstract level of ideas and theories to the third level of engineering and technological implementation. There is urgent need of filling the vacuum at this middle level of preparing the long-term economic plan in concrete terms which for underdeveloped countries must have a perspective of 10 or 15 years or more. There is no conceptual framework or systematic methods of analysis and estimation; very little or practically no information is available regarding essential technical-economic information such as quantitative relations between increase of investment, production, income and employment; or physical balances between different commodities and industries; or requirements of technical and scientific manpower etc."

Among the participants, Professor Simon Kuznets will attend in the place of Professor J K Galbraith and Professor Gadgil will represent India. Invitations have also been issued to the Academies of Sciences of U S S R, Poland, Czechoslovakia, China and Korea and it is presumed that these invitations would be accepted. The Pugwash Conference of Scientists have agreed to send three representatives—one each from U K, U S A, and U S S R. The Director of the Overseas Development Institute, London, will attend as an observer.



Book Review

Extension for Small Industries

Aloysius Monteiro

Donald R Liggest : *Small Industry Development Organizations — A Worldwide Directory*, 1959, Stanford Research Institute, Pp 137, Price $ 10.

William Bredo : *Industrial Estates : Tool for Industrialisation*, 1960, Stanford Research Institute, Pp 240, Price $ 6.

Joseph Stepanek : *Small Industry Advisory Services — An International Study*, 1960, Stanford Research Institute, Pp 193, Price not mentioned.

SMALLSCALE industries have a key role to play in the economic and social development of newly industrialising countries. The Governments of these countries have, therefore, set up various institutions and agencies to provide training facilities and impart technical and commercial knowledge for the use of small entrepreneurs. Some organisations in the developed countries have also assisted in speeding up the flow of knowledge about smallscale industries. The Stanford Research Institute, for example, has rendered yeomen service to smallscale industries by bringing together the experience in this particular field of a number of countries in regard to the role of (i) development organisations, (ii) Industrial Estates, and (iii) advisory services, among others.

Both in the developed and developing countries, there are a number of advisory agencies, both governmental and private, designed to promote small scale industries. These are primarily concerned with (1) borrowing, adapting or developing new techniques, (2) training individuals in their use, and (3) extension or dissemination of the knowledge of such techniques.

To accelerate industrial development and compress it into a short period of time, the developing countries have to assimilate technical and commercial knowledge from the industrialised countries just as the U S A, Germany and Japan did in their earlier stages of development. The specialised agencies of the UN which provide technical assistance to member Governments by assigning experts, granting fellowships and supplying equipment make it possible for developing countries to share the knowledge and experience of industrialised countries. They also conduct research on various aspects of small-scale industries and make the results of such research available to member countries.

The rationale for small-scale industries may vary from country to country. In the developing countries, they are necessary to secure an immediate increase of national product and employment, while in the industrialised countries they are promoted in the belief that a strong and healthy small industry sector is a necessary complement to large scale industry. In the industrially advanced countries like U S, U K, Netherlands and Sweden, a large number of private organisations and universities provide assistance to small-scale units in solving their technical, economic and organisational problems. They conduct research on methods of planning, problems of factor substitution and the optimum degree of mechanisation under various conditions of capital and labour costs.

Many Valuable Lessons

The development of small-scale industries in Japan has many valuable lessons for the developing countries. Japan demonstrated that small-scale units can not only survive but find an assured place side by side with large-scale units producing comparable, if not the same products. The Japan Productivity Centre provides training to private consultants in small business. Japan has also an association to promote international trade specially in products of small-scale industries.

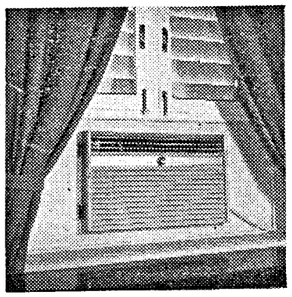
Among the developing countries, India has a comprehensive system of governmental assistance to small-scale industries. The Central Government has extensive programmes to plan, stimulate and guide the development of small-scale industries through the different Boards set up under the Ministry of Commerce and Industry. The Small Industries Service Institutes run by the Development Commissioner form the nuclei of an industrial extension service to help small manufacturers to improve their techniques of production, management, marketing, etc.

A comparative study of the Small Industry Advisory Services in various countries goes to show that non-governmental agencies are dominant in the industrialised countries. More often that not, small industrialists in these countries turn for advice and assistance to these private bodies rather than to Government organizations. This contrasts sharply with the overwhelming preponderance of official agencies in India. This has been particularly noted by many foreign delegations which have visited this country, the Japanese Delegation of 1959 among others. The basis of small scale enterprises is the small operators' resolve to work independently and on their own responsibility. The Japanese Delegation, therefore, feared that "Government's overconsidered measures, if pushed ahead further, may cause small-scale industrialists only to rely on others and neglect to do things on their own initiative". An objective assessment of the impact of private and governmental agencies on the working of small-scale units in the different countries would have been a useful contribution, but the "Worldwide Directory" does not provide it. This deficiency is partly made up by the qualitative analysis of Dr Stepanek in his "Small Industry Advisory Services".

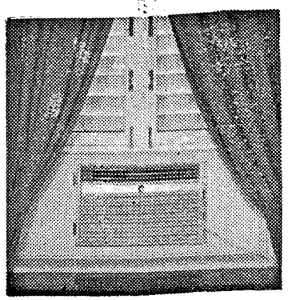
Though the main problems of small-scale industries are more or less identical in different countries, their solutions vary, depending on the stage of development reached by the country and on the particular economic policies followed by it



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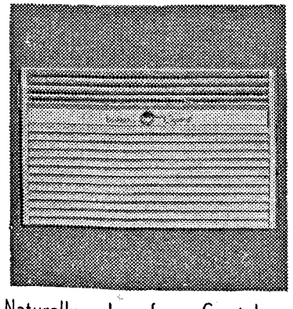
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Dr Stepanek examines the experience of a large number of countries at different stages of industrialisation in the matter of dissemination of technical and managerial knowledge relating to modernisation of traditional enterprises and agencies. He also points out that the efforts made by Government to assist small-scale industries are often resisted specially when "an official wears two hats at one time", that is, when he simultaneously regulates an enterprise and encourages its development. Quite often small industrialists suspect Government assistance as being a cloak for attempts to limit their freedom. The preponderance of private service agencies in the Western countries and in Japan is of particular interest to all developing countries.

Dr Stepanek also draws attention to the lack of co-ordination between the research laboratories, universities and service agencies in India. A continuous exchange of personnel between these agencies would make easier the application of scientific knowledge to industry. The lack of research facilities and incentives to personnel in the service agencies results in a continuous flow of experts from these agencies to local industries. The outflow of technical personnel can be stemmed only by providing them research facilities and better monetary incentives.

Of the other institutional techniques that have been recently developed and applied successfully to the basic problems of developing small-scale industries, the industrial estate is an important one. It is a unique device to provide suitable location, accommodation and services for a large group of industrial enterprises.

Industrial Estates may be classed into three groups depending on the extent to which they provide essential facilities: (1) Industrial Tracts where the units are not provided with building, but only with access roads and other utilities; (2) Industrial Sub-divisions designed for a small group or cluster of enterprises where industrial buildings are provided but no special facilities or services are offered. (3) Full-fledged Industrial Estates where both buildings and other facilities are provided. In the U K, Industrial Estates have been used as an instrument for dispersing industries to underdeveloped or depressed areas in order to mitigate the rigours of unemployment and bring the areas on par with the other parts of the country. The need for such dispersal of industries is all the greater in India in view of the large-scale unemployment, particularly in the rural areas, where agriculture is a seasonal occupation. The Government of India have therefore rightly set the following objectives for Industrial Estates during the Third Plan period.

(1) to create the necessary climate and actively promote development of industries.

(2) to use them as medium for dispersing industries to rural and underdeveloped areas.

A Vital Stimulant

The programme of rural industrialisation is designed to achieve, among other things, a progressive reduction of disparities between different regions. It needs to be pointed out however that establishment of Industrial Estates without the framework of comprehensive planning of land-use may result in haphazard growth of industrial and commercial enterprises, as in the case of the Rajkot Industrial Estate.

Experience of many countries with Industrial Estates proves that they are a vital stimulant industrial growth. They are also a powerful means for modifying the locational and technological patterns of industry. The role which Industrial Estates have to play in the planned location of industries needs to be better appreciated. During the initial stages of development, it would not be appropriate to consider them purely as commercial enterprises. They have a social purpose also, namely that of drawing out entrepreneurial spirit, creating employment opportunities in rural and undeveloped areas and bringing about a gradual decentralisation of the economy.

The return on industrial estates may not be commensurate with the outlay for many years to come. But it may be more than adequate, however, when interpreted in wider social terms. For in an assessment of returns, it is necessary to assess also the effect of industrial estates on the cost of production of small-scale units. The comparative social costs involved in shifting industrial units from cities to the industrial estates and alternatively, in starting new units in the industrial estates such a study of costs would have added to knowledge on small-scale industries, but it has not been attempted by Dr Stepanek.

The economics of industrial estates have to be studied not only from the point of view of development but also in terms of the dispersal of industries which they help to secure and progress in which direction has been rather slow in the past. If additional inducements like lower rent, power at concession rates, liberal raw material supply and greater margin of price preference for Government purchase are provided for units located in rural industrial estates, these estates will succeed in creating the necessary climate for industrial development in the rural areas.

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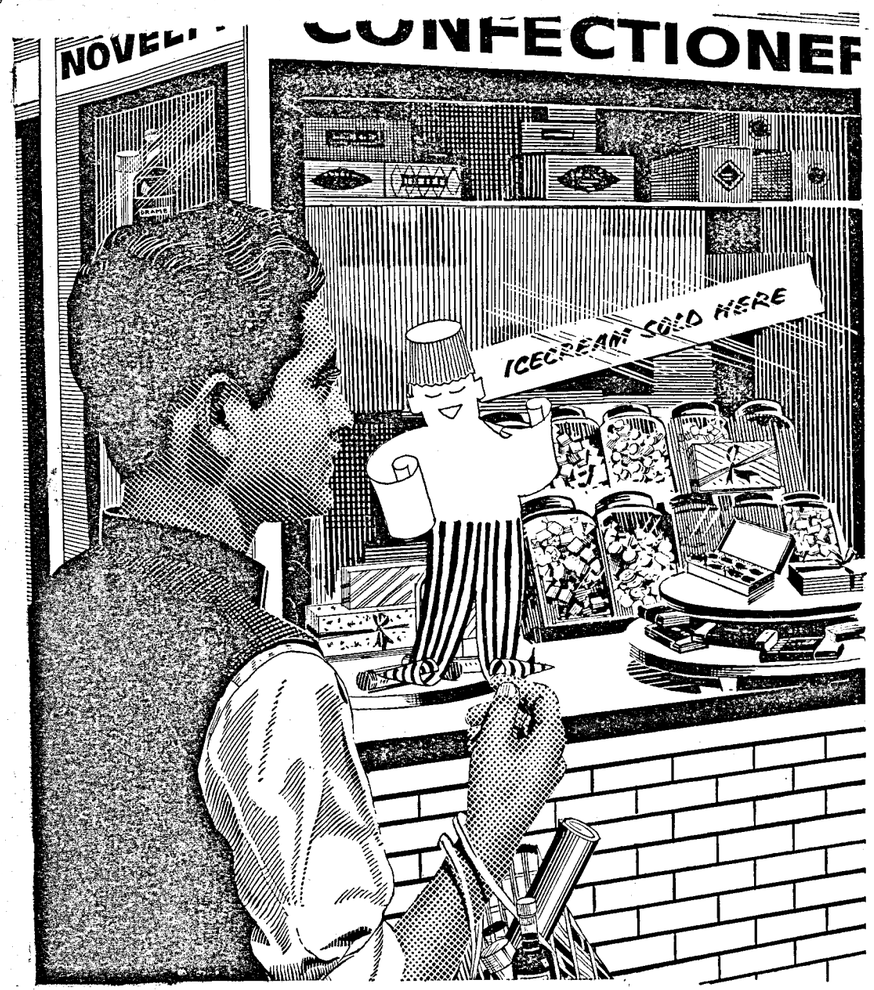
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Form and Substance in Indian Politics—III

Parliamentary Government

Law and Usage

Rajni Kothari

Even after independence the Congress continues to be regarded as the party of the entire Indian people. It has launched a movement for social and economic reconstruction which is no less significant than the independence movement.

The Congress has succeeded in encompassing within its folds the most important interests in the country. A large part of the political process therefore takes place within the Congress which, in fact, constitutes a party system by itself.

Political opposition is more effective when it comes from within the Congress than from other parties. Being in power at the Centre and in all the States, the Congress Party provides the most efficient channel of communication between the people and Central and State Governments.

The concentration of power within the Congress Party may itself be a matter for concern. But its uninterrupted spell in power has meant political stability.

Whether the system of government which has evolved will endure or not will depend on the interplay of personalities and the fortunes of particular political parties in the next decade.

Provided there are no major upheavals, there is reason to hope that the substantive pattern of government set up by the Congress will be able to meet the requirements of a developing polity.

TWO dimensions of the Indian political situation—the horizontal distribution of power between the Centre and the States, and the vertical distribution within the States—have so far been analysed. We now turn to the power relations in the "core" of our political system—the parliamentary set-up.

It is necessary to emphasise a the outset that the Indian system has worked admirably well *within the limits of its constitutional frame work.* Unlike in so many "new" countries, the essentials of a free polity are preserved. Freedom of speech and association are jealously guarded; political opposition, organised or otherwise, is allowed full scope; new methods of diffusing power are being tried, *albeit* at times prematurely; sectional loyalties are restrained from assuming dangerous proportions. Public opinion, when expressed powerfully, is effective, although very often belatedly. And the party system, although weak and fragmentary, performs the all-important function of maintaining stability and political continuity. It has succeeded in providing a comprehensive frame of reference to the political process, thanks to a subtle dispensation of patronage and an intricate system of "connections" wielded by the ruling party

The constitutional framework, within which this system works has its limitations. These become all the more serious because the traditions and conventions that enable some other democracies to overcome the shortcomings of their formal order have yet to evolve. The development of the institutional pattern can, however, be looked upon with some confidence. The evolution is on the right lines although it has a long way to go. But for the process to continue, momentary notions about the future institutional order should not be allowed to distract it from the mainstream of development. There is also reason to sound a note of warning about certain recent political developments. The position needs to be examined with a view to distinguish elements which advance democracy from those which impede it.

Choice of Institutions

The evolution of our parliamentary institutions along possibly new lines of development is the subject of this article. It is necessary first to examine some prevailing opinions and the theoretical assumptions that seek to "legitimise" the existing institutional pattern and see how these assumptions differ from actual practice before attempting to define the precise substantive process that obtains in the country.

The Constituent Assembly, during its deliberations on the Draft Constitution, considered alternative systems of political organisation for the country. It was argued by some, at times convincingly, that Indian polity should take as its model "our own" ancient institutions, with modifications to suit present day conditions. It was argued that adult franchise, and rule by the ballot were not suited to the mass poverty and illiteracy of India; they were also not necessary, as India had better traditional patterns to fall back upon. Opponents of this view pointed out, however, that the only relevant experience we had had of any system of political organisation was that of parliamentary democracy. Earlier experience was too vague and fragmentary to draw upon. The socalled traditionally Indian systems were not relevant to the values and needs of modern society seeking to achieve social and economic justice. Even those who advocated parliamentary democracy were divided among themselves; some favoured the presidential system based on the United States model as being more democratic and more suited to Indian conditions; others preferred the British model. As it turned out, India ultimately adopted the latter with a few modifications, particularly the division of authority between the centre and the States and consequent changes in the position of the Head of the

State, the Upper House of Parliament, the Judiciary and the services.

Critics of Parliamentary Democracy

Even after the Constitution was adopted, the differences of opinion persisted. Many felt that parliamentary democracy was unsuited to carry out the economic and social "revolution" on which the country had launched soon after the adoption of the Constitution. The spectacular success of the Bhoodan movement of Vinoba Bhave drew widespread attention in India and abroad. Some described the Bhoodan movement as a new level of politics.[1] They expected the energy let loose by the movement to be able to change the character of Indian politics.

It was also felt that parliamentary government was an inadequate basis for democracy. Whether the "one man, one vote" principle could provide a good and just government was doubted.[2] As a result, elaborate alternative systems of political organisation were sought to be devised in which democracy could be intimately tied up with the life experience of the people, thus avoiding both the remoteness of the seat of authority and the new despotism of majority rule.[3]

There were others who, while admitting that parliamentary government marked a substantial advance on earlier forms of political organisation, felt that it seriously limited the evolution of democratic habits and conventions. It led to concentration of power and bureaucratisation of initiative which were inimical to the growth of individual freedom. Participation by the people was limited to the right to cast a vote once every five years and the division between political 'haves' and 'have-nots' assumed a new class character. Political decisions came to the individual as *fait accompli*. This led him to look for security in parochial loyalties which undermined the growth of national consciousness. Above all, the system was basically unstable, encouraging indiscipline and disorder.[4]

These difficulties were accentuated in a country where democratic traditions were wanting, where there was no agreed code of political behaviour, mediums of expression of public opinion were few, and the habit of voluntary effort and self-reliance was lacking. The success of parliamentary government in other countries could be traced to the traditions of dissent and tolerance and vigorous development of voluntary and self-governing associations[5]. The important point is that these institutions preceded the rise of parliamentary government in those countries.[6]

Distrust of Institutional Innovations

The proponents of these views, unlike the Bhoodan School, seem to have no intention of discarding the constitutional apparatus of parliamentary government. Indeed they are sceptical of institutional innovations. They believe that far too many of India's political difficulties arose precisely because of a too rigid and formalistic interpretation of the Constitutional provisions. The initial task, they believe, is, to spread habits of self-help and social and political consciousness and popularise voluntary associations which would make arbitrary government impossible and allow increasing participation by the people in the decision-making process. Only then can institutional reforms be worked out piecemeal.[7]

The institutional assumptions underlying the system of government, based on the British model, adopted in India have been the object of continuous study, starting with the brilliant exposition of Walter Bagehot in mid-nineteenth century[8]. The principal features of this system are representative democracy on the basis of a broad-based franchise, strong government under the guidance of a collectively responsible Cabinet,[9] an independent judiciary, political organisation of the nation through political parties competing for power while agreeing on fundamentals,[10] recognition of the pivotal role of the opposition in the scheme of government,[11] political neutrality of the Head of State and the civil service[12] and the principles of popular mandate,[13] ministerial responsibility,[14] and administrative continuity and anonymity[15].

Much of this arrangement is based on constitutional conventions and political usage regarding the relationship between the administration and political parties, the government and opposition, and Ministers and civil servants, many of which are lacking in India, as revealed by the experience of the last decade and more. The absence of these conventions and the development of new usages as well as the existence of a different climate of opinion account for the gap between the theory of parliamentary government and the actual practice in India.

Apathy of the Majority

Political attitudes like tradition are a product of history and persist through time. It is remarkable that recent developments in ideas regarding the functions of government in India have lent weight to some traditional notions. According to the trusteeship theory, the possession of political power is considered the legitimate preserve of a few who, in turn, look after the interests of the multitude as best as they can. It was considered presumptuous for ordinary people to claim to be able to run the government. That was the natural task of "kshatriyas". Implicit in this prescriptive view of holding public office is an attitude of irresponsibility and fatalism towards political events.

It was to be expected that the institutions of a democratic polity would counter such attitudes by developing new norms of political behaviour. This has not happened. On the contrary, the old norms have found a new lease of life from modern notions of a welfare state, social security and planned economic development. The paternal attitude of the rulers and the apathy of the ruled are the inevitable concomitants of a welfare state. Even in the U K the revival of paternal attitude on the part of the Government reminiscent of the House of Stuarts has been noticed with the coming of the welfare state[16]. In a country like India where 'utilitarian' notions of government have hardly percolated beyond a tiny coterie of nineteenth century liberals and where the traditional attitude towards government as a trust continues, the succession of an alien administration that presumed to "civilise" the natives by a nationalist elite determined to ameliorate the "condition of the people" has led to a position where individuals are not allowed to take decisions for themselves for fear that they will make mistakes. The doctrine of the Real Will takes root and stunts the development of the spirit of adventure and self-reliance. Such a climate is conducive to the growth of a democracy that is collectivist rather than one that is liberal-parliamentary.

Irresponsibility in Highest Circles

The tendency to shirk responsibility is shared also by those in highest political positions. Thus it is not uncommon for Ministers to try to shift responsibility on to civil servants in cases of misgovernment and assert that they had "acted on the best available advice"; the civil servants, in turn, blame party bosses to whose pressure, however, they usually succumb; the organisational wing of the party blames the governmental or parliamentary wing; the States blame the Centre and the Centre blames the States and both blame the Planning Commission; politicians take cover under "party discipline" to explain away embarrassing questions; above all, the Prime Minister himself complains of factions and groups in his own party and administrative inefficiency and careerism in his government. Cabinet Ministers differ publicly on important policy issues and State Governors spread confusion by thinking loudly in public[17]. It has become a commonplace for Ministers out of office to become hypercritical of the Government even though they never so much as uttered a word of dissent when in office.

The habit of complaining and the tendency to evade responsibility also affect a very important problem of Indian politics — the minority problem. In a democracy, the social or economic minority becomes a political minority. Then by persuasion and public propaganda this political minority strives to become a majority. The consequent alternation between majority and minority lays the foundation of a vigorous party system and checks political authority from becoming arbitrary towards minorities.

The tendency in India is quite the reverse. Minorities remain in a more or less permanent state of minority. There is hardly any attempt to open up minority organisations to outsiders, build up a political movement or create public opinion. The minorities prefer to continue as minorities and ask for special privileges as a group which accepts its minority status as something given and unchangeable. The government reciprocates by pleading greater consideration for minorities[18] on the one hand and by condemning the growth of sectionalism in politics on the other. The result is that political bargaining takes a communal colour and progress toward secularism is frustrated.

This is true not only of communal or economic minorities, but also of political and professional groups. The opposition cites the "political compulsions of a backward economy" and pleads for a share in political authority[19] while their true function is to build up a vigorous opposition and try to capture power. It forgets that the best means of sharing power with the ruling group in a democracy is precisely to build up an effective opposition, by restricting the power of the majority group.

Even more deplorable is the tendency among professional groups to demand special consideration, such as representation on important public bodies. The latest example is provided by the demand made by the Institute of Engineers for special seats in the legislatures[20]. Such demands are made in the belief that opinion in order to be effective must take the form of legislative representation and that official agencies are the only seats of power. There is little attempt at cultivating special "lobbies" on behalf of non-political groups and voluntary organisations representing vital interests.

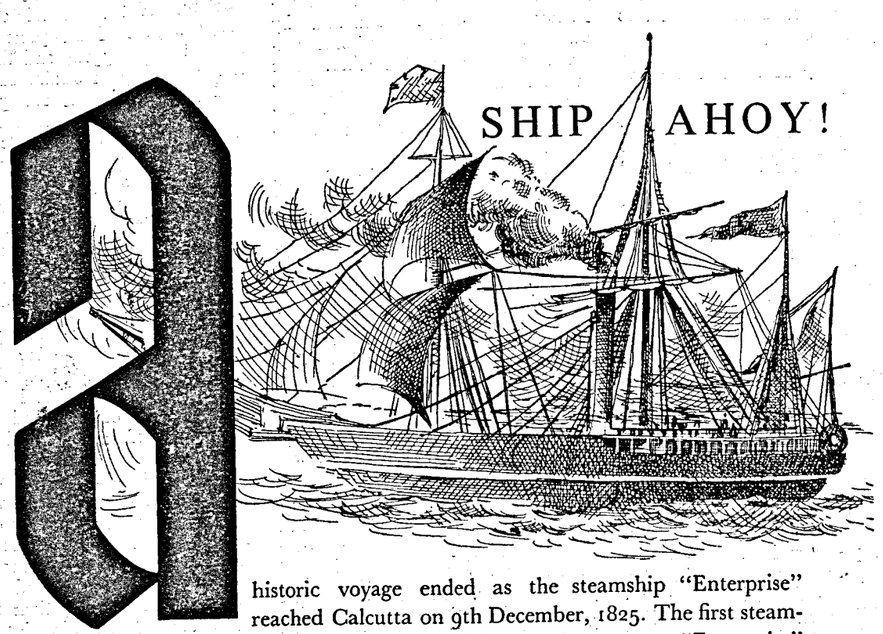
Positive Developments

These, then, are some of the shortcomings of the actual operation of the political process in this country. They should not, however, lead us to neglect some positive developments. While the deeper bases of democracy are largely wanting, certain workable conventions have taken root. The majority rule has not turned into a tyranny; the opposition in Parliament is given more weight than its numerical strength warrants; there are some individualists in the ruling party who do not hesitate to support the opposition when the ruling party is guilty of a distinct breach of the rules of the game; the judiciary, at least at the higher levels, is awake to its responsibilities as a watchdog of the public interest (although there is at times a tendency to stretch the classical doctrine of the liberal state too far); a part of the press has refused to be gagged; and the national leadership restrains fanaticism and jingoism in the ruling party from becoming a menace. Of course, these developments are a result of the presence of powerful personalities steeped in liberal traditions and have not become generally accepted conventions which could effectively prevent the rise of undemocratic forces in the future. There is reason to believe, however, that these values are spreading and, provided there is no major political disturbance in the coming decade, democracy will have struck roots. Meanwhile the cultural climate would also become conducive to the growth of an open and flexible society.

Congress Continues to Dominate

We can now examine the working of parliamentary government in India against the background of ideas, attitudes and the broad institutional matrix analysed above. Only tentative observations on the behaviour of specific institutions can be made here. The ruling party has not given up the position of being the party of the entire Indian people, charged with launching a movement for social and economic reconstruction which is no less significant than the movement for national independence. A large part of the political process takes place within the ruling party and almost the entire political leadership is provided by Congressmen. Public identifies the Congress Party with the government and the administration. The Congress Party constitutes an elaborate party *system* by itself. Political opposition is more effective when it comes from within the ruling party than from other parties. It has succeeded to a remarkable extent in accomodating the most important interests in the country, allowing them to become so many pressure groups and mediating between them to achieve workable solutions. It also provides an efficient channel of communication between the general public and the Central and State governments. The organisational wing of the party asserts itself to take up the cause of aggrieved interests against the government. Not that it always succeeds.

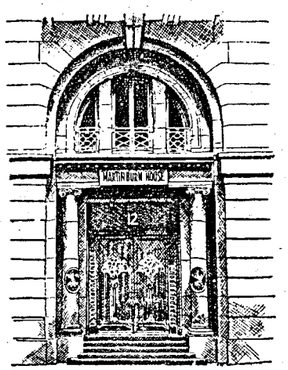
The concentration of power within the ruling party is certainly a



historic voyage ended as the steamship "Enterprise" reached Calcutta on 9th December, 1825. The first steam-powered vessel to make the England-India run, the 500-ton "Enterprise" won a cash prize of Rs. 100,000 offered by Calcutta's trading community for this truly pioneering achievement. Her captain on the hazardous voyage round 'the Cape' was James Henry Johnson, Commander, Royal Navy, and a hero of Trafalgar.

Though the "Enterprise" was the first ocean-going, partly steam-propelled ship to arrive at any Indian port, small steam-powered craft were being built in Calcutta as early as 1823.

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cause for concern. This is particularly evident at the time of elections when the party has to rely heavily on the ability of its 'charismatic' leadership. Between elections, however, continuous accomodation and adjustment between the government, the ruling party and the general public can be discerned at the State and district levels, in particular. All this makes for political stability. On the other hand, it also means that the country remains totally unprepared for a political change. The Congress tolerates opposition but it does not consider with equanimity the prospects of the opposition getting into power. The position of the Congress Party in Indian politics is in many respects unique among parliamentary democracies.

Ministries Lack Homogeneity

This is also reflected in the working of the Cabinet and the government. The principle of collective responsibility is not always observed even though it is laid down in the Constitution and is not a mere matter of convention. This is the result of the fact that the Central and State Ministries lack unity and homogeneity. They resemble more a coalition of regional and political interests than a group united by common loyalties and shared ideas. The eclecticism is more marked at the State level where diverse interests have to be accomodated. At the Centre the powerful personality of the Prime Minister does make for some sort of teamwork and camaraderie. The tendency for individual ministers to continue in office from one election to another, until death, political defeat or the manifest disfavour of the High Command removes him also makes for continuity in political experience. But, again, it creates frustration and a sense of being left out among others.

These characteristics affect the relationship between the executive and the legislature to a marked degree. But the most far-reaching constitutional innovation is the evolution of the office of the Prime Minister. There is no doubt that Shri Nehru's powerful personality is the principal factor in moulding this office. The freedom he enjoys in the choice of his colleagues makes it possible for individuals whose sole support comes from the Prime Minister to hold office for a number of years. The benefit of the Prime Minister's patronage has, more often than not, gone to able men without popular or party support. Membership of the party and a seat in the legislature duly follow on the assumption of Ministerial office. The situation is not dissimilar to that in eighteenth century England when rotten boroughs and the patronage of barons enabled men like Pitt, Burke and Fox to get into Parliament. Shri Nehru has often cast his net wide, including the State Ministries, to get able persons for his Cabinet. He is relatively unfettered in his choice, unlike the British Prime Minister, who has to comply with a number of conventions (such as the rigid division between the Houses of Parliament) and consult important party leaders.[21] Shri Nehru's choice has become even more free with the departure of elderly politicians from the political scene. The stature, prestige and initiative enjoyed by Shri Nehru make his position comparable to that of the United States President rather than the British Prime Minister[22].

President's Controversial Position

The same cannot be said of the Chief Ministers of various States. Barring a few exceptions, every Chief Minister is under continuous pressure to accomodate men who have a large following in the party in particular regions or among particular interests. Rigid adherence to the principle of seniority in the party and the government further restricts the Chief Minister's freedom to choose his colleagues. There have been innumberable instances of factions within the ruling party having to be appeased by distributing the spoils of office, if necessary by enlarging the Cabinet. The situation is even more delicate in States where a coalition government is in power.

The extent to which the precedents established by Shri Nehru at the Centre will become generally accepted conventions will depend on future events, particularly on the personality of the next Prime Minister and of his colleagues.

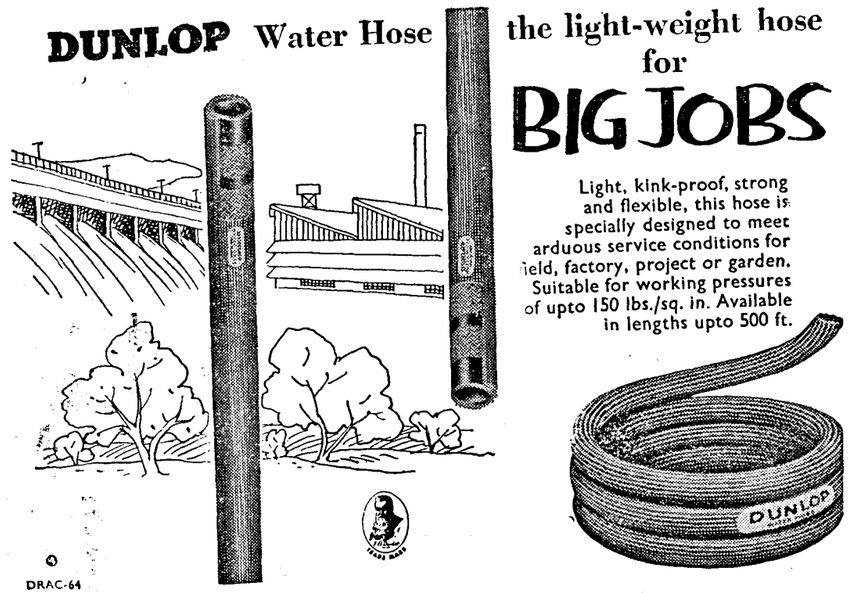
The constitutional position of the Union President has been the subject of considerable controversy in this country. The Constitution vests enormous powers in the President, which make him incomparably more powerful than the British monarch[23]. On the other hand, from the debates in the Constituent Assembly it is clear that the framers of the Constitution desired to limit the status of the President to that of a Constitutional figurehead. But the actual limiting of the President's powers has been made to depend on the growth of conventions to that effect. The conventions which will develop in course of time will depend to a large extent on the first half a dozen or so incumbents of the President's office, on their personalities and on those of the Prime Ministers with whom they have to work.

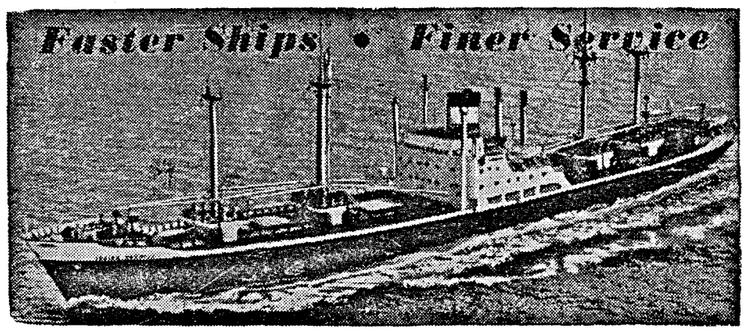
Dr Rajendra Prasad's impact on the President's office is not clear. It is known, however, that the first President has not been content to remain a silent observer of political events. He has made his weight felt, where necessary by expressing frankly his differences with the Cabinet. This is natural since the President and the Ministers were comrades during the freedom struggle and they now react to each other as individuals, not as institutions. Within the limits of constitutional propriety, therefore, the President may wield considerable influence by virtue of his informal relationship with the Prime Minister and other important ministers.

State Governors

That, however, is not the whole story. The President is becoming an active factor in politics, lending his support to important factions within the ruling party. He maintains direct contacts with politicians, leaders of interest groups and even administrators, and wields an influence far in excess of that wielded by the British monarch. The President's support to the Hindi lobby in Parliament and in the government, his close relationship with the Northern group in the Cabinet and his expression of strong difference of opinion on the government's social and economic policies indicate the manner in which Dr Prasad is trying to assert himself. There may be many other instances that have not yet come to light.

The position of the State Governors is similar to that of the President. Governors have frequently expressed their differences on particular policies of the State Governments. There have also been in-





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stances where the Governor has looked more to the Centre than to the elected ministry in the State. The weight he pulls with the Centre has reinforced his position in the State. The appointment of politicians who are not willing to be passive figureheads has also led to the modification in practice of the Governor's role as envisaged in the Constitution.

These developments with regard to the position of the President and the Governors may not be entirely unwelcome. It may effectively check the increasing power of the head of the government. Much would depend, however, on the purposes for which the President's or the Governors' influence is exerted.

Regional Alignment in Legislatures

The working of the Union and State legislatures during the last fifteen years reveals important trends. The domination of the Congress Party at the Centre and in most of the States has ensured that the legislatures are consulted on all important matters. The overwhelming strength of the ruling party also makes for frank and open discussions by partymen on the floor of the House. M Ps and M L As are aligned on regional lines which cut across party loyalties. The working of Parliamentary Committees reveals a fusion of views of members of opposing parties. These Committees, by their frank criticism of the government have become watchdogs of public interest. Their constant scrutiny has helped to maintain financial propriety and administrative efficiency[24]. Informal contacts between M L A s or M P s and ministers make it possible to sound the government on important movements in public opinion. This process is more noticeable in State capitals than at the Centre. An M L A is much closer to his constituents than an M P. When the State assemblies are in session hectic activity goes on in the corridors, members' chambers and waiting rooms which bears testimony to the opening out of the seat of authority under pressure of democratic politics. Similar contacts between the rulers and the ruled are noticeable when ministers visit the constituencies. Not all complaints are heard, far less satisfied. But it is clear that the contacts are increasing.

Conventions of Parliamentary Government

Constitutional conventions harden over a period of time. For a precedent to become a convention, at least three conditions must be fulfilled : it must possess the sanction of long usage; it must command general acquiescence; and it must be in consonance with accepted constitutional principles. The most important condition is the sanctity of time which transforms individual acts into conventions. "Those who take decisions create precedents which others tend to follow, and when they have been followed long enough they acquire the sanctity and the respectability of age. They not only are followed but they have to be followed"[25].

Some of the conventions of parliamentary government have been specified in the Indian Constitution. They, therefore, acquire the force of law. Others which have not been specifically mentioned draw their validity from the British experience and the political experience of English rule in India. Still others find their sanction in the debates of the Constituent Assembly. It is about the conventions that have grown since the adoption of the Constitution that doubt prevails.

Institutions in India are still in a stage of flux. Their behaviour does not follow a consistent pattern. The position is made difficult by the fact that the same party has continued in office throughout this period. It is not clear if the precedents it has set would be binding on another party when it comes to power. Again, many recent usages have been the direct result of the impact of dominant personalities "Charismatic" behaviour can hardly lead to the growth of conventions which must be based on general concensus. Further political decisions, especially those taken within the ruling party's High Command or the Cabinet, were made in an atmosphere of secrecy. They thus become open to different interpretations. Finally, developments in the Centre and the different States are not always uniform.

The progress from monarchial to parliamentary and finally to cabinet government in England has been the result partly of a political revolution but largely of the growth of conventions. In India, however such precedents as have been established must be taken as provisional indicating possible lines of development rather than accepted conventions.

'Functional' Upper Houses ?

It is possible, at the same time, to argue that the constitutional structure adopted in great detail by the Constituent Assembly is restricting flexible political development. The American type of executive in place of the Cabinet government, without however a strict separation of powers, may have been more suitable for a country like India which needs centralised direction by able and devoted men more than a horizontally and vertically plural political order. Or, again, a strong case can be made out for a "functional" Upper House whereby different interests and associations could be intimately associated with political deliberations. Since strong lines communication between social and political institutions have yet to be built, an Upper House so constituted would supplement the Lower House by bringing the specialised knowledge of its Members to bear upon Government's policy. This is not however possible without amending the Constitution. It is possible that the Indian genius for adaptation and assimilation may overcome the limitations imposed by the Constitution. On the other hand, the Indian tradition of scholastic interpretation of texts may make for formal rigidity even though flexible institutions may be required politically.

It is clear from the above review of parliamentary government in India that many institutions and processes of political life as they have evolved in practice differ from the forms laid down in the Constitution. Politicians bound together by considerations of expediency and a common loyalty to the Prime Minister who enjoys almost complete freedom in choosing his colleagues, continue uninterrupted in office provided they keep alive, retain the safe seats from which they are elected and enjoy the confidence of their leader. The Head of the State, prominent individuals outside the ministry and the parliamentary committees pro-

vide the criticism that keeps the government alert and watchful; and the ruling party which shows the characteristics of a coalition of divergent interests provides the larger framework of political decision-making. This is more an amalgam of the British, American and continental systems of government than an exact replica of the English, although the legal and constitutional rules are largely borrowed from the latter.

The Prime Minister and the close circle of leaders around him in the Congress Party also control the State ministries which follow, with modifications to suit peculiar local circumstances and problems; the pattern established at the Centre. This system has not yet achieved stability. Much would depend on the inter-play of personalities and the fortunes of political parties in the next decade. Provided there is no major disturbance in the ideological balance, there is hope that the substantive pattern that has emerged will be able to meet the demands of a developing polity.

The extent to which future experience will necessitate a modification of political institutions and processes and the extent to which parliamentary government would effectively continue in the existing forms will depend on the resilence of our political institutions and the quality of statesmanship. Confident predictions on these questions are not possible. One can only broadly trace the contours of possible development. This is what has been attempted in this article.

Notes

1 W H Morris-Jones, *Parliament in India*, pp 37-40

2 Jayaprakash Narayan, *Towards a New Society;* 1958, p 89

3 Jayaprakash Narayan, *A Plea for Reconstruction of Indian Polity*

4 Rajni Kothari, 'Direct Action: A Pattern of Political Behaviour', *Quest*, Jan 1960, pp 22-35

5 Report on the Rhodes Seminar on *Democracy in the New States* by Edward Shils, 'Old Societies, New States', pp 18-19

6 Frank Tannenbaum, 'On Political Stability;' *Political Science Quarterly*, June 1960

7 Daya Krishna, *What is Democracy*, Rhodes Seminar Papers 1958, pp 70-71

8 *The English Constitution*, 1867

9 Sir Ivor Jennings, *Cabinet Government*, Ch I

10 Robert Mckenzie, 'Harold Laski and the Social Basis of the Constitution' *British Journal of Sociology, Vol III* No 2

11 Sir Ivor Jennings, *The British Constitution*, 1950, pp 80-90

12 For the best short statement of the principle, see Herbert Morrison, *Socialization and Transport*, p 106. Also, his *Government and Parliament* pp 334-5. See, however, Harold Laski, *Reflections on the Constitution, pp* 168-72, for a deviation from the prevailing view.

13 K B Smellie, *A Hundred Years of English Government*, p 124

14 Sir John Anderson, *The Machinery of Government*, (*Romanes- Lecture*), 1946

15 William Beveridge, *The Public Service in War and Peace*, 1920. For a more recent and authoritative statement, see C R Attlee, 'Civil Servants, Ministers, Parliament and the Public' *Indian Journal of Public Administration*, Vol I, No 2 pp 102-3

16 'The Fabian Tract' by Andrey Harvey, *Casualties of the Welfare State*

17 On the question of the paramount need of maintaining standards of propriety in politics, see the inspiring Presidential Address of Prof R Bhaskaran, delivered at the 23rd Annual Conference of the Indian Political Science Association, Patna, 1960.

18 Congress Resolution on 'National Integration', passed at the 66th Annual Session held at Bhavnagar

19 Asoka Mehta, *Politics of Planned Economy*

20 *Times of India*, Feb 11, 1961

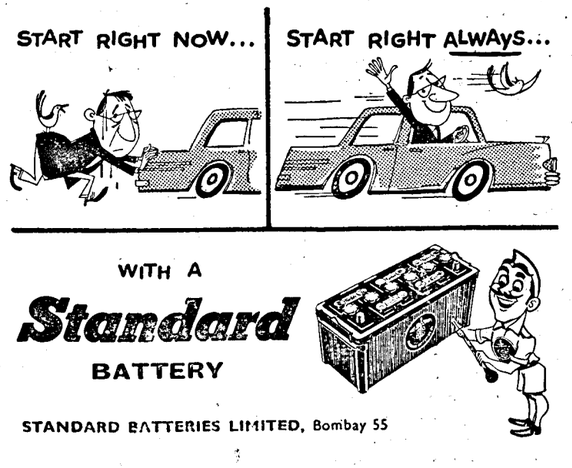
21 Sir Ivor Jennings, *Cabinet Government*, Ch 3

22 See, however, a recent controversy started by Max Beloff in the *Daily Telegraph* in which it is alleged that a one-man government is emerging in great Britain ever since the days of Lloyd George. For a summary, and a rejection of this view, see *The Economist*, August 13, 1960

23 Sir Ivor Jennings, *Cabinet government*, Ch XII. The strict limitation of the powers of the British monarch, however, is a development of the last fifty years only. See Frank Hardie, *The Political Influence of Queen Victoria*, which dispels Bagehot's reading of the reign. See also Harold Nicolson, *King George V; His Life and Reign*; and Harold Laski, *The crisis and the Constitution*, especially pp 31-36

24 For an excellent review of the working of parliamentary committees in India, see W H Morris-Jones, *Parliament in India*, pp 279–315

25 Sir Ivor Jennings, *Cabinet-Government*, p 2



Industrial Publicity

A New Power in Industry

Moni Bagchee

Efficient planning and organisation and material incentives, like bonus payments, can do no more than create the conditions for maximum productive effort by the worker.

These conditions may be perfect, but they cannot be relied upon by themselves to guarantee that the worker will in fact make his effort.

The worker will give of his best only if he wants to do so.

Industrial publicity is a potent weapon in modern industry because it acts on the subtle, intangible psychological factors which condition the morale of the worker.

IN this mass production age, the size of industries, either in the public sector or in the private sector, is enormous. What would have been deemed a miracle a decade ago is now a commonplace achievement. The complexity of modern industry is equally puzzling. With rapid industrialisation in our country, we should lay more stress on improving personnel relations. This aspect of industrial development is, however, now neglected. Our industrial future is inevitably bound up with our approach to the whole subject of management-worker relations. I propose to briefly outline some considerations which have been found in Western countries to be of practical value in improving these relations and in a rational application of psychology to industry in its everyday affairs.

Industrial publicity in Western countries, particularly in England (where its study started only during the Second World War), has been known variously as 'Works Publicity' 'Factory Propaganda', 'Works Relations', 'Production Boost' and 'Industrial Publicity'. The subject is a new one and its study is of importance in India to eliminate strikes, victimization and low productivity that clog the wheels of industry.

Morale of Worker

Production is the ultimate objective of any industry, large, medium or light. In the organisation of labour, of factory space, of raw materials and of machine tools all waste must be eliminated. It is imperative that we have maximum production from available resources. The need to make the most of available resources is too obvious to be stressed. Nevertheless, I doubt if any of our industrialists, or even the Government, has ever correctly viewed the factors that contribute to production. The most vital of them is that elusive, intangible and neglected thing: the morale of the worker.

The term 'morale of the worker' is very often misunderstood. A typical dictionary meaning of 'morale is "courage and endurance in supporting fatigue and danger, especially of troops in war". This definition is not complete. In modern industry, what distinguishes the exceptional worker from his fellows is not personal courage in the face of physical danger, but of ability to withstand the soul-destroying monotony of repetitive mass production processes. We may, therefore, define 'industrial morale' as 'the mental attitude of a worker as conditioned by industrial influences and measured by his desire to promote output'. A factory worker's desire to work his hardest and best depends upon his morale.

Powerful Instrument

This is where industrial publicity comes in. Its main function is to raise personal morale to a point—and maintain it there—where the worker will of his own volition be impelled towards maximum productive effort.

The owner of the factory or the works manager with his planning, efficiency, and welfare units (and with the incentive of production bonus), can do no more than provide the conditions for maximum productive effort. These conditions may be perfect, but they cannot be relied upon by themselves to guarantee that the worker will in fact make this best productive effort. The worker will give of his best only if he himself wants to do so. It is the very subtlety of morale which makes it so potent an instrument. There is nothing tangible about it —nothing that can be weighed or measured—and that no doubt is the reason why its study has been sadly neglected while much attention has been paid to study the more obvious aspects of the problem of raising production.

We may define the subject more acutely. According to Mr C K Shaw, an eminent authority on the subject, "industrial publicity is any form of activity within the four walls of a factory which by psychological approach to the worker gives an impetus to output". The promotion of production is the main objective of industrial publicity. Man and machine will work in harmony if man feels some sense of responsibility. Nothing but the systematic application of industrial publicity can help to arouse this feeling in the worker.

Industrial publicity has been used to aid production in all industrially advanced countries. But its precise contribution to production, expressible as a percentage increase in productive effort ("P E"), only prolonged research under every possible variation of conditioning circumstances will reveal. It may be as high as sixty-five per cent or in other words, the worker may do half as much work again, and still not be "all out". Productive effort is increased through the psychological approach to the worker. He or she may not be aware of it and in nearly every case that is as it should be. A publicity campaign effectively presented and consistently maintained will raise the average P E to 80-90 per cent of the normal maximum, and maintain it there, as the chart on the next page shows.

Industrial publicity is a channel of liaison between management and employees. It is in the nature of a machine that can be installed and developed for the transmission of

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Condensed Balance Sheet as on 31st December, 1960.

1959. Rs.	ASSETS	1960 Rs.
1,18,29,306.05	Cash, Bank Balances & Money at Call	1,15,56,768.44
2,29,54,003.09	Investments	2,01,76,648.43
1,90,86,624.84	Advances	2,63,29,001.64
37,44,353.26	Contra Items	43,99,974.79
19,75,089.21	Other Assets	22,01,414.28
5,95,89,376.45	TOTAL	6,46,63,807.58
	LIABILITIES	
9,23,700.00	Paid-up-Capital	9,23,850.00
7,09,625.00	Reserve Fund & Other Reserves	8,00,764.00
4,92,22,426.95	Deposits & Other Accounts	5,36,25,830.09
37,44,353.26	Contra Items	43,99,974.79
49,89,271.24	Other Liabilities	49,13,388.70
(2,60,415.00)	Net Profit	(3,36,203.00)
5,95,89,376.45	TOTAL	6,46,63,807.58

B. L. Sethi
General Manager.



suitable messages to the workers bearing upon the problems which affect production by influencing their happiness, well-being and prosperity.

Obstacles to Efficiency

When the various obstacles to production are summarised, it is seen that broadly speaking they fall into two separate categories. There are those which relate to the product itself, which we call the *work*, and there are those which relate more particularly to the *worker*. Even though *work* and *worker* are at all times inter-related, they are each subject to a number of specific and frequently conflicting influences which exist all the time in any factory or office. Industrial morale, in effect, is being conditioned all the time by these influences.

Industrial publicity will produce maximum results only if it is based on a careful analysis of the processes of cause and effect. If production is a sick man his ailments must be carefully diagnosed before he can be put on the road to health by appropriate remedies. Let us, therefore, look further into the forces and influences which are at work in building or breaking industrial morale. We have already classified them roughly into those which act upon the *work* and the *worker* respectively. We may now examine the problem in greater detail.

Now everything in human experience which is subject to change, progress and development can be analysed under four headings :

(i) Intrinsic qualities : design, construction, etc ;
(ii) Influences affecting progress or development ;
(iii) Relationship ; association ; comparisons, etc ;
(iv) Destiny, purpose, function.

All industry involves a sequence of interconnected considerations which are like the separate links in a chain. They are : the designer, the design ; the work, the worker ; the factory; the country and the world. Let us analyse the *work* and the worker under the four headings given above as follows :

Intrinsic qualities :

Of the *work* : accuracy.

Of the *worker* : knowledge, skill, technical information.

Influences affecting progress :

Of the *work* : urgency, economy in labour, time and material.

Of the *worker* : motive, character, diligence, restrictions.

Relationship and association :

Of the *work* : interest, the link in the chain.

Of the *worker* : teamwork, maker and user, appreciation.

Destiny :

Of the *work* : ultimate purpose and performance.

Of the *worker* : outlook, status, living conditions.

Each of these eight divisions contains its own peculiar problems. Each involves both positive and negative influences, of which some facilitate production; others retard it. By the use of appropriate industrial propaganda the positive influences can be strengthened and the negative ones renderd ineffective or eliminated altogether. The result is to improve the "morale". Increased production follows inevitably.

Psychological Approach

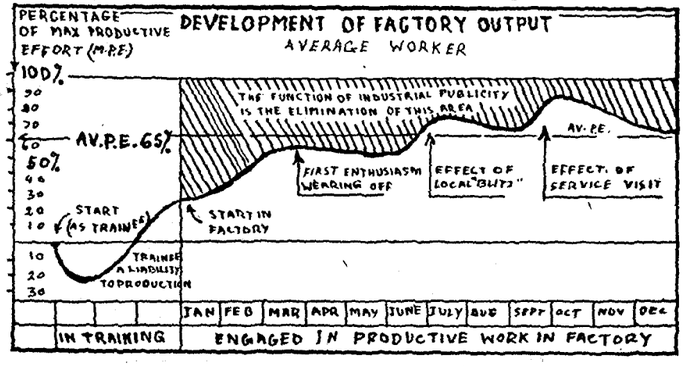
Every form of industrial publicity involves a psychological approach to the worker. It is his mental outlook which is the ultimate target. This can be done in two ways — directly and indirectly. In making a direct appeal to the worker, care will have to be taken to do it tactfully for he will resent being "preached at", nagged, victimised or otherwise singled out for attention. The impact upon his mind of an indirect appeal, through his work might be entirely different. The following table indicates the nature of the problems encountered:

(A) Problems of direct approach (*worker*)
(i) Knowledge, skill, technical information.
(ii) Motive, character, diligence, restrictions.
(iii) Teamwork: maker and user; appreciation.
(iv) Outlook: status; living conditions.

(B) Problems of indirect approach (*work*)
(i) Accuracy
(ii) Urgency: economy in labour; time; material.
(iii) Interest: the link in the chain.
(iv) Function: ultimate purpose; performance.

Any approach to the workers on the problems indicated in (A) must be with good judgment and tact. The influences surrounding workers in a factory are not so clear and precise as those which relate to the work. The work is something tangible. It can be examined in detail. It lends itself to all manner of different treatment.

The worker is more difficult to approach. Every factory contains just the conditions in which mass psychology can play its part and there are bound to be a few works managers who have not learned that one dissatisfied worker of the wrong type can quickly spread dissension throughout the whole workshop. In a factory people with different ideals and aspirations, ability, character and temperament are brought together with very little common ground between them other than the general necessity of making a living. It is inevitable that they will present a mass of problems, the solutions of which will depend upon the correct psychological approach to each. Take for instance the problem of 'knowledge'.



Before giving a man a job in a factory we naturally want to find out how well equipped he is to do the work. The first essential quality of the article he is to make is *accuracy*. To secure that accuracy, the man who makes it must have a certain amount of *knowledge*. Again whatever he may know about machine tools, industrial processes or mechanical operation, the worker must also possess a measure of practical ability or skill.

Educating the Worker

We shall want to ensure not only that every worker is an asset to the organisation initially, but that his value should continue to increase. His knowledge or skill should not be static but dynamic — developing all the time. He must, therefore, be continuously supplied with technical information.

More than this, we want him to be not only a better worker, but also a better citizen. We must give him information about what our own organisation is doing; how it is run; how much it manufactured last year and how much it hopes to do this year; what proportion of the goods he helped to make was exported; what people at home and in foreign countries think about our goods, and so on. In short, we must supply him with all kinds of general information.

In the past it was often considered an advantage if workers were unthinking and ignorant. Those days are gone, and it is now recognised that apart from paying him his wages, the employer has a duty to perform towards the employee who has helped him to build up his business and to make his profits. The worker must be given all possible information not only information concerning the product, but about the factory itself, its management, its prospects, its relation to industry as a whole, its value to the nation and its bearing in general upon progress.

The importance of the remaining problems under direct approach can be similarly comprehended. Let us analyse the *interest* problem under indirect approach. Having got production into full swing, it has to be maintained. We have done all that good planning can do to achieve efficiency and ensure smooth running of supplies to the machines and work-benches. The human machine however is temperamental. We cannot rely upon it always reacting favourably to our plans. An automatic lathe can convert units of horsepower plus units of steel bars into so many bolts and nuts and continue to do it as long as supplies last. Where we employ human machines we shall experience a falling off unless we can stimulate some *interest* in the work

Reconciliation to Mass Production Techniques

Monotony and boredom arising from repetitive work is a major problem in all factories. Millions of people work on different little pieces which by virtue of their size and shape alone evoke not the slightest enthusiasm or inspiration in the workers. This is particularly so in factories other than the larger assembly plants where products are finished. Even the really interesting jobs of putting together all the pieces to make a final unit may soon become monotonous and boring.

All human action depends primarily upon *interest*, and if action is to be stimulated interest must be created and heightened. If by industrial necessity a human being is forced into a process of production, whether it consists of making screws and rivets or mixing fluids and powders, or even reading instruments, it is obvious that to get the best results, the worker's interest in that process must be stimulated to the maximum.

There lies perhaps the greatest obstacle to industrial development — the reconciling of the human mind to mass production principles. It can be imagined that a screw, a spring, a bolt or a washer cannot be easily endowed with this intrinsic quality of *interest*. Nevertheless it can be attempted and, in some cases, with no small measure of success.

In every field progress requires that the right man must be on the job, the right organisation must handle the problem and the right method must be employed in every industry. Industrial publicity is directed not merely to the development of industry, but its ultimate aim is to teach the workers that to be engaged in creative industry is the highest conception of service, and the logical aim of all progress.

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Around Bombay Markets

Developments in Cotton

Thursday, Morning

THE cotton market has turned easier again. The August contract which had risen from Rs 568 to Rs 578 in the preceding week was sold down to Rs 565.50 and Wednesday's (17th May) closing rate was only a little higher at Rs 567.75. The 50,000-bale export quota for short staple cotton, Shri Manubhai Shah's statement in Lok Sabha that the Government was taking necessary steps to help Gujarat tide over the 'crisis' of accumulation of stocks and the Indian Cotton Mills' Federation's entry into the market as a bulk buyer of cotton, particularly Gujarat varieties, had a temporary steadying effect on the market. Recovery in futures proved to be extremely short-lived due to lack of follow-up support on the rise mainly because of the unsatisfactory spinner inquiry.

Contrary to general expectations, the response to the export quota for short staple cotton has not been encouraging because the ceiling has yet to be reached even though the shipping bills began to be accepted from the 12th. Overseas buyers are said to have been discouraged from making prompt purchases in the belief that the Indian Government was likely to release soon a further quota for short staple cotton and that the pressure of offerings would enable them to obtain their supplies more cheaply. The Indian Cotton Mills' Federation which had started purchasing Gujarat cotton, presumably at the instance of the Government, has been obliged to go very slow because of mounting opposition from the trade and also from some of the mills. The trade fears that the Federation's collective bargaining power will adversely affect both growers and merchants.

Crisis of Accumulation

New Delhi's concern over the cotton 'crisis' in Gujarat has prompted the Karnatak Chamber of Commerce and Industry to plead with the Union Government that any move aimed at encouraging the off-take of Gujarat cotton is likely to affect adversely the prices of cotton in other regions. The Chamber has requested the Government to make a fair and equitable allocation of cotton to the textile mills. And with the overseas response to the recent export quota for short staple cotton being far from encouraging, the market has not taken any serious notice of persistent rumours that a further quota for cotton stapling 3/4 inch and below is imminent. The market also seems confident about an export quota for about 30,000 to 40,000 bales of Bengal Deshi.

It seems quite odd that some of the States should be using the language of crisis when the 1960-61 crop, around 51/52 lakh bales, is still short of the revised target of 55 lakh bales for the second plan (the original target was 65 lakh bales), particularly when the previous season's crop was almost a failure around 37.5 lakh bales. But the difficulties of the cotton market are due less to a better crop than to the quota system of mill buying and compulsory survey in spite of the comfortable supply position. Continued large imports including huge quantities of high-priced U S short staple cotton with which are linked to the mill quotas for indigenous cotton, have complicated the situation. De-link the quotas for indigenous cotton from the import of U S cotton, abolish quota system and compulsory survey and the cotton trade will perhaps have little to complain. Will the Government do that? Perhaps not.

Export Policy

It is very surprising that in his presidential address at the 39th annual general meeting of the East Indian Cotton Association, Shri Madanmohan R Ruia should not have cared to make even a passing reference to the various problems created by compulsory surveys, quotas for indigenous cotton despite improved supply, the linking of these quotas with imports of high-priced U S short staple cotton and the entry of the Indian Cotton Mills' Federation as a buyer of cotton even though the trade has been greatly exercised over these developments.

Instead, Shri Ruia stressed the need for a uniform procedure for collecting sales tax on cotton. In view of the varying procedures for levying sales tax in different States, the arrivals of cotton in Bombay market, "emporium of cotton" for the country, had been seriously affected. As a result, the spot market in Bombay which used to carry a stock of about a million bales now carried only half this quantity even in the busy season. Shri Ruia's views on export policy for cotton will be widely endorsed. It is not merely that the half-hearted manner in which the export quotas have been announced this season goes ill with the Government's slogan of 'export or perish' but the haphazard changes in the export procedure cause considerable avoidable hardship to the exporters here and buyers abroad. Fortunately, the procedure has recently been very much simplified to the general satisfaction of the trade. Shri Ruia's suggestion that the export policy as well as the procedure thereof should be settled and made known in the beginning of the season merits careful consideration, but his other suggestion that the maximum possible quota should be announced early in October is not without risk because quite often calculations about the crop have been upset in the past after October.

Hedge Contract

Answering the criticism that the prevailing hedge contract was quite unrealistic, completely divorced from spot cotton, Shri Ruia stated that under the circumstances that existed last year the trade was almost faced with the threat of going without a hedge contract. A realistic hedge contract is possible only when there is an adequate carryover, an assured production and supply throughout the year and prices are allowed to reflect demand and supply. "A proper realistic hedge contract of the days gone by", said Ruia, "has to await normal conditions." But this raises a basic issue. Is it necessary to have a futures market in a commodity if it is not possible to frame a hedge contract which can be used as a hedge by growers, merchants and spinners?

With the carryover at the end of the current season likely to be

around two millions bales it should have been possible for the authorities to frame a balanced contract which could be used as a good hedge. But the few changes that have been proposed by the E I C A and the Hedge Contract Committee do not improve the position materially. Moglai fine 25/32" will continue to be the basis of the contract and there lies its biggest drawback. The tolerance which was hitherto 2/32" has been uniformly fixed at 1/32" for all growths except Cambodia 'A' where there is no tolerance. The delivery months will be February, May and August provided the Forward Markets Commission permits trading concurrently in February and May contracts; if such permission were not given delivery months may be March, May and August instead of April and August as at present. It has also been recommended that by-law 55 should be so revised that the tendering differences could be fixed on the basis of the difference between the hedge contract rate and the spot rate of the tenderable description subject to a flat deduction of 15 per cent of such difference. By-law 61 which deals with invoicing back of rejected cotton is also to be revised so that invoicing back could be done at the hedge contract rate plus 50 per cent of the difference between the hedge contract rate and the spot rate of the basic cotton. These changes are welcome in so far as they go, but they do not go far enough.

Oilseeds

Dull and Subdued

THE oilseeds market continued to have an extremely dull time. Fluctuations were irregular but small and the price pattern was rather mixed. While castor and cottonseed (September contracts) suffered small losses over the week, linseed recorded a moderate rise. Activity in futures appeared to be virtually at a standstill most of the time. The only outstanding feature of the week's trading was provided by the changes in the spread between the maturing contracts and distant positions. Castor May which were quoted about 75 nP per 250 kilos lower than the September contract at the end of the previous week fetched a premium of a rupee last week-end. Linseed May which were quoted 60 nP lower came to almost par with the September contract. The backwardation charges in cottonseed May increased from 25 nP to Rs 1.25 per 250 kilos. The marked strength in the maturing contracts seems surprising in face of the improved supply position in respect of almost all the oilseeds. Apparently, the contracts are held in strong hands. It is surprising that despite negligible carryforward charges in linseed no tenders have been issued up to now. The same is the case with cottonseed where the 'budla' rate is against sellers. In castorseed too tenders have been rather small, around 1500 metric tons.

Export Activity

Castor futures continue to drift lower for want of fresh export business in castor oil. Overseas buyers appear to have gone on a 'strike'. Export houses are intrigued by persistent reports of Brazilian offerings of castor oil to the U S for July-August-September shipments, which is rather unusual for this time of the year. Prospects for the new castor crop in Brazil are reported to be very encouraging. Of late the U K buyers too have been keeping quiet and there has been very little even of the routine export business in castor oil. The latest U K quotations are mentioned around £ 132 per ton for BSS and £ 126 for Commercial. Indian prices are only about £ 1 higher which is quite normal but what is worrying the trade is the virtual absence of overseas inquiry.

Among oils, only castor oil had been saleable abroad and here too prospects are considered to be far from encouraging. If overseas demand does not revive appreciably in the near future the Government will perhaps have to think of some sort of incentive. Oilcakes also have not been faring well since recently. Hardly any important business was reported during the week. Prices of groundnut extractions suffered a further setback, presumably due to some re-selling pressure. The U K buyers quoted £ 26-17½ for groundnut extractions, May shipment, £ 27 for June and £ 27-17½ for July-December. The difficulty in selling linseed cake is said to arise mainly on account of lack of confidence in the quality of Indian cake.

Bullion

Irregular Tendency

TRADING in bullion futures last week was quite an unexciting affair. Turnover was small and activity continued to be predominantly professional. Fluctuations were irregular but small and the price pattern was mixed. Gold was slightly down over the week, while silver recorded a moderate rise. After rallying from Rs 117.25 to Rs 117.70 (per 10 grams) gold second Jeth contract eased to Rs 117.05 and closed a little higher at Rs 117.35 against Rs 117.60 a week ago. After being marked down to Rs 195.50 (per kilo) silver second Jeth contract recovered to Rs 197.30 and closed at Rs 197.05 against Rs 196.05. Backwardation charges in gold — the spread between Adhik Jeth and second Jeth contracts — fluctuated between Rs 1.20 and 80 nP and the 'budla' rate in silver eased from Rs 1.45 to Rs 1.30 against sellers. The premiums on spot metals which had suffered a sizable decline in the preceding week recorded a further setback last week. The premium of spot gold over the second Jeth contract price declined from Rs 2.05 to Rs 1.05 and that of spot silver from Rs 2.95 to Rs 1.30. The decline in spot premiums and in the backwardation charges indicate poor off-take which is quite normal for this time of the year.

The Board of the Bombay Bullion Association is reported to have approved the final draft of the by-laws in respect of the scheme for a three-monthly contract which is proposed to be introduced in place of the present monthly contracts. This will now require the approval of the general body meeting which is likely to be held on 20th May. The Board will approach the Forward Markets Commission for its sanction after the by-laws have been duly approved by the general body. It is really unfortunate that the market authorities should be encouraging useless speculation through a three-monthly contract when the need is to regulate business even in ready metals. The view is widely shared that the existence of a futures market and unlicensed spot business encourage smuggling activity because these facilitate the marketing of smuggled material.

Stock Exchange

Equities Drift Lower

DALAL Street wore an unusually dull appearance last week. Excepting a few isolated spells of activity in certain select counters, the market appeared to almost at a standstill most of the time. In slow dealings equities drifted gradually lower due more to lack of fresh support than to any important selling. "Vyapar's" equity share index which had touched a high of 144.68 on 10th May eased gradually to 140.80 by the 17th and closed at 141.13 against 143.73 a week ago. The market's performance might have been better but for the continued weakness in cash shares due to virtual absence of fresh buying inquiries. This is presumably because investors have had their funds locked up in some of the recent issues. The Goodyear issue alone is said to have attracted as much as Rs 17 crores. "Vyapar's" index for new issues sought a new low of 88.65 last week. It had touched high of 100.62 on 20th March. Not all the investment counters, however, have been subdued. For there has been a marked revival of inquiry in Electric shares which have recorded sizable gains recently. Bank shares too have been holding distinctly steady.

Corporate News

Equities drifted lower even though the croporate news during the week was generally encouraging. Indu Mills shares are on the dividend list again. Indore Malwa's results for 1960 are quite encouraging. The Tata group of textile mills — Tata Mills, Svadeshi and Ahmedabad Advance —have stepped up their dividends. The directors of Hindustan Motors have proposed a dividend of Rs 1.20 per share, taxable, for the year to March 1961, against 90 nP in the previous year. All this is good news. But this has only induced caution among bears; bulls have not turned aggressive presumably because of the continued stringency in the money market. Margins, particularly the special deposit making-up prices have also dampened bulls' enthusiasm. If the authorities wish well of the stock exchange community they will be well-advised to devise some sort of automatic system of special deposit making-up prices which is partial neither to bulls nor bears. That the authorities should have continued to maintain the special deposit making-up prices for bulls at Rs 585 for Bombay Burmah and Rs 310 for Tata Locomotive for many settlements despite the substantial setback in prices seems quite unfair, the more so when speculative activity in these counters is not known to be excessive.

In the past, quite a striking similarity has often been noticed in the behaviour of Wall Street, London and Dalal Street. Both Wall Street and London Stock Exchange touched new all-time highs last week. Will Dalal Street lag behind for long when the expansionary impulse in the economy here is stronger than elsewhere?

GOVERNMENT OF INDIA

Further Issue of 3½ per cent. National Plan Bonds—Third Series (3½per cent. 1967)—Issue price Rs. 98.90 per Rs. 100 (Nominal) —Repayable at par on 16th July 1967.

The holders of 3½ per cent. National Plan Bonds (First Issue) 1961, 2½ per cent. Loan 1961 and 3 per cent. Hyderabad Loan 1951–61 (H. E. H. the Nizam's Government 3 per cent. O. S. Rupee Loan 1360–70F) have been given the facility of converting their holdings into 3½ per cent. National Plan Bonds—Third Series (3½ per cent. 1967) to be issued at Rs. 98.90 per Rs. 100 (Nominal) and repayable at par on 16th July 1967.

2. Securities tendered for conversion will be accepted at the following rates :—

3½ per cent. National Plan Bonds (First Issue) 1961 : Rs. 100 per Rs. 100 (Nominal)

2½ per cent. Loan 1961 : Rs. 99.75 per Rs. 100 (Nominal)

3 per cent. Hyderabad Loan 1951–61 : Rs. 85.00 per Rs. 85.71 or O. S. Rs. 100 (Nominal)

3. Interest on the securities tendered for conversion will be paid at the respective rates upto 31st May 1961 inclusive. Interest on the 3½ per cent. National Plan Bonds—Third Series (3½ per cent. 1967) to be issued by way of conversion will be paid from 29th May 1961; interest warrants for the period 29th May to 15th July 1961 inclusive will be delivered along with the new securities and thereafter interest will be paid half-yearly on 16th January and 16th July, commencing from 16th January 1962.

4. Applications for conversion will be received during the period 29th May 1961 to 3rd June 1961 (both days inclusive)at the following places :

(a) Offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi ;

(b) Branches of the State Bank of Hyderabad conducting Government work and those at Jaggayyapet, Mancherial, Nagarjunasagar and Sirpur Kagaznagar in Andhra Pradesh, Manwath, Purli-Vaijnath and Sailu in Maharashtra State and Shahabad in Mysore State.

(c) Branches of the State Bank of Mysore in the State of Mysore except those at Bangalore, Mangalore, and Gulbarga ; and

(d) Branches of the State Bank of India at Mangalore and at other places in India except at the places specified in (a), (b) and (c) above.

For full particulars, a reference may be made to any of these offices/branches, or Government Treasuries.

Company Notes

SHREENIWAS COTTON

THE entire ring frame department of Shreeniwas Cotton, the Bangur mill in Bombay, was completely renovated by the end of 1960. The whole spinning department has been equipped with the latest type of humidification and ventilation plant. With the installation of one more mercerising machine, the entire production of the mill can be processed. A further programme of machinery erection involving an expenditure of about Rs 45 lakhs for the current year is in hand. Eight new American combers are under erection and a sanforising machine is expected to come into operation before the end of the current year. Orders have also been placed for 96 automatic looms. The mill's fabrics continue to be popular with consumers.

Current earnings during 1960 reached an all-time record of Rs 450 lakhs and fetched a gross profit margin of more than 14 per cent. The net earning of Rs 32 lakhs represents nearly 16 per cent net on capital invested, 21 per cent on worth and 40 per cent on equity capital. Dividends absorb Rs 15 lakhs, bonus for 1958 Rs 5 lakhs, and the remaining Rs 12 lakhs has been retained.

The company has two subsidiaries, Shree Madhusudan Mills (formerly Hall & Anderson) and Shree Gopal Industries. Shree Madhusudan has cleared off all its accumulated losses and has now only to make up the arrears of depreciation. Its Hall and Anderson business at Calcutta earned Rs 272 lakhs from sales while the mills at Bombay reached a sales figure of nearly Rs 4 crores; the two together made a profit of Rs 38 lakhs. The company added plant and machinery worth Rs 33 lakhs during the year ended June 30, 1960. Almost all the warp spinning frames consisting of about 44,000 spindles out of the total capacity of 67,000 spindles are expected to be replaced by the end of next month. The installation of combers and mercersing plant has enabled the mills to switch over gradually to the manufacture of finer fabrics which earn higher profits.

Shree Gopal Industries did not earn anything during the year ended June 30, 1960. The National Industrial Development Corporation has sanctioned assistance of Rs 16.20 lakhs for modernisation of the mills. Orders for machinery worth about Rs 15.70 lakhs were placed during the current year. Some of the machinery which has arrived at site is under erection. The Directors hope that the mills will start functioning in June next.

DALMIA IRON & STEEL

THERE has been a marked improvement in the working of the spun iron pipe plant of Dalmia Iron & Steel during the year ended September 30, 1960, but production has been suspended since April this year owing to shortage of low manganese, high silicon, pig iron and coke. Production will be resumed with the availability of raw materials and restoration of cuts in power supply. Production in the grinding media plant exceeded installed capacity but the steel casting plant could not achieve full production due to delay in receiving the licence for import of two automatic moulding plants.

Demand for the company's products continued to be in excess of production. Licences have been obtained from Government to double the capacity of cast steel grinding media, and application has been made for more than doubling the steel casting capacity to 3,500 tons per annum.

Sales during the year fetched Rs 130 lakhs and earned a gross profit margin of 19 per cent. The net profit of nearly Rs 12 lakhs represents 7 per cent on capital invested, 26 per cent on net worth and 29 per cent on equity capital.

STANDARD MOTORS

IN 1960, Standard Motors reached a peak production of 3,364 vehicles. Plans have been made for stepping up production to 4,500 vehicles during the current year, reaching 7,500 vehicles in 1963, depending upon the licensing position. The new Standard Herald is expected to be in the market in June next. The current model has a two-door body but a 4-door body has been completed for India and is undergoing tests in England. Subject to availability of import licence, the 4-door saloon is expected to be manufactured during the latter part of 1962. Representations are being made to Government for a suitable margin of profit on the new model.

The introduction of a 1-ton truck in the latter part of the current year should also augment income substantially.

Sales during the year amounted to Rs 390 lakhs and net profits to Rs 12.42 lakhs, which represents 7.5 per cent on capital invested, 10 per cent on net worth and more than 18 per cent on equity capital.

KOTHARI COTTON MILLS

THE two Kothari Cotton Mills, Kothari Textiles and Adoni showed disparate working results in 1960. Kothari Textiles, much the older of the two, increased its sales from Rs 141 lakhs to Rs 177 lakhs but its gross profit margin went down from 17 to 11 per cent; net profit declined from Rs 16 lakhs to Rs 10 lakhs. The latter represents less than 5 per cent on capital invested, 9 per cent on net worth and Rs 1.25 per equity share. Out of the net profit, Rs 8 lakhs has been distributed and the remaining Rs 2 lakhs retained. Gross capital formation during the year was Rs 28 lakhs, of which fixed assets accounted for Rs 15 lakhs and inventories for the rest.

All the spindles at Mill No 2 have been working two shifts since June last. Third shift working has not been possible owing to want of adequate power supply. It is the first mill in the South to install high-productive Whitin combers, yarn from which will meet the handloom demand for fine counts. Additional cone winding machines have also been installed or ordered to meet the needs of powerloom factories. About 40 per cent of the cloth produced in 1960 was exported but market conditions have now become uncertain following the political turmoil in Congo.

Adoni's sales went up from Rs 7 lakhs to Rs 130 lakhs and net profit doubled to more than Rs 11 lakh. This represents 13 per cent on capital invested, 20 per cent on net worth and after providing for all arrears of preference dividend, Rs 1.25 per equity share. A maiden dividend of 80 nP per share has been declared.

CURRENT STATISTICS

BANKING RETURNS

(*Rs Crores*)

Reserve Bank	May 12	May 5	Apr 14	May 13, '60
Note circulation	2007.26	2002.38	2038.53	1901.43
Rupee coin	117.93	119.02	121.44	124.66
Deposits	263.32	264.15	240.56	274.97
(a) Central Govt	56.53	53.13	68.68	51.89
(b) Other Govts	14.20	15.07	3.99	25.92
(c) Banks	78.28	81.80	73.70	99.08
(d) Others	114.31	114.16	94.19	98.09
Foreign Securities	113.01	113.01	118.01	163.01
Balances abroad	21.94	17.68	9.98	13.77
Rupee Securities	1671.94	1661.97	1692.11	1511.41
Investments	171.78	117.58	120.74	217.27
Loans and Advances to Govts	87.89	86.30	88.17	53.01
Other loans and advances	133.80	128.49	142.61	119.32
Scheduled Banks	**May 5**	**Apr 28**	**Apr 7**	**May 6, '60**
Liabilities	1764.75	1767.85	1760.96	1929.87
Demand (net)	721.80	725.61	721.93	769.34
Time (net)	1042.95	1042.24	1039.03	1160.53
Cash in hand	48.74	47.69	47.62	49.66
Balances with Reserve Bank	75.85	73.89	67.67	85.01
(2) + (3) as % of (1)	6.76	6.58	6.26	6.98
Borrowings from Reserve Bank	39.09	38.16	60.45	47.46
(a) Against usance bills and/or promissory notes	21.40	21.09	33.64	12.74
(b) Others	17.69	17.07	26.81	34.72
Advances	1101.74	1100.00	1104.09	966.91
(a) State Bank	258.77	258.98	263.60	202.66
(b) Others	842.97	841.02	840.49	764.25
Bills discounted				
(a) Inland	152.70	153.57	162.41	127.83
(b) Foreign	47.40	47.54	48.85	46.64
(c) Total	200.10	201.11	211.26	174.47
(i) State Bank	16.81	17.34	18.99	14.17
(ii) Others	183.29	183.77	192.27	160.30
(6) + (7c) as % of (1)	70.61	70.46	71.51	59.14
Investment in Govt Securities	547.14	562.46	551.29	746.29
(a) State Bank	224.97	237.47	225.20	379.37
(b) Others	322.17	324.99	326.09	366.92
(9) as % of (1)	29.68	30.46	29.97	38.67
Cheque clearance	206.64	222.04	297.12	198.22

Includes deposits of banks and others.

Bombay Money Rates

(*% per annum*)

(Selected Scheduled Banks other than State Bank)

Call Money	May 5	Apr 28	Apr 7	May 6, '60
From Banks	4.95	5.04	5.26	3.50
Deposits :				
Seven Days	3.00	3.00	3.00	3.37
Three Months	3.50	—	3.50	3.50
Six Months	3.75	3.75	3.71	3.49

Bombay Bullion

(*Rs and nP*)

	May 18	May 11	Apr 20	May 19, '60
Gold (per ten grams)				
Spot	118.40	119.50	119.25	113.09
Forward	117.20	117.40	118.45	109.75
Silver (per kilogram)				
Spot	197.80	198.50	202.65	188.77
Forward	196.95	195.80	198.40	186.46

INDUSTRIAL PRODUCTION AND EMPLOYMENT

in Some Western European Countries and the United States

(*Percentage changes over previous year*)

Country	1954	1955	1959	1960
Austria				
Production	14.0	13.6	3.8	8.7
Employment	6.0	7.6	—0.4	3.2
Belgium				
Production	5.5	9.7	3.6	7.6
Employment	—0.2	1.9	—2.7	1.5
Denmark				
Production	8.9	2.0	8.0	5.6
Employment	4.1	—1.0	5.0	3.8
France				
Production	8.8	7.2	4.8	9.1
Employment	0.4	0.7	—2.2	0.7
Western Germany				
Production	11.5	14.8	7.1	11.0
Employment	5.3	8.4	—0.5	3.4
Italy				
Production	9.1	9.7	10.8	15.6
Employment	1.2	0.9	—	5.8
Netherlands				
Production	10.0	7.3	9.4	13.1
Employment	4.0	2.0	2.0	3.0
Norway				
Production	8.1	7.5	4.5	6.9
Employment	2.3	2.0	—0.2	2.5
United Kingdom				
Production	7.6	5.8	5.7	7.9
Employment	2.3	2.3	—	2.9
Yugoslavia				
Production	13.7	16.3	13.3	15.3
Employment	13.1	11.6	6.3	7.0
United States				
Production	—5.8	12.3	12.8	3.7
Employment	—9.0	3.7	5.0	0.1

Source : Secretariat of the Economic Commission for Europe, Geneva.

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

	Mar '61	Feb '61	Jan '61	Mar '60
Food Articles	**117.5**	**116.3**	**116.4**	**117.0**
Cereals	100.2	99.8	99.1	103.2
Pulses	92.8	92.9	94.9	89.9
Edible Oils	163.8	160.4	159.6	136.6
Sugar & Gur	117.3	119.9	122.4	140.7
Others	166.8	169.3	168.1	158.8
Liquor and Tobacco	**113.4**	**111.2**	**111.2**	**96.4**
Tobacco	110.7	109.8	109.8	94.1
Fuel, Power, Light & Lubricants	**121.2**	**119.8**	**120.0**	**117.8**
Industrial Raw Materials	**159.1**	**159.4**	**154.7**	**131.9**
Fibres	176.9	178.9	166.0	124.9
Oilseeds	159.7	158.4	158.8	140.5
Minerals	95.2	95.2	95.5	96.5
Others	128.3	128.3	129.1	131.6
Manufactures	**129.4**	**129.2**	**127.5**	**116.9**
Intermediate Products	**137.3**	**134.2**	**133.9**	**121.3**
Finished Products	**128.2**	**128.4**	**126.5**	**116.1**
Textiles	133.9	134.4	131.2	115.1
Cotton	126.6	126.1	127.4	124.7
Jute	161.6	167.7	154.9	97.5
Woollen	110.1	110.1	110.1	104.2
Silk & Rayon	117.1	111.4	103.8	102.8
Metal Products	146.9	146.9	146.9	147.7
Chemicals	104.8	104.2	104.2	104.8
Machinery & Transport equipment	112.6	112.6	112.6	111.0
Others	118.5	117.0	116.7	114.0
All Commodities	**127.4**	**126.7**	**125.6**	**118.9**

SMALL SAVINGS

(Rs Lakhs)

	National Savings Certificates		Post Office Savings Bank Deposits		Post Office Cash Certificates Defence Savings Bank Deposits and Defence Savings Certificates	10 year National Plan Certificates		Treasury Savings Deposit Certificates		15 year Annuity Certificates	
	R	O	R	O	O	R	O	R	O	R	O
1961 : Jan	—	88,11	18,08	2,74,29	—41,80	—	18,89	—	—	—	—
1960 : Dec	—	89,41	19,04	2,72,09	—41,74	—	18,98	1,28	32,88	5	3,29
Nov	—	90,89	17,90	2,69,23	—41,67	—	19,13	1,49	31,73	5	3,25
Oct	—	92,20	16,90	2,67,22	—41,64	—	19,20	1,42	30,27	5	3,22
Sept	—	93,70	18,76	2,65,34	41,60	—	19,28	1,52	28,71	6	3,18
Aug	—	95,24	19,75	2,61,00	—41,54	—	19,38	1,17	27,23	9	3,14
July	—	96,73	15,25	2,55,92	—41,49	—	19,44	1,11	26,09	4	3,07
June	—	98,34	17,35	2,53,22	—41,46	—	19,50	84	25,09	5	3,04
May	—	1,00,12	17,00	2,51,94	—41,41	—	19,55	1,06	24,19	5	3,01
Apr	—	1,01,97	17,87	2,53,58	—41,35	—	19,68	1,63	23,16	9	2,98
Mar	—	1,03,85	29,24	2,54,94	—41,29	—	19,79	96	21,76	6	2,90
Feb	—	1,05,84	16,94	2,42,24	—41,27	—	19,87	1,05	20,79	6	2,86
Jan	—	1,07,41	15,15	2,40,91	—41,27	—	19,96	1,13	19,77	5	2,81
1960	—	89,41	1,59,82	2,72,09	—41,74	—	18,98	11,73	32,88	53	3,19
1959	—	1,03,85	2,01,48	2,54,94	—41,29	—	19,79	10,64	21,76	66	2,90
1958	2	1,24,66	1,91,76	2,34,91	—40,67	—	21,02	6,35	11,68	67	2,41
1957	4,78	1,50,43	1,79,86	2,13,91	—39,73	1,02	23,11	5,88	5,47	63	1,87
1956	34,49	1,72,69	1,76,97	1,96,50	—38,82	10,08	25,38	3,91	44,28	43	1,32
1955	29,17	1,53,61	1,58,11	1,67,85	—37,68	9,86	16,38	4,79	41,25	45	95
1951	24,60	75,77	1,07,56	74,20	—27,55	—	—	13,10	18,39	—	—

Annual figures refer to year beginning April. R = Receipts, O = Outstandings

Source : Deputy Accountant General, Post and Telegraphs, and the Reserve Bank of India.

WAGON LOADING

In terms of 4-wheelers

	Broad Gauge			Metre Gauge		
	Apr '59 to Feb '60	Apr '60 to Feb '61	Per cent increase or decrease	Apr '59 to Feb '60	Apr '60 to Feb '61	Per cent increase or decrease
Revenue Earning Traffic :						
1. Coal and coke						
(a) For public	1,088,245	1,215,227	+12	217,307	232,616	+ 7
(b) For non-Government Railways	2,438	2,040	—16	—	—	—
2. Grains and Pulses	426,550	416,626	— 2	373,496	353,929	— 5
3. Oilseeds	57,053	51,581	— 9	67,615	64,771	— 4
4 (a) Cotton Raw	28,120	26,509	— 7	20,638	19,259	— 7
(b) Cotton Manufactured	13,808	12,229	—11	4,272	2,297	—46
5 (a) Jute Raw	69,589	51,959	—25	66,557	55,807	—19
(b) Jute Manufactured	7,529	8,769	—10	7,322	6,149	—16
6 (a) Sugar	50,057	49,919	—	69,349	64,225	— 7
(b) Sugar Cane	51,444	55,079	+ 7	176,277	186,150	+ 4
7. Cement	191,292	194,348	+ 2	143,643	160,880	+18
8. Iron and Steel						
(a) Pig Iron	32,712	44,652	+37	6,575	5,307	—19
(b) Others	216,260	232,494	+ 6	40,628	51,281	+26
9. Tea	13,101	13,159	—	21,922	19,333	—12
10. Metallic Ores						
(a) Manganese Ore	49,801	52,642	+ 6	19,680	19,053	— 3
(b) Iron Ore	325,020	405,458	+25	62,597	68,903	+10
(c) Others	11,502	11,438	— 1	17,912	20,060	+12
11. Limestone and Dolomite	141,526	170,664	+21	64,233	74,974	+17
12. Miscellaneous Full Wagons	1,425,575	1,407,699	— 1	1,096,544	1,148,390	+ 5
13. Miscellaneous Smalls	344,983	349,460	+ 1	295,325	294,825	—
Non-Revenue Traffic *						
1. Coal for Home Line	259,939	270,788	+ 4	210,610	216,524	+ 3
2. Coal for other Government Railways and Manufacturing Units	355,487	398,064	+12	34,196	35,547	+ 4
3. Other Stores	191,408	163,292	—15	124,552	138,487	+11

* Excludes departmental wagons loaded by the owning departments and Vehicles loaned or lent to the engineering or other departments for carriage of departmental stores or used in ballast trains etc.

Source : Railway Board, Ministry of Railways

PRODUCTION AND YIELD OF FOODGRAINS AND PULSES

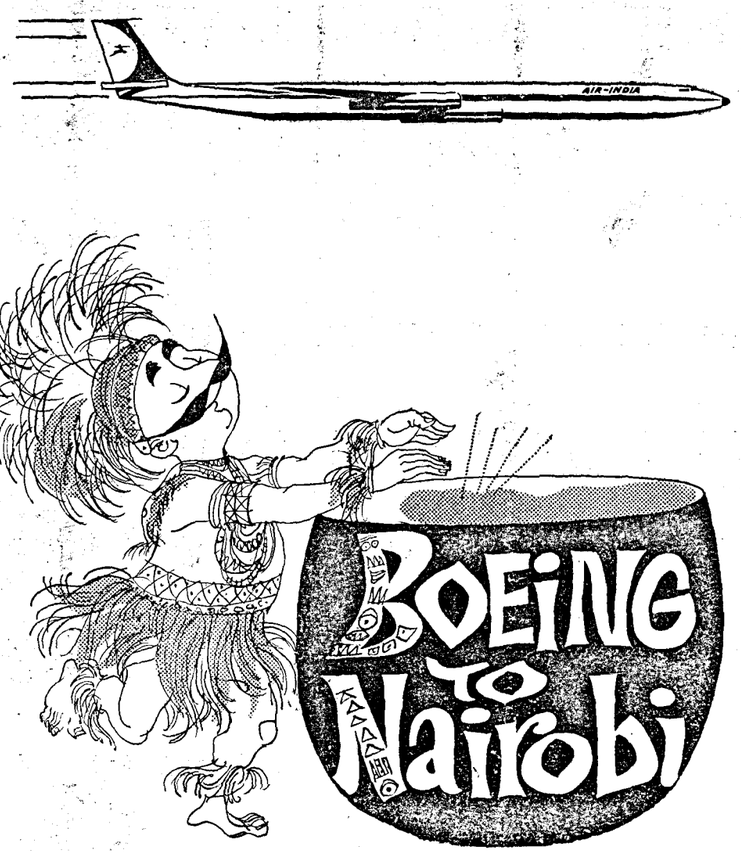
		1954–55	1953–54	1952–53	1951–52	1950–51	1949–50
Wheat	Area	27,822	26,394	24,286	23,404	24,082	24,114
	Production	8,900	7,990	7,382	6,085	6,360	6,290
	Yield	717	620	681	582	592	584
Rice	Area	76,020	77,318	74,056	73,713	76,135	75,414
	Production	24,821	27,769	22,537	20,964	20,251	23,170
	Yield	731	805	682	637	596	688
Jowar	Area	43,155	43,882	43,340	39,399	38,477	38,335
	Production	5,056	7,954	7,243	5,981	5,408	5,777
	Yield	470	406	374	340	315	338
Bajra	Area	26,087	30,145	26,613	23,522	22,296	22,881
	Production	3,463	4,475	3,142	2,309	2,554	2,790
	Yield	276	333	264	220	257	273
Maize	Area	9,265	9,561	8,908	8,179	7,807	8,061
	Production	2,928	2,991	2,825	2,043	1,702	2,014
	Yield	708	701	710	560	488	559
Ragi	Area	5,678	5,767	5,542	5,410	5,444	5,450
	Production	1,627	1,946	1,316	1,291	1,407	1,520
	Yield	642	717	532	535	579	625
Barley	Area	8,437	8,719	8,021	7,807	2,693	7,860
	Production	2,933	2,905	2,882	2,330	2,340	3,215
	Yield	779	746	805	669	681	631
Small Millets	Area	13,912	14,028	12,464	11,771	11,380	13,382
	Production	2,455	2,438	1,895	1,885	1,722	2,242
	Yield	395	389	341	359	339	375
Gram	Area	22,852	19,689	17,930	16,876	18,706	20,497
	Production	5,532	4,756	4,142	3,334	3,593	3,667
	Yield	542	541	517	443	430	401
Tur	Area	5,940	5,942	5,930	6,045	5,389	5,559
	Production	1,692	1,834	1,675	1,801	1,692	1,000
	Yield	638	691	633	667	703	403
Other Pulses	Area	25,359	28,064	25,179	23,473	23,080	23,777
	Production	3,553	2,860	3,227	3,152	2,993	3,363
	Yield	314	308	287	301	291	317

		1959–60	1958–59	1957–58	1956–57	1955–56
Wheat	Area	31,508	31,141	29,300	34,419	30,559
	Production	9,734	9,772	7,741	9,254	8,622
	Yield	692	703	592	620	632
Rice	Area	81,343	81,437	79,447	79,759	77,891
	Production	29,338	30,354	24,885	28,578	27,122
	Yield	808	836	702	803	780
Jowar	Area	41,602	42,584	42,203	40,124	42,903
	Production	7,866	8,714	8,246	7,211	6,619
	Yield	424	458	438	403	346
Bajra	Area	26,699	27,999	27,236	27,802	28,018
	Production	3,484	3,789	3,522	2,828	3,374
	Yield	292	303	290	228	270
Maize	Area	10,457	10,457	9,819	9,287	9,132
	Production	3,615	3,381	3,036	3,029	2,561
	Yield	774	724	693	731	628
Ragi	Area	6,211	6,192	5,731	5,631	5,701
	Production	1,860	1,877	1,665	1,765	1,817
	Yield	671	679	651	702	714
Barley	Area	8,220	8,243	7,549	8,693	8,447
	Production	2,605	2,672	2,238	2,818	2,771
	Yield	710	726	664	726	735
Small Millets	Area	12,072	12,417	11,848	12,295	13,184
	Production	2,012	2,340	1,671	1,900	2,037
	Yield	365	374	316	346	346
Gram	Area	25,046	24,865	22,862	23,905	24,166
	Production	5,390	6,881	4,979	6,133	5,335
	Yield	482	620	488	575	494
Tur	Area	5,843	5,931	5,690	5,666	5,650
	Production	1,589	1,671	1,412	1,958	1,832
	Yield	609	631	556	774	726
Other Pulses	Area	28,863	28,589	26,296	28,046	27,552
	Production	4,257	4,320	3,116	3,278	3,707
	Yield	330	338	259	262	301

Note : Area in '000 acres ; production in '000 tons ; and, yield in lbs. Area, production and yield statistics for 'all foodgrains' were published last week.

Source : Economic Statistical Adviser, Ministry of Food and Agriculture, Government of India.

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AICC and Integration

NATIONAL integration means much more than the solution of the communal problem, narrowly so-called, a problem with which we have been all too familiar. It means very much more, for communal conflict is only one of the many forms in which the lack of integration of the Indian people into one whole manifests itself. In fact, it is not communal disturbances but the new threat posed by anti-Bengali riots in Assam (touched off by the demand for making Assamese the official language of the State) which brought up the issue of integration vividly and urgently before the country. This happened immediately before the Bhavnagar session of the Congress, at which the Committee for National Integration was appointed with Shrimati Indira Gandhi as the Chairman.

The Jabalpur incidents came later; but the memories of these incidents are so fresh in the public mind that it would have been natural to view the report of this Committee in the light of the problems of communalism. The problem of integration is wider than that of harmonising communal interests or even of the integration of linguistic minorities. In its essence, the problem is one of transferring the loyalties to castes, religious or linguistic groups to the Indian nation. More recent events, culminating in the police firing in Silchar, have made it imperative that when the Report of the Integration Committee is presented to the AICC at Durgapur, the Congress should consider the wider problem of integration. This has been deservedly given top priority on the agenda and it would be fatal if the issues are glossed over, instead of being thoroughly thrashed out, as was done at the past sessions of the AICC. Moreover, the temptation should be resisted of treating it as a routine, pre-election affair, to be revived once every five years, and then forgotten.

There is every reason to give precedence to the question of Assam over that of communal disputes. This is because Assam presents a threat to the future of the country in a way that the communal conflicts do not. Of the latter, the country and the Government have been fully aware. The broad lines of dealing with these problems have also been clearly laid down and generally pursued. When in particular cases these policies have failed — all that needs to be done is to bring the reasons of failure into the light and strengthen the remedial measures. Assam has presented a problem, which has no precedent, and, therefore, the threat it holds to the future of the country is so much greater.

The trouble about integration is that whenever people start talking about it, they start from a high level of abstraction and action is sought to be based upon a particular point of view of history. And, when they get down to brass tacks, it invariably comes to government jobs, seats in legislatures, nomination to committees, to loaves and fishes in short, about the sharing of which there is and always will be dispute. Between high level abstraction, which is necessarily on the spiritual plane, and mundane affairs, there is an unbridgeable gulf. These are altogether on different beams and impulses from the one hardly ever

travel to the other. This is not to suggest, however, that attempts at emotional integration should be abandoned. But this is a task best left to saints and to moulders of the minds of men.

For more than ten years now, the country has a Constitution, the instrument through which the unity of India, which is spiritual and cultural, is to be translated into a workable proposition in terms of Government and administration. It is high time now to turn to the concrete problems of integration — or those of them — which can be resolved and should be resolved by properly working out the provisions of the Constitution in the light of experience.

The Committee on National Integration broke up the problem into its constituent parts and appointed four sub-committees to deal with (1) the role of the Congress organisation; (2) maintenance of security of person and property; (3) national outlook in the field of education and other spheres; and (4) promotion of opportunities for minorities in the economic and political fields. Naturally, the AICC will have to give a great deal of consideration to the role of the Congress organisation in helping or retarding the task of integration. This is, after all, its own affair and of intimate concern to it. If the Congressmen themselves were free from the taint of communal bias, if the Congress as a party disdained caste or communal considerations while selecting candidates for elections on its own ticket, for example, risking in the process success in elections in order to uphold the values which it swears by, much could be done without appointing any committee or delivering speeches. To repeat, this is primarily the concern of the Congress party. True, if the sesame with which the spectre of communalism is to be exorcised is itself infected, little could be done by passing pious resolutions or uttering platitudes. Government and administration and proper working of the Constitution, however, are matters which are not entirely the domestic concern of the Congress. That is why the recommendations of the sub-committee which considered the question of maintenance of security of person and property are of the highest importance to the country at the moment. The long-term measures are, in any case, innocuous and may be all right. They can have effect only in the long run. But the problem of integration is that of the survival of India as a nation, the fight is here and now. And the outcome will depend on the extent to which the guarantees of the Constitution to every citizen of India are made real by the actual working of the administration and effective implementation.

According to press reports, one of the recommendations of the committee on maintenance of security of person and property is as follows:

"Where the administration is effective, goondaism, rioting and arson do not take place, but where there is breach of peace, persons responsible for the failure of law and order should be punished."

If the sub-committee has been correctly reported, administration has been held to be the root of the matter, which it really is. And all that is necessary is that, in the event of failure of administration, responsibility should be properly fixed. This is simple enough on the surface, but let us see what this proposition really implies. Failure of administration may be due to sheer inefficiency. In that case, it does not constitute a special problem, for no administration can be perfect in all respects and stray cases of inefficiency of officials in responsible positions can be adequately and summarily dealt with in every administration worth the name. What makes it a countrywide issue to be dealt with at the highest level is failure of the administration arising from the political inclinations or sympathies of the officials in charge. There have been notorious incidents where such failure has been clearly due to political sympathies running up and down the entire administrative hierarchy.

There are two ways to act in such cases. One is political action through the party, and this puts the party in power on trial. There are cases on record where party interests have stood in the way of right action. On such occasions, to expect the Centre to intervene may be futile, because it is the same people who are concerned, in the last analysis, and if they fail to act through the party because party-interests stand in the way, will they use the powers given to the Centre to uphold the Constitution?

The recommendation quoted above offers a way out, if it is acted upon. If responsibility is fixed only on some subordinates who happen to be present on the spot, as is the usual practice, it will of course, serve no purpose. But if it is fixed firmly at the top and the example set by the present Home Minister, Shri Lal Bahadur Shastri, when he was the Minister for Railways, is made into a convention and firmly enforced a solution may still be found for the outrageous failure of administration as in Madhya Pradesh or Assam. It is true that in the process, the political career of some worthy persons may be jeopardised; but that is the price which the country has to pay, if the Constitution is to be made effective in this very vital sphere of maintaining the unity of India.

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Jeeps, Steel and Tractors

THOUGH the public sector has snatched away from him the Dauphine car, the negotiations for whose manufacture he had nearly completed with Renault, Shri K C Mahindra remains a confirmed believer in economic planning and quotes Probisch of the Economic Commission for Latin America approvingly on the point:

"To people critical of economic planning, it will perhaps come as a great surprise that it is being more and more increasingly recognised that State planning must come first, if private enterprise is to fulfil its own dynamic task".

Though he himself does not complain about it in his speech at the Annual Meeting of Mahindra and Mahindra, Government has not yet given sufficient reason why manufacture of automobiles, which had been left to the private sector in the Industrial Policy Statement, should now be taken up in the public sector and that, too, the manufacture of a baby car. If it is the intention to keep the selling price of the small car at Rs 5,000 or thereabouts, irrespective of cost, one can understand Government retaining it in its own hand, instead of subsidising a manufacturer in the private sector. What one is more concerned with is the economies of production in the public and the private sector. Has the public sector any decided advantage over the private sector which has already gained some experience in the manufacture of automobiles? Will it be able to bring down the cost of production? Or, is this a challenge to the private sector, that the public sector will be able to keep costs so low that Government would be able to rebut the private sector's claims for increase in prices of automobiles as demonstrably hollow and untenable? This remains to be seen.

What Mahindras have lost in automobiles, they have of course more than made up in steels. If steel imports decline, they will still have internal distribution and prospects of exporting, too. Shri Mahindra also informed the shareholders that his company had received a license for the manufacture of special steels. According to the Industrial Policy Statement, the manufacture of special steels should have come under the public sector. If in the case of automobiles the policy was reversed from private sector to public sector, in the case of special steels, just the opposite has happened. These frequent changes only confirm that the Industrial Policy Statement of 1956 can mean anything, so far as the reservation of industries to any particular sector is concerned.

Shri Mahindra reported that the collaboration agreement with a British firm for the manufacture of tractors has failed. However, he has assured the shareholders that, with the knowledge of Government, they are searching for another foreign collaborator to help them to undertake the manufacture of tractors. When will our manufacturers be able to announce a new development or improvement through their own initiative and enterprise, instead of seeking the aid of foreign collaborators?

Foreign collaboration is assuming a protean form day by day. The other day, it was reported that a Rajkot firm has entered into foreign collaboration for manufacturing ball-point pens. One may understand the concern of the Minister of Industry for Rajkot. But how high is the priority in the Third Plan for ball pens? It is a banned item of import. What this agreement means is that the firm will be allowed to import plant, machinery and highly-paid technicians and also, of course, most of the parts in the initial stages. The only part of the ball-point pen that may be manufactured in the country is the plastic barrel, for which also raw material will have to be imported.

There are two issues here. First, is it absolutely essential to have foreign collaboration for the manufacture of a consumer item like ball-point pens? Will it not be worthwhile to encourage Indian enterprise for a project like this? Second, should a banned item, whose priority in the Plan is dubious, get an industrial license for manufacture, involving foreign exchange however small the amount may be? An excuse that may be advanced is that of export possibilities. But, what is that worth?

On the question of export possibilities, again, Shri Mahindra has some pertinent comments to offer from the German and Japanese practices. Shri Mahindra is converted to the need for State planning, though the operative efficiency of projects undertaken in the public sector may not have aroused his enthusiasm. In the matter of exports, which is essential for any large planned economic development, selfish interest will have to give way to larger national interest and, according to him, a co-operative endeavour, 'with Government prodding and Government assistance to sell abroad,' is the *sine qua non* for finding a place in the overseas market.

Weekly Notes

Oil Polemics

THOSE who have a stomach for polemics may find all that appears in the press about oil not only enjoyable, but sometimes quite fascinating. Oil is in the news almost every other day, if not every day. But there is little hard news except what has been known for quite some time, viz, that the new areas to be exploited in Assam may be promising and that oil has definitely been struck in Cambay. We also know that oil prospecting is very expensive, that the Commission for Oil and Natural Gas has been at it, but that its resources are limited despite Rumanian and other assistance that it has been able to secure. Beyond this, everything about oil is controversial, and the Minister for Oil himself has become a controversial figure, almost sharing honours with the Minister for Defence.

The hard fact about oil is that until by very expensive drilling operations, the reserves are proved, nothing about oil is hard news. Prospecting however, is a laborious, capital consuming process. It is, therefore, agreed on all hands that all areas which are considered worth looking into, should be covered as quickly as possible and as cheaply as possible. There is thus a case for combining all the available agencies and putting them all to the job, with adequate safeguards of course. This means, first, that whichever agency is given license to prospect should get down to the job without undue loss of time and should quit, if it does not take up its undertaking expeditiously and adequately. Second, that when oil is struck and results are proved, its exploitation should be very quick and under conditions which fully safeguard the country's interest.

So far no satisfactory working arrangements have been arrived at to ensure exploration and prospecting of all the areas which are worth investigating. Negotiations for the purpose have been going on with various parties and from the very nature of the subject they cannot very well take place all the time under the full glare of publicity. For reasons of their own, the oil companies generally maintain a discreet silence, though the press does not always do so. And while naturally tempted to deflate what it considers to be exaggerated claims in regard to oil finds, the press has not, on the whole, been very helpful in enlightening the public about the correct state of affairs.

In the process of the controversy raised and the free wing often given to imagination in what purports to be informed speculation on the subject, the difficulties of the problem are naturally glossed over. About oil, the Government of India right from the beginning has set before itself a very definite objective, which is to keep control in its own hands. The manner in which the Industrial Policy Resolution has been interpreted in practice does not mean, however, that the oil policy pursued by the Government leaves no scope for collaboration with others. The necessity for such collaboration has come to be accepted and it has actually been given effect to. In fact, the first important step taken by the Government in the field of exploitation of oil was the flotation of Oil India in collaboration with Burmah and Assam Oil Companies. In this company which is to produce oil from the Nahorkatiya-Moran oil fields, the Government did not retain majority control. On the contrary, when the company was formed, its share was only one-third. In coming to this decision, New Delhi took unconscionably long and the country lost many crores of rupees in terms of foreign exchange. It was a very costly delay in finalising the agreement. But this agreement achieved something by which the Government set much store. It succeeded in splitting up oil operations, separating production from refining and distribution. The two refineries to refine oil produced by Oil India are in the public sector and for distribution, the Government has set up its own organisation, India Oil Limited.

Feather in Malaviaji's Cap

WHEN it is considered that the oil companies always combine a number of operations in their own hands, this agreement made a break which in a small way vindicated the principle which the Government of India had adopted as sacrosanct. The Oil India agreement also achieved another not inconsiderable victory. It secured for the first time that the crude oil produced would be priced independently and not on the basis of the international pricing of crude alone which, the Government of India believes, bears little relation to the cost of production or supply conditions generally, as understood in the market sense. The pricing formula incorporated in this agreement had a symbolic value for it was put as follows:

"The oil produced by the rupee company will be sold to two refineries sponsored by the Government of India and to be established in the public sector. The delivered price of crude oil payable by each such refinery shall be either the lowest price delivered at Calcutta at which such crude oil can be secured by the refinery from any alternative source or the cost incurred by the Company with a reasonable commercial return, whichever is less, such price being fixed by the company with the approval of the Government of India after examination of costs and subject to review every half year".

The Government could not secure at the time anything like control over the operations of the company which was to produce oil, its share being only one-third. If, therefore, as looks likely, Malaviaji is able to bring round the Burmah and Assam Oil Company to modify these terms, by entrusting to this company the prospecting and production of oil in the untapped areas of Assam covering some 1,800 sq miles, it will be a feather to his cap. True, fifty-fifty share does not ensure majority control either, but there are enough hints that the Government will not remain a sleeping partner and that it will exercise active control over management also.

Pricing of the crude, according to the latest report, still remains a matter of dispute. This may appear somewhat surprising, considering that years ago at the time of agreement of Oil India, a pricing formula was accepted by the B O C which meets fully India's objections. It is, however, possible that the cost *plus* basis is not as clear and specific as it might have been at the time of the first Oil India agreement, since prospecting with its large element of chance and uncertainty did not then loom large. How the Burmah and Assam Oil Company was compensated at the time for the loss incurred by these companies in the past in the exploration for oil has not been fully publicised. But whatever the problem then, it must have been much simpler, since dispute, if any, could have been only in regard to costs incurred in the past, which were clearly ascertainable. Future cost of operations have an element of chance and uncertainty which may call for a different treatment. Anyway, the price formula that now appears to have been accepted is a dual one — cost plus on the one hand and landed cost based on international price of crude on the other. The latter has always been accepted by the oil companies and it is on these terms that Burmah-Shell has agreed to refine the crude from Cambay, pending the erection of a refinery in Gujarat.

The indication of Government policy in the matter of oil has also come from an altogether unexpected quarter. If the press reports are to be believed, the U S Administration has completely changed its stand and has offered to extend financial assistance for oil exploration in the public sector! True, the finance will come from the Export-Import Bank, but this is a complete *volte face* on the part of the U S, since this Bank has hitherto been primarily interested in financing private sector projects or public utility projects in the public sector rather than industries in the public sector. If the U S Administration comes in, can Mr Eugene Black lag behind?

WANTED BACK ISSUES

As we are short of the following back issues of *The Economic Weekly*, it would be appreciated if readers would kindly mail back these copies to *The Economic Weekly*, 65 Apollo Street, Fort, Bombay-1. They will be paid for.

Volume XII

Numbers 1,3,9,10,13,14 and 49 dated
January 2, 16
February 27
March 5, 26
April 2 and
December 3, 1960, respectively.

Volume XIII

Numbers 1, 2 and 3 dated
January 7, 14 and 21, 1961 respectively.

Railway Freight Traffic

IN the final draft of the Third Plan, which is now ready, the allocation for railways has been raised by Rs 1,255 crores fixed by the National Development Council in January this year to Rs 1,325 crores. This has been necessitated by the upward revision of the estimate of the quantum of goods traffic which the railways will carry during the Plan. The Draft Outline of the Third Plan had estimated the originating traffic at 235 million tons in 1965-66. The estimate has been revised and originating traffic in the last year of the Plan is now expected to reach 245 million tons. During the Third Plan, originating traffic will thus increase by about 50 per cent over the Second Plan. Steel, raw materials, coal and cement will account for some 75 per cent of this increase.

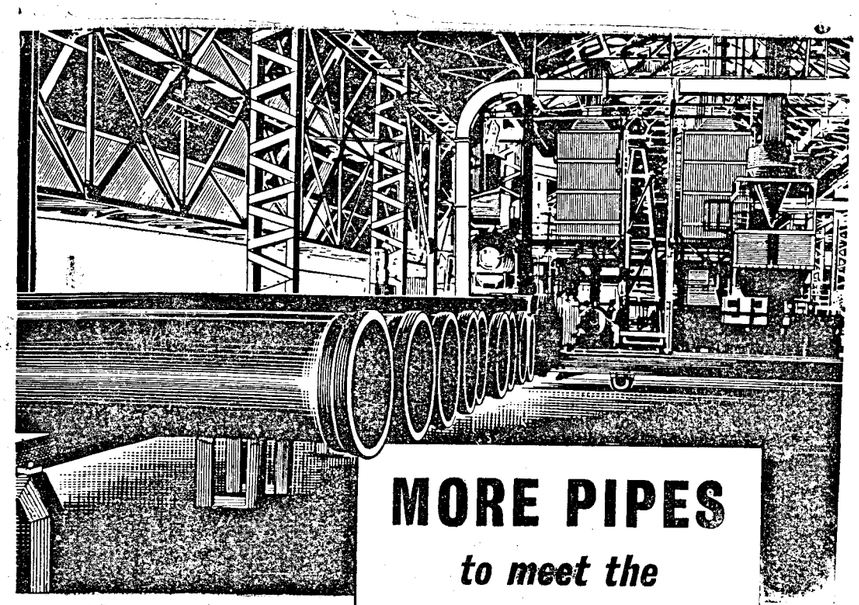
The bulk of this increase is accounted for by the traffic requirements of the Bokaro steel plant which were not taken into account in the Draft Outline. Otherwise the original estimates do not seem to have been modified in any way.

Any estimate of traffic requirements during the Third Plan must be accepted with some reservations for a number of reasons, some of which are mentioned by the Committee on Transport Policy and Coordination in its preliminary report. In the first place, the location of some important industries like coal, fertilisers and mineral oils is likely to change in the Third Plan. The impact of these changes on the demand made on railways cannot be judged at this stage. In the case of coal, for instance, a beginning was made in the Second Plan to step up production in areas other than Raniganj and Jharia. In the Third Plan, except for coking coal required for the steel plants and high grade non-coking coal required by the railways and some other industries, which will continue to be produced in Jharia and Raniganj, additional production of other grades of coal is likely to come from coalfields elsewhere, in Madhya Pradesh, Orissa, Andhra, etc. Production of lignite in the South will also increase substantially. The impact of these developments, which will change the pattern of coal movement, will have to be assessed from time to time.

Similar developments should be expected in the case of mineral oils. At present, except for the small quantity produced in Assam, the entire requirements of crude oil are met by imports. During the Third Plan, however, two refineries are to be set up in Nunmati and Barauni to refine the crude oil to be produced in Naharkatiya, which is expected to be about 2.7 million tons annually. Oil exploration is also proceeding apace in other areas, especially in the Cambay. Commercial exploitation of oil reserves discovered in these areas should be possible during the Third Plan. As a result, the pattern of oil movement will change significantly. Similarly, fertiliser production will also increase steeply in the Third Plan and fertiliser factories are expected to be set up in almost all the States. The pattern of movement of other commodities like foodgrains and iron and steel will also change.

Besides the change in the pattern of movement of commodities like coal, oil, fertilisers, iron and steel and foodgrains, the freight to be carried by the railways will also be conditioned by the expansion of road transport. In the Second Plan the share of road transport in the long distance haulage of goods tended to increase, though no assessment seems to have been made yet of how this growth of road transport affected the railways.

The traffic demands which will be made on the railways in the Third Plan, therefore, remain somewhat uncertain. Any estimates now made will have to be reviewed in the light of the changing pattern of commodity movements and the expansion of road transport.



IISCO

With the addition of a second plant at the Kulti Works of The Indian Iron & Steel Co. Ltd., the production of spun iron pipes has increased from 60,000 to 150,000 tons per year. Besides helping to satisfy India's growing demands for large diameter pipe mains, the increased tonnage saves India many crores of rupees annually in foreign exchange. Employing latest techniques, the Kulti Works of IISCO is the first to produce 3" to 30" diameter spun iron pipes in the country.

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Settlement in Sight

ALTHOUGH the Ceylon Government has decided to extend the state of emergency in certain parts of the country for another month, there are indications that it is seriously exploring the possibilities of a settlement with the Federal Party on the language issue. The change in the Government's attitude follows the reported decision of the Federal Party leaders to abandon their demand that the Tamil-majority areas should be declared autonomous regions.

The Government now seems to have arrived at some formula which would satisfy the demands of the Tamils without infringing the 'Sinhala Only' Act. The actual formula has not been disclosed yet, but press reports indicate that preliminary consultations with leaders of other political parties have convinced the Government that its proposals will have the approval of all major political parties.

It remains to be seen how far the Government's proposals would satisfy the Federal Party, but the latter's decision to give up the demand for regional autonomy certainly removes a major obstacle to the settlement of the language dispute. Talks between the Government and the Federal Party broke down last month, it will be recalled, because the Government felt that it could not negotiate with a party which demanded a "separate state". In a sense, this was ironic since the demand for regional autonomy was sought to be used by Federal Party leaders as no more than a bargaining counter in the negotiations with the Government. Certainly, among the Tamil people there is no support for setting up the Tamil-majority areas as a separate political unit.

The Federal Party now appears to have realised its tactical blunder which created the impression that the Tamil satyagraha was a separatist movement and strengthened the hands of the extremist Sinhalese elements who have always sought to prevent the Government from negotiating with the Federal Party. Nevertheless, by mixing up the question of language with the demand for an autonomous state, the leaders of the Federal Party have done much harm to the Tamil case on the language issue.

Investment Centre—Services Unlimited

THE Indian Investment Centre which has been set up in New Delhi is a non-profit, semi-official organisation which attends to enquiries from Indian and foreign businessmen. A press note issued by the Centre says that it

(1) maintains complete objectivity,
(2) treats information furnished to it as confidential,
(3) offers individual attention to each specific project, and
(4) operates exclusively as a service organisation.

The Centre acts as a 'reservoir of information' on all matters relating to Government policies, laws and regulations and terms and conditions relating to foreign investment in India as well as on procedures for licensing of industries, import of capital goods, control of capital issue, terms of collaboration between Indian industrialists and foreign collaborators, and on taxation, company law, labour legislation, etc. It also maintains upto date data on industrial capacity, current production, trade, markets, labour, communications, available industrial sites, power supply and other utilities. Finally, the Centre advises and assists Indian and foreign industrialists at all stages of the formulation and development of proposals for joint ventures in this country. The Centre wants to help those projects to which the Government of India attach a high priority. It is willing to examine all aspects, including technical and economic, of any project which may be submitted to it "with a view to seeking foreign technical collaboration and/or financial participation." The Centre has a Check-List of information for this purpose and Indian entrepreneurs are invited to go by this list in order that the Centre may be able to assist them speedily in seeking foreign collaboration/participation.

The Centre is also making arrangements in principal capital exporting countries in order that enquiries from Indian businessmen or from prospective foreign investors may be promptly attended to. It particularly invites enquiries from those industrialists who have obtained an industrial licence for projects whose implementation will be speeded up by securing foreign participation. The holders of such licences are invited to send their enquiries directly to the Centre.

As and when the Centre fully develops its service, it should be able to cut down the present circuitous routes of securing foreign collaboration and open a direct route to Delhi instead of *via* London, Tokyo and New York as hitherto.

Iron Ore Exports to Japan

A NEW agreement is to be signed with Japan next month for export of iron ore. Under the agreement India will export about 11 million tons of iron ore over a period of five years beginning 1963. Iron ore is one of the few items of which our exports have increased rapidly in recent years, from 1.26 milion tons in 1953-54 to 2.44 million tons last year. Japan is by far the most important consumer of our iron ore, accounting for some two-thirds of our total exports. The State Trading Corporation, which has the sole monopoly of iron ore exports, first entered into a long-term agreement with Japan in 1956-57 for supply of 7.2 million tons of ore over a period of five years.

During the last decade the Japanese steel industry has registered a phenomenal rate of growth which is expected to be maintained over the next decade. During this period Japan will double her output of steel from some 25 million tons to about 50 million tons. The high quality of Indian ore and our nearness as a source of supply with the consequent saving on freight costs assure us as an expanding market in Japan.

Critics of the Government's iron ore export policy have argued that in a situation where demand for Indian ore is not only assured but is also fast expanding, long-term contracts hamper rather than help exports. They point out that our share of Japan's imports have grown less rapidly since 1956, when the first agreement was entered into, compared to earlier years.

This argument, however, is by no means conclusive since our first exports of iron ore to Japan began only in 1953. Starting from scratch, the first increases, when expressed in terms of percentages,

are bound to be deceptive. There is no gainsaying the fact that long-term agreements have imparted a measure of stability to our exports. This was demonstrated in 1958 when Japan's imports declined, causing a fall in exports of all other countries, including those of Malaya which is by far the most important supplier, but Indian exports not only held steady but even improved a little.

Besides, Japanese assistance has not been inconsiderable in developing our exports. The agreement of March last which provides for export of four million tons of ore per annum for a period of 15 years from 1966 in addition to Japan's purchases under other agreements, also makes available to India Japanese financial assistance for the development of mining in the area from which the ore is to be exported. The assistance covers purchase of mining machinery and equipment, construction of railway lines between the mines and Visakhapatanam as also mechanisation of loading facilities at the port.

Letter from Moscow

Trade Winds to Blow

Samar Sen

May 19

THE biggest foreign exhibition in Moscow, British Trade Fair, has had a good start. There was a gasp of surprise among the invited when Mr Khrushchev appeared at the opening ceremony to-day. Every one was pleased. Commerce is a good ambassador and Khrushchev has always wanted trade winds to blow. The President of the British Board of Trade hoped that trade and other relations between the two countries would grow. It had been pointed out earlier that Anglo-Soviet trade had been up by 40 per cent in the last two years.

The British have not repeated the mistake the Americans made. They have organised the exhibition, not to sell their way of life, but as honest brokers. In other words, they have devoted more attention to machinery than to lipstick. They have better understanding of what ticks with the Russians. At the same time they have not forgotten that women in many ways are the same all over the world. A fashion parade has been arranged. Some Russians took the kilted Scotsmen as part of that parade.

The fair is impressive. Very clever use has been made of the space available. Getting out of one pavilion, one is immediately attracted to the next. There are 1,200 items on exhibit, including an installation connected with the production of scotch whiskey.

There is not the slightest doubt that the fair will be a huge success and that the volume of Anglo-Soviet trade will grow. People are looking forward to the Russian Trade Fair in London, which will open in July.

* * *

Shri G D Birla, with a formidable team of experts, is having a busy time in the Soviet Capital. His first impression was that the streets were the widest he had yet seen. Tashkent appeared to him too oriental to make a deep impact. But one of his team went into raptures over a textile mill there. It will be interesting to know their final impressions. At the beginning Shri Birla was rather cautions. He even refused to take lemon squash at the Indian Embassy, saying that he did not want to spoil his appetite for dinner.

Shri S K Patil, who arrived here yesterday, has already been to the U S S R Economic Exhibition.

Prospects of Indo-Soviet Trade are bright indeed. Tea, coffee, mica and shoes apart, there is a potential market here for our handicrafts.

Obligation to Work

The Russians have resumed the offensive against loafers and swindlers. It is said that the right to work guaranteed in the Constitution also entails the obligation to work. Parasites cannot be tolerated. If persuasion fails, they will be sent out of their habitals and forced to work at other places. They may not see their sweet homes for as long as two to five years.

Cases have come to light in which unscrupulous citizens cheated the Government of millions of roubles. In one, a surprise raid by security police revealed that enough grain had been hoarded to supply the entire population of Moscow with bread for a day. Speculation in foreign currency has increased. The mode of operation of a particular gang is described in the Press in detail. Big swindlers will have to take big risks now. If caught, they may even be shot.

There is a theoretical basis of the new decrees. It is said that when the Soviet people are building communism, the struggle against anti-social elements must be intensified even if they represent an insignificant section. The State delegated large powers to public bodies in the dispensation of justice but, in view of an unjustifiable air of relaxation that has set in, it has to be strict, more so when colossal sums of money are in use in connection with the Seven Year Plan. In the thirties, when the Russians put through their first five year plans, the struggle against political enemies was stepped up. They were given no quarter. In the process, many fine people disappeared for ever. But the new decrees, calling for intensification of the campaign against anti-social elements, will not lead to aberrations. Socialist justice will be observed.

* * *

Prof Nesmyanov, President of the Academy of Sciences for ten years, has been succeeded by Academician Keldish. A reorganisation of the Academy was announced last month. It will now concentrate on theoretical problems and much of its many-sided activities will be transferred to institutes and local academies. The aim is to cut red tape and ensure a rational development of science and technique. Academician Keldish, born in 1911, is known both as a brilliant scientist and a great organiser.

* * *

The coming Khrushchev-Kennedy meeting, said a Russian, will be like the recent match between Botvinik and Tal.

Letter from Assam

The Language Battle in Cachar

Silchar, May 20

WHILE the language controversy has been solved, more or less on unilingual basis, the controversy in Assam is still being fought fiercely. Pandit Nehru had delivered homilies to the Assamese people of the Brahmaputra Valley in the past without any effect. Disregarding the recommendation of the States Reorganisation Commission that no language should be made the sole State language unless it was spoken by 70 per cent of the total population of the State, the Government of Assam had made Assamese the sole language for the whole of Assam.

Having accepted Assamese as the State language both in theory and practice, Pandit Nehru now repeats his homilies to the Congress representatives of Cachar that it would be better for both the parties to live together in one State. Such advice was once given by the British to the Hindus and Muslims before Partition. Pandit Nehru had given the same advice to the Telugus of Andhra, to the Tamils of Madras, to the Gujaratis and Maharashtrians of Bombay, to the Nagas of Assam and to the Nepalis of Darjeeling. Such advice, so very convenient to the giver for the time being, does not in any way help in solving the problem. It prolongs irritation and bitterness, gives rise to fresh complications and brings all the evils of civil war on a small scale. Had this simple truth been understood and acted upon, the Naga trouble would not have grown to its present dimensions. Today, the Naga operations in this corner of India are draining away India's men and resources. A correct Naga policy adopted by the Nehru Government in the past could have saved us from this huge loss in men and money.

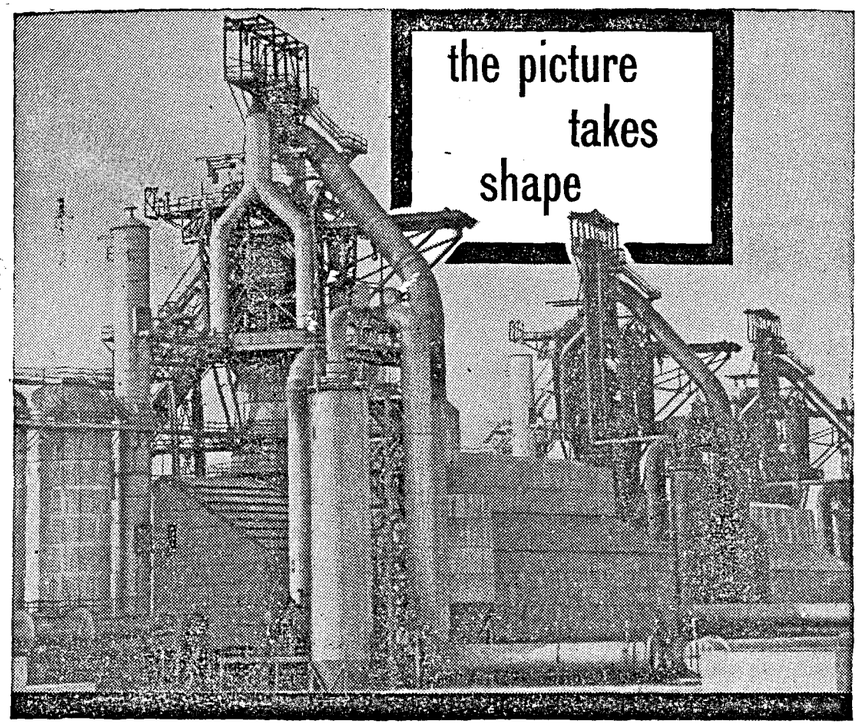
Unlike the Bengalis of the Brahmaputra Valley, the Bengalis of Cachar are not migrants to Assam. They are as much natives of the soil as the Assamese are in the Brahmaputra Valley. Except a few families of Government employees, no Assamese families live in Cachar. From the border of Cachar if one walks one-hundred miles, even then he will not meet any Assamese; so distant and separate is Cachar from the Assamese districts of Assam. A wholly non-Assamese district, compact in area, completely separated from the other Assamese districts of Assam, without any connection in language and culture, can have no sympathy with Assam and the Assamese people. The Assamese, again, have nothing but contempt and ridicule for the people of Cachar. Not being superior in education or culture, they come to Cachar as employees of the State Government and move with an arrogant air, as if they belonged to the ruling race. To advise the people of Cachar to live together in one undivided Assam, which virtually means an imposition of Asssamese language and culture over them, is a cruel joke, which, on the very face of it, has no chance of acceptance. Neither the personality of Pandit Nehru nor the strength of his lieutenant, Shri Morarji Desai, can induce the Bengalis of Cachar to accept this position.

Separate Cachar from Assam

This is understood even by the Assamese themselves. The extremists amongst them have already started advocating separation of Cachar. A district whose entire population is hundred per cent non-Assamese, which is physically separated, and situated in a distant and isolated corner, can have no sympathy for Assam and will be a source of nuisance to them. The district is financially deficit but her people, being educationally superior, compete with them in the services. So the Assamese also want that Cachar should be separated. It is only the false sense of prestige of the Chaliha Cabinet that stands in the way of a permanent solution. It was known beforehand, though our leaders may not admit it, that as soon as Assamese was declared the sole State language in the multi-lingual Assam, the hills people and the Bengalis of Cachar would demand separation. The fun is that, having encouraged linguism in one division, our leaders like Pandit Nehru and Shri Morarji Desai are now trying to suppress linguism in another division.

The Bengalis of Cachar are not demanding separation just now. They want Bengali to be recognised as the second State language. The Assamese, clearly, cannot accept it. The Bengalis of Cachar are educated, cultured and resourceful. Though a minority in Assam, if their language, Bengali, is recognised as a second State language, the Assamese rightly feel that their language and culture in their districts will be in danger. So, the position is this: the Assamese will not tolerate any other language. The Bengalis of Cachar will not tolerate their language to be suppressed by Assamese. The permanent solution, therefore, lies in separation.

The Gana Sangram Parishad has started *satyagraha* from yesterday, and the streets and corners of Silchar are echoing the cry of Bande Mataram after a long time. Since Independence in 1947, we have not heard Bande Mataram as a war cry. All Bengalis of Cachar seem to be sincerely behind this Sangram Parishad and on the previous evening, long processions of Bengalis, men and women, young and old, rich and poor, students and teachers, paraded the streets with shouts of Bande Mataram. Most of the top-ranking Congress M L As and M Ps are keeping aloof, but they cannot, for long. Yesterday's *hartal* was a complete success. All shops were closed. No rickshaw, no cycle, no taxi, was seen on the road. All schools and colleges were closed one day before by the authorities. The Bar Library, by a resolution, locked its door; the Law Courts were empty. Not a single employee of the post office, telegraph office and the telephone exchange turned up. The State transport buses and railway trains did not move. There was complete dislocation of the transport system. Except through the wireless by the military, Cachar was completely cut off from the rest of India.



All Iron and Steel making facilities have now been installed at Durgapur Steelworks. Rated at a daily output of 1250 tons of iron each, Nos. 1 & 2 Blast Furnaces have frequently exceeded this figure. No. 3 Blast Furnace, now ready for operation, completes the Iron making Plant. Up to date nearly 2 lakh tons of steel have been produced from the Open Hearth Furnaces which have been put into operation in the Steel Melting Shop All the Open Hearth furnaces are now ready for operation.

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The Assam Government could correctly anticipate events. Last year, before the anti-Bengali riots in the Brahmaputra Valley, the Inspector General of Police of Assam reported matters in time but neither the State Government nor the Central Government paid any heed. More wisely, this time, I G P came to Silchar two days ago for inspection. The D I G P, the Commissioner and other top-ranking officers are stationed at Silchar. Section 144 will no doubt be promulgated and as we can foresee, curfew will also be imposed. The police force has been strengthened several times. At a regular interval of ten or twelve miles, armed forces have been stationed. The local jails have been emptied and made ready to welcome the new-comers. The fire brigade, the ambulance, all have been kept ready.

The Cachar situation of today is different from the Assam situation of last year. The Assam Government is fully conscious of the situation and is so well prepared, quite commendably, that no unchecked violence on a countrywide scale will take place. Secondly, last year, the Assamese, mostly students, assaulted Bengalis and burnt down their houses, the police looked on. This time, in Cachar, the Bengalis will do no harm to the Assamese, because no Assamese lives here. A few Assamese who live here are government-employees and their houses and persons, again, quite commendably, are heavily protected by armed guards.

The fight in Cachar is not between two sections of the people in the same region. It is not a fight between Bengalis and Assamese. The fight is between the Bengalis who live in Cachar and the Assamese officers who rule over Cachar.

The Assamese and the Bengalis of Cachar are not the only people who live in Assam. There are the hills people. Apart from the injustice on the language issue, the hills people have their grievances against the Assam Government. They have appealed to Pandit Nehru, who is reported to have proposed the setting up of a Commission. The advice of a Commission cannot satisfy the hills people, because the Assam Government has flouted the recommendations of the S R C and there is every reason to believe that they will flout the advice of this Commission also. Shri Morarji Desai told the hills people at Shillong that his Government did not contemplate the creation of a new separate Hill State. So, like the Nagas, the hills people will revolt, though they may not be as violent as the Nagas. Fortunately for the Assam Government, the hills people have not joined the Bengalis of Cachar. But any success on the Cachar front will encourage the hills people and once they resort to violence, and once the Cachar agitation and the hill people's agitation synchronise, the situation will go beyond control.

Letter from South

River-Water Dispute

Centre's Responsibility

THE dispute among Andhra, Mysore and Maharashtra over sharing the waters of Krishna and Godavari has taken a new turn with the appointment of the Gulhati Commission. The Commission has not been welcomed by the Andhra Government which feels that it has been needlessly put on the defensive. It fears that fresh attempts would now be made by the other two States to bypass the 1951 Agreement between the then States of Madras, Mysore, Bombay and Hyderabad, which, Andhra points out, had the blessings of the Prime Minister and the Planning Commission. Besides, the Agreement was based on the findings of the expert Khosla Committee which thoroughly investigated the availability of water in the two rivers as well as its utilisation by the different States concerned. According to the Andhra Government, nothing has happened during the ten years since the investigations of the Khosla Committee to justify a re-examination of its findings.

In fact, however, there is not much to show that the Gulhati Commission intends to 'challenge' the Khosla Committee's findings. Whatever modifications it may suggest in the existing arrangement will be mainly, if not solely, to take account of the changes of territorial boundaries following the reorganisation of States.

The allocations made in the 1951 Agreement were for schemes already under construction at that time in addition to the flows utilised for existing projects and not for schemes that were to be got ready or for future undertakings. It also precludes the claim of the Mysore and Maharashtra Governments that waters already allocated were not properly allocated after taking the needs of the projects within their territorial limits under construction then into account because there were no such projects for which water has been denied.

It is also evident that the new utilisations of waters by the covenanting States are to be available only from the waters left over after the needs of the projects under construction or projects which had been investigated and sanctioned had been provided for. So far as the claim of Maharashtra for diversion of the Godavari waters for the Koyna project is concerned, the 1951 Agreement prescribed that the diversion of supplies across the Western Ghats for that project would be limited to 67.5 thousand-million cubic feet, and the actual diversion is much in excess of the limit prescribed. Apart from these considerations, the "general" principles incorporated in the Agreement are self-explanatory and well known to those participating in the controversy.

Two points that have been frequently raised in the controversy are: firstly, should an agreement signed by representatives of all the State Governments then existing (Andhra was represented then by the Madras Government, of which it was a part) under the auspices of the Planning Commission and on the basis of technical data furnished by an expert committee be modified much before the period of its tenability is over? Secondly, should the demand for its revision made by the two Governments of Mysore and Maharashtra be accepted even if such

revision should involve the infringement of the basic principle that schemes under construction or schemes already investigated and sanctioned should not be affected, wherever they happen to be located, and that the very basis of the allocation of the surplus waters be questioned?

Permissible Adjustments

On the first point, despite the Andhra Government's seemingly inflexible stand that the 1951 Agreement should not be tampered with, either in regard to the percentages of allocation of the river waters or to the general principles enunciated, it is proper that any new factors of a fundamental character that have arisen since the signing of the Agreement should be taken into account in making adjustments in the percentages of allocation. One such factor is the reorganisation of States under which new States have been constituted and changes have been made in the boundaries of three of the then existing States. Such adjusments need not, however, involve violation of basic principles nor do they affect the basic data regarding the utilisations for different projects and availabilities of water for others. In any case, it would not materially alter the position of a project in Andhra Pradesh like Nagarjunasagar which was by then fully investigated and sanction for which had also been accorded.

With regard to the second point, the spokesmen of the Andhra Pradesh Government have been repeatedly emphasising that their only concern is that construction work on projects already in hand like Nagarjunasagar should not be interrupted and that implementation should not be held up of projects like Pochampad on the Godavari and Srisailam on the Krishna. If this is assured, and if a scheme designed to utilise the waters of the rivers in their upper reaches is formulated by the Centre, the points of view of all the parties to the controversy would be met.

Then, what is the purpose of the Government of India in setting up the Gulhati Commission? Instead of allaying fears entertained in Andhra Pradesh that it was intended to set aside the data and calculations of the Khosla Committee, the appointment of the Commission has confirmed the suspicion that it was a prelude to a revision of the 1951 Agreement. Shri Jaisukh Lal Hathi, Deputy Minister of Irrigation and Power, did say in Parliament that the Gulhati Commission's appointment does not mean a revision of the Agreement. But does it not imply also that the Centre is indirectly committed to such a revision, should the data collected by the Commission warrant it? In partial confirmation of this suspicion is quoted the other part of Shri Hathi's statement, viz that it would be good if the Pachampad and the Srisailam projects, on which the Andhra Pradesh Government are setting great store, were not proceeded with until the Commission published its report. While refusing to commit himself about the revision of the 1951 Agreement, Shri N D Gulhati said in a press interview that *prima facie* there was no reason to believe that the data supplied to the inter-State conference in 1951, which culminated in the signing of the Agreement on the flow in the Krishna and Godavari rivers "was inaccurate". Fresh data may be obtained of surplus water, which would be helpful for planning new projects by any of the State Governments concerned without interfering with existing projects or their execution. The Commission may also examine, according to Shri Gulhati, whether particular projects would yield benefit to the extent of acreage estimated and whether the required amount of water for such projects would be available and other 'technical matters'.

If this view of the problem presented by Shri Gulhati is correct, it should indeed be helpful for the future development of irrigation potential in the country where every available source of water should be explored with a view to its profitable utilisation. It would be very much worthwhile and will recompense in a substantial measure the time and energy spent by the Commission in conducting its investigations.

When a basically technical issue gets entangled in political controversy, it can be settled mainly through political influence and pulls. Broadly, the inter-State river waters controversy is now in such a plight. Political motives are attributed and dark hints are dropped of the one or the other of the States exerting political influence to secure acceptance of its own point of view.

The other equally deplorable aspect of the controversy is that schemes which are primarily intended to augment food production, which is a national objective of the highest importance, are supported or opposed from the consideration of their location, a consideration which is important and relevant only to the extent that location at a particular point would enable the objective to be achieved quickly and effectively.

The Gulhati Commission can be an important landmark if its findings are utilised as guides for the investigation and construction of projects on the two rivers which would lead to the most effective and economic use of their waters for irrigation or power generation, without interrupting the work on projects which are in progress and which are already investigated and ready for execution in any State, in particular the projects of Nagarjunasagar, Pochampad and Srisailam in Andhra Pradesh and Koyna in Maharashtra, all of which come under these categories.

Equal Distribution of Waters

If the recommendations of the Gulhati Commission result in upsetting the existing position, it would mean, firstly, that considerable amounts of public funds expended in investigating a project like, say, Pochampad, would go waste; and, secondly, that the benefits expected from a project like say, Nagarjunasagar or Koyna, would remain unrealised, seriously prejudicing thereby the efforts for achieving food self-sufficiency, and for extension of power to the rural areas.

The Centre's responsibility in this is admittedly great. The Centre has to ensure equitable distribution and equalisaion of benefits from a national resource like river waters, ensuring at the same time that nothing is done to prejudice the interests of areas which had displayed some advance foresight and efficiency in formulating their schemes and implementing them. The States concerned have also to realise that the problem of sharing of river waters should not be strained to such an extent as to lead to inter-State bitterness and prejudice the economic integraion and progress of the country.

P L 480 Counterpart Funds and Deficit Financing

I S Gulati

The procedure with respect to the placement of the rupee counterpart funds arising out of imports from the U S A under P L 480 has undergone some change following the last agreement signed in November 1959.

As a result of this change, the counterpart funds will not figure any longer in the deposits of the State Bank nor will they be reflected in the investments of the scheduled banks in Government securities and, as a consequence, the advance-deposit ratio will now reflect more correctly the operations of the banks.

The transfer of past balances of the counterpart fund, however, has two sides to it, viz, investment in special securities on the one hand and disinvestment in ordinary securities on the other hand. But the Revised Estimates for 1960-61 do not give any indication of a corresponding disinvestment in Government securities.

Since the Reserve Bank is now the depository of counterpart funds, the transfer to it of these funds should also mean an increase both in the Bank's deposit liabilities as well as its holding of rupee securities.

Analysis of the relevant financial statistics leads one to conclude, however, that the Reserve Bank maintains a separate account for the deposits of counterpart funds and that these deposits and their corresponding investment in special securities are not reflected in the Bank's weekly statement of assets and liabilities.

THE procedure with respect to the placement of the rupee counterpart funds arising out of imports from the U S A under P L 480 has undergone some change following the last agreement signed in November, 1959. The argument advanced in defence of this change is that the arrangement existing previously "gave a somewhat distorted picture of the volume of deposits in scheduled banks and their investments in Government securities". (Please refer to the Finance Minister's Budget Speech for 1961-62, Part A, para 22).

Under the old procedure the counterpart funds were held in deposit with the State Bank of India which, in turn, invested them in Government of India securities. It has since been decided in consultation with the American authorities that these funds should be deposited with the Reserve Bank of India, who would invest them in special securities of the Government of India carrying an interest of 1½ per cent. This arrangement came into effect as from May 12, 1960. As regards the past accumulations with the State Bank, the arrangement made is to transfer them to the Reserve Bank in monthly instalments of Rs 12 crores. It is true that as a result of this change the counterpart funds will not figure any longer in the deposits of the scheduled banks nor will they be reflected in the investments of the scheduled banks in Government securities and as a consequence, the advance-deposit ratio will now relfect more correctly the operations of the banks.

As the Finance Minister pointed out in his last Budget Speech the inclusion of P L 480 funds in the deposits of the scheduled banks served to understate the advances-deposits ratio by 14 to 16 per cent.

Change in Budgetary Practice

But incidental to the above change in the placement of counterpart funds is the other change effected in the procedure with respect to the accounting of these funds in the Government Accounts. The procedure so far was that the unallocated (i e either to the Government of India by way of grants or loans or to the U S Government for meeting its rupee expenditure) balance of the counterpart funds remained as deposits with the State Bank and as stated above, it was invested in Government securities. Since this balance was held on behalf of the U S Government and not the Indian Government, its investment in Government securities by the State Bank (which though a nationalised concern, operates like any other commercial bank) were regarded as on par with the investment by the public in Government securities and, therefore, were indirectly reflected in the budget under Capital Account receipts. Now this practice has been abandoned and the balance of counterpart funds held in deposit with the Reserve Bank and invested in special securities of the Government of India are shown as a separate Capital Account receipt in the budget.

Important Implication

This change in budgetary practice has an important implication. According to the definition which has officially been adopted, deficit financing in any one year comprises of the increase in floating debt and the decline in cash balance put together. This means that all net receipts from Treasury Bills are regarded as deficit financing. But a part (most probably a major part) of the counterpart funds was invested in treasury bills. (See the Finance Minister's last Budget Speech). Could this part of the receipts from Treasury Bills be legitimately treated as deficit financing? I have argued elsewhere that since its main objective is to gauge the inflationary impact of budgetary operations, 'deficit financing' has to be defined somewhat more broadly than in the official definition. The question has to be reconsidered even in terms of the narrow official definition now that a change has been effected in the budgetary practice in respect of counterpart funds.

As from the financial year 1960-61, investment of counterpart balances are shown as separate capital receipts. Before that, they were reflected in receipts either New Loans or Treasury Bills. To the extent they were reflected in Treasury Bills, they were treated as part of deficit financing, although there is little justification for making such

a distinction between counterpart funds invested in dated securities and in Treasury Bills. Further, while one is justified in treating some part of the investment in dated securities as deficit financing (I have argued elsewhere that the investment of commercial banks in Government securities, dated or short term, should be regarded as part of deficit financing), to treat the investment of counterpart funds as such is totally unjustified because the inflationary impact of this investment is offset by the dis-inflationary impact of P L 480 supplies.

Dis-inflationary Offset

As has been explained by Dr K S Gill in his article, "P L 480 Act : Procedure for Utilisation" in *The Economic Weekly* of April 2, 1960, the amount of non-inflationary finance accruing in a given period is measured by the sale proceeds of P L 480 supplies in that period. Therefore, the offset may not be complete in any one year either because all the P L 480 supplies are not sold off in that year or because they are disposed of at a loss. In Dr Gill's illustration, a loss amounting to Rs 30 crores is incurred. Therefore, the dis-inflationary offset against the investment of Rs 160 crores of counterpart funds amounts to Rs 130 crores. It is true that in actual practice

(a) The Government sells P L 480 supplies at a certain loss. (The trading loss on foodgrain transferred to Revenue Account is Rs 8.5 crores in 1960-61 and Rs 9.5 crores in 1961-62. Of this, the loss on P L 480 supplies was Rs 5.5 crores in 1960-61 and perhaps Rs 6.5 crores in 1961-62) ; and

(b) A part of the new supplies received during the year are deliberately left unsold to increase the reserves, though once these reserves reach what is regarded as a safe limit, the supplies disposed of may, more or less, equal the supplies received during the year, barring exceptional periods of shortage or surplus and, therefore, this second factor may not be significant thereafter.

If, however, we were to assume away the factors mentioned above, it could be argued that no part of the investment of counterpart balances made in any year should be treated as deficit financing. It follows therefore, that deficit financing as calculated officially in the past was overstated to the extent that Treasury Bills were taken up by the State Bank for the investment of counterpart balances held with it in deposit. This overstatement of deficit financing will henceforth be avoided because consequent to the transfer of the counterpart balances to the Reserve Bank, separate credit will be taken in the Government Accounts for receipts on account of the investment of these balances in the Government's special securities.

II

This change in budgetary practice, though justifiable in itself, has however given rise to certain immediate questions. The Budget for 1960-61 puts deficit financing (i e, net receipts from Treasury Bills) at Rs 153 crores. In the revised estimates for the current year, the figure has been revised downwards to Rs 15 crores. The improvement of Rs 138 crores is explained partly by the fact that a sum of Rs 240 crores was received by way of investment of counterpart funds in special securities of the Government of India. Of course, there are other items of additional receipts and outgoings, which taken together, account for the net improvement of Rs 138 crores. But the receipts on account of counterpart funds require further elaboration.

Past Accumulations

The amount of Rs 240 crores referred to above is made up of two parts : (a) Rs 108 crores transferred from the State Bank and (b) Rs 132 crores from net fresh accruals of counterpart funds. The former amount represents accumulation over the previous years. Since this amount was already invested by the State Bank in Government securities, its transfer should have meant a corresponding decline in the State Bank's holdings of Government securities. This is precisely what seems to have happened. The State Bank's returns show that its investment in Government securities went down by Rs 116 crores in the year 1960-61, which is only slightly in excess of the amount of counterpart funds transferred to the Reserve Bank.

The transfer of past balances of the counterpart fund, however, has two sides to it, viz investment in special securities on the one hand and disinvestment in ordinary securities on the other hand. There cannot be any genuine net receipt on this account. But do the Revised Estimates for 1960-61 give any indication of corresponding disinvestment in Government securities? The answer is, no. The 1960-61 revised figure of minus Rs 35 crores shown against 'Treasury Bills' represents only a conversion of *ad hoc* Treasury Bills of the value of Rs 50 crores into dated securities. This should mean that the Reserve Bank, instead of retiring the securities dislodged by the State Bank in the transfer of counterpart funds, held on to them. This again is borne out by available figures. The Reserve Bank's holding of Rupee securities have risen by Rs 170 crores during the current year while at the same time the investments of the banking system (including State Bank but excluding Reserve Bank) in Government securities declined by Rs 156 crores.

As stated above, there cannot be any genuine receipt to Government on account of the transfer of the past counterpart balances from the State Bank to the Reserve Bank. The receipt on account of the investment of the past balances amounting to Rs 108 crores in special securities should have been matched by an outgo of the same amount by disinvestment in Government securities but what has actually happened is that the Reserve Bank has increased its holding of Government securities by the amount by which the State Bank reduced its portfolio. This is tantamount to the Reserve Bank's purchase of new Treasury Bills from the Government and, therefore, to deficit financing on the part of the Government of India.

There is one question that may well be asked. Since the Reserve Bank is now the depository of counterpart funds, the transfer to it of these funds should also mean an increase both in the Bank's deposit liabilities as well as its holding of rupee securities, the latter because the counterpart funds are required to be invested in special Government of India securities. Have we, in making the above

calculation, allowed for this? As stated earlier, the Revised Estimates for 1960-61 take credit for Rs 240 crores by way of sale of special securities to the Reserve Bank in respect of counterpart funds. But the total deposits held with the Reserve Bank have, instead of increasing by about this amount, actually declined by Rs 28 crores during the year and of this decline, 'Others' (i e deposits excluding those of Central and State Governments as also of banks) accounted for Rs 17 crores. This leads one to conclude that the Reserve Bank maintains a separate account for the deposits of counterpart funds and that, these deposits and their corresponding investment in special securities are not reflected in the Bank's weekly statement of assets and liabilities.

Fresh Accruals

The discussion so far has been on the transfer from past balances of counterpart funds. What about the fresh accruals which were estimated to amount to Rs 132 crores in 1960-61 and Rs 60 crores in the year 1961-62? These sums represent the net accretion of unallocated counterpart funds and should be regarded as genuine receipts. It is true that the price paid to the U S A for the surplus commodities may not be actually realised by Government. This is particularly true of foodgrains. But the loss on this account already appears in the Government Accounts under the head, 'Schemes of Government Training' and therefore, figures in the deficit. No further allowance has to be made on this account. One could either reduce the deficit by omitting the loss on the above account or reduce the net accrual of counterpart funds by the amount of the loss but not do both. The same is true for the unsold portion of P L 480 supplies.

III

The question that still remains to be answered is : What therefore is the magnitude of the Central Government's estimated deficit in 1960-61 and 1961-62 comparable to the deficits in 1959-60 and earlier years? Even if one proceeds on the basis of the narrow official definition of deficit financing, deficits for 1959-60 and before, comprising of the increase in floating debt and the decline in cash balance to the investment of counterpart balances in Treasury Bills. But the figures of year to year investment of counterpart balances are not available. It appears, however, that past accumulations with the State Bank amounted to Rs 144 crores. This figure is obviously net of withdrawals made either by way of grants and loans to the Government of India or by way of rupee expenditure by the U S Government. Withdrawals to the Government of India are already taken credit of through the Special Development Fund and withdrawals to the United States Government are evidently not available to the Indian Government. It is only in respect of the accumulated balance that the question of deficit financing has significance. Now P L 480 supplies started coming to India only during the Second Plan period. We shall calculate first in the absence of year to year figures the combined deficit for the first four years of the Second Plan, then the deficit for 1960-61 (Revised Estimate) and for the whole of the Second Plan, and finally the deficit for 1961-62 (Budget Estimate), the first year of the Third Plan.

Magnitude of Deficit

It will be seen from the table on next page that deficit financing in the first four years of the Second Plan amounted to Rs 943 crores, although the increase in floating debt and the decline in the cash balance together added up to Rs 1,087 crores in these years. The difference can be explained in terms of the investment of counterpart balances. The assumption is that the entire amount was invested in Treasury Bills. In 1960-61, the deficit amounted to Rs 142 crores. The counterpart balances, old as well as new, are now invested in special securities, instead of in ordinary securities. The full amounts thus invested are shown separately in the table under 'increase in floating debt', and then the part which represents fresh accruals to counterpart funds during the year has been deducted to arrive at the figure of deficit. Thus the total amount of deficit financ-

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Deficit Financing by the Centre : 1956-57 to 1961-62

(Rs Crores)

	Second Plan Period					Total 1956-57 to 1960-61	1961-62 Budget Estimates
	1956-57	1957-58	1958-59	1959-60	1960-61 (RE)'		
1 Increase in floating debt	240.5	459.4	230.2[1,6]	222.31[1,6]	15.0[1]	1167.43	125.0
					240.0[3]	240.00[2]	96.0
2 Decline in cash balance	—46.3	—1.2	17.2	—34.8	19.3	—45.8	—60.9[3]
3 Total (1 + 2)	194.2	458.2	247.4	187.5	274.3	1361.6	160.1
4 Investment of counterpart fund balances		144.0[4]			132.0[5]	276.0	60.0[5]
5 Deficit (3—4)		943.3			142.3	1085.6	100.1

1 The figures have been corrected to exclude the conversion of outstanding Treasury Bills into dated securities. The amount involved was Rs 300 crores in 1958-59, Rs 150 crores in 1959-60 and Rs 50 crores in 1960-61. No amount has been provided on this account in the Budget Estimates for 1961-62.

2 These amounts represent the investment of counterpart balances in special securities of Government of India carrying 1½ per cent rate of interest and payable on demand.

3 This amount takes into account the net additional amount expected to accrue by way of proceeds from the new tax proposals made when the current year's budget was presented to Parliament.

4 This amount represents, as explained in the text, net accretion to the counterpart funds in the first four years of the Second Plan.

5 These amounts represent the investment of fresh accruals to counterpart funds during these two years. As has been argued in the text, the conversion with respect to past balances from one type of investment into another does not constitute genuine receipt. Hence that part of investment in special securities has been ignored.

6 Treasury Bills of the value of Rs 25 crores and Rs 15 crores respectively were sold directly to public during the years 1958-59 and 1959-60. In addition, in 1959-60 ad hoc treasury bills of the value of Rs 20 crores were issued to the Reserve Bank in lieu of gold purchased for making part payment of India's increased subscription to the International Monetary Fund. The figures in the table do not exclude these issues.

ing in the Second Plan-period comes to Rs 1,086 crores.

The closeness of our figure of deficit financing to the figure of Rs 1,100 crores mentioned by the Finance Minister in his Budget speech is purely accidental. First, our figure of deficit should be lower by Rs 60 crores, the amount representing the direct sale of Treasury bills to the public *plus* the issue of ad-hocs to the Reserve Bank for the purchase of its gold. Secondly, if taken separately our estimates of deficit financing for 1960-61 and 1961-62 stand at Rs 142.3 crores and Rs 100.1 crores respectively whereas according to the official estimate, the corresponding figures ought to be Rs 34.3 crores and Rs 64.1 crores. The differences, it will be observed, are quite substantial and arise because the official estimates do not provide adequately for the investment of counterpart funds. But from the next year (i e 1962-63) such a disparity should not occur because there will be no past balances to be reinvested and, therefore, increase in special securities will be fully and genuinely matched by the investment of counterpart balances. Thus the advantage of the reform in budgetary practice with respect to counterpart funds is that leaving aside the transitional years, the official estimate will represent genuine deficit financing though, of course, in the narrow sense of the term.

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Form and Substance in Indian Politics — IV

Administrative Institutions of Government

Rajni Kothari

Government in India displays two marked characteristics. There is, in the first place, a subtle and complex interplay of politics and administration at all levels. Second, there is a wide difference in the quality, vigour and outlook of the elite at the top and the rest of the hierarchy.

The inadequacies of administration derive not so much from excessive hierarchical organisation, but from the fact that the hierarchy is not filled in, that it is not truly pyramidal.

Coupled with the bureaucracy's tendency to concentrate power, this leads to lack of flexibility, impedes communication down the line and encourages isolated action by bureaucrats who are sure neither of their ability nor of the confidence of their superiors.

Whether the present inter-relation between politics and administration will work satisfactorily in future will depend on three factors :

First, introduction of flexibility into the administrative structure and dispersal of power.

Second, filling-in the administrative hierarchy by rationalising its line.

Third, building up active channels of communication both within the administration and between the administration and the general public.

THE organisation of government in a democracy calls for constant reconciliation of conflicting elements. The principles of democracy are not always conducive to administrative efficiency. The preservation of democratic forms might necessitate a continuity of tradition and a piecemeal approach to problems of change, while a revolution in administrative methods may be necessary to secure efficiency. The attractiveness of political office in a democracy might draw talent away from administration. Accountability to popular opinion may make for timidity and lack of drive. Administrative efficiency calls for a simple line of command, but popular government leads to complexity of administration. Administrative departments multiply according to exigencies of the moment. Finally, the administration has to be constantly varied of "what the public will not stand".

Tradition *vs* Change

These difficulties are aggravated in countries where the expansion of the functions of government has not been a gradual process but has come almost at one stroke with political independence. The dilemma that these countries face is real though it does not always appear on the surface. On the one hand, sweeping changes in organisation might affect the delicate balance of constitutional government. On the other hand, excessive reverence for traditional forms and failure to carry out much-needed reform may lead to much frustration.

It is in this context that the conflict between tradition and change within the machinery of government in India has to be seen. In what follows, an attempt is made to examine the assumptions on which a democratic administration is based. These assumptions govern the place of administrative departments in the scheme of government. They also deal with such matters as the relation between ministers and civil servants and between civil servants and the general public. Then the departures from these assumptions in actual practice in India and their bearing on the nature of the government will be studied.

Traditional political science distributes the functions of the state between the legislature, the executive and the judiciary. Government departments thus fall entirely under the purview of the executive; they have no separate existence of their own in constitutional theory.

Central Position of Bureaucracy

Such a view of administration in the scheme of government finds support in the theory of ministerial responsibility, according to which the individual minister is to be left free to organise his department as it suits him, so that he is fully answerable to parliament. Ministerial responsibility to parliament involves ministerial sovereignty in administration.

Such a view of the functions of government may be attractive but is not real. It ignores the bureaucracy, oversimplifies the line of responsibility and draws a sharp distinction between the making and carrying out of policy. In practice, however, large bureaucratic establishments have come to occupy so central a position in government that their *constitutional* importance can no longer be ignored. They constitute a fourth organ of government, alongside the three traditional organs[1].

Recognition of the pivotal position of administrative departments in modern government has led some people to hold a point of view which though diametrically opposed to the traditional view, is no less misleading. Known as the "realist" view of public administration, it makes government a purely technical undertaking and considers the administrative secretariat as much a part of the machinery of government as the executive and the parliament without making any qualitative distinction. While traditional theory denies any distinction between the executive and the administration by including the latter in the former, the new school does the same by conceiving of the former as part of the latter. Evidently this is an "operational" view of government; it fuses together the executive and the administration and conceives of the former in as non-political terms as the latter. In bringing down the barriers between the ministerial and the bureaucratic

wings of government, it erects a bigger barrier between administration and politics. It assumes that the administration of government can be considered apart from the politics of government[2]. It ignores the overriding fact that a cabinet is more than a mere bundle of executives; it is a team of politicians tied together by common loyalties, and depending for its survival more on political ingenuity than on its administrative record. The important point is that the bureaucracy, the executive and the political party are all part of a single continuum and the business of government is the business of all of them. Any distinction drawn between them is more to facilitate analysis than to represent the actual state of affairs.

Artificial Division

The old dichotomy between politics and administration must now be rejected[3]. Even the creation and maintenance of a career service is more a question of political values than of administrative necessity[4]. Administration has become a major political process, and organisational theory is ultimately a part of political strategy and public accountability and popular control turn administration into a problem for political theory[5]. Both the traditional and the modern theories fail to take account of this immense change in the character of public administration that has taken place in recent times.

The gap between theory and practice becomes all the more vivid in a country like India. Administration and politics in such a country interact on each other to a very large extent, and their respective areas of competence have yet to specified. Nevertheless both administrators and politicians continue to indulge in their own private games, resenting the "interference" or "highhandedness" of the other.

A study of the actual development of the machinery of government in India reveals the extent to which politics and administration are intertwined. The lack of reliable facts makes such a study difficult. The government's tendency is to shroud public acts in secrecy and such information as percolates through the veil in the form of "revelations" by men who have fallen from public grace is unreliable. The lack of adequate channels of communication between the world of politics and that of scholarship accounts for much of our ignorance of public administration. Some general observations may, however, be possible from what is known.

Administration : Bulwark of Stability

The period immediately following independence was one of great confusion. It was a question of sheer survival. Under such conditions, the administrative apparatus became the bulwark of stability. It provided a nucleus around which a national government could consolidate its position in a country torn by violence and disaffection. The administration became the basis of political authority. The experience required for new and challenging tasks could come only from the public services. Politicians were untutored in the arts of government. The mantle of responsibility passed to the services who continued to dominate the political process in the first phase of development.

That the predominance of the services was allowed to continue may seem surprising. During the independence movement, resentment against the personnel of the Indian Civil Service was widespread. Civil servants were much maligned. It was also believed then that the administrative structure evolved under the British was alien and unsuited to free India's needs; it was a servile order. It would have been quite within expectations, therefore, if the new inheritors of power, in their first flush of victory, had proceeded to dismantle the administrative apparatus with a view to building it up again on the basis of new political objectives. This did not happen because the tasks that faced the country were urgent and because of the commonsense of Sardar Patel whose ability as an organiser was equal to that of any in the world of administration. The power he wielded over the civil servants was not simply a reflection of his "iron will"; it was more a measure of the confidence that existed between him and the services, for creating which he was largely responsible. His contribution to the political stability of India by canalising the loyalties of a band of outstanding and exceptional men in the task of national reconstruction is without parallel.

Those who rightly give credit to Nehru for India's stability should not forget the pivotal role of Sardar Patel in consolidating and strengthening the infant state. Far more important than the unification of the country by the absorption of the princely states was the manner in which he dealt with the law and order situation and consolidated the administrative structure by imparting a sense of security to the services.

Expansion of Administrative Structure

The result was that the political process developed initially within the rigidity of an administrative framework. The next stage of political development was conditioned by a similar framework of political authority. Shortly after the proclamation of the Republic, a largescale programme of social and economic change was launched. There followed an unprecedented expansion of the administrative structure. The result was a great dilution of standards of efficiency and integrity in administration[6]. The fact that the whole programme was conceived within the traditional framework led to the persistence of an ethos not conducive to development effort. Even new types of administration that were set up such as the machinery of planning, the Community Development Administration, or the new institutions of local government came to be conditioned by the structure and ideology of the old set-up. Consequently, frustration of a large part of the process has set in. The old methods were employed in carrying out new tasks. The nature of the state was sought to be transformed within the confines of the old bureaucracy.

But the political process had also its own dynamics which conditioned the development of the administration. The interaction between politics and administration took place at two levels. There was, first, the interaction between the ruling party and the bureaucracy. Alongside an administration which enjoyed virtual monopoly of power for so long, a new power now emerged: the politician. The conflict between the civil servant, hardened by experience and cynicism, and the politician full of ideas and impatient for power assumed many forms, not the least of which were opportunistic alliances between utterly incompatible elements. The other development took place within the party, in the relations between its organisational and

government wings. The process was one sided for a long time, the governmental wing providing leadership and patronage while the party machinery was used to sustain it in power. Slowly, however, with the waning of the popularity of the Congress governments and the growing power conflicts within the party, the trend has reversed : the government is under constant criticism and challenge from the organisational wing of the party which does not hesitate to take the conflict on to the floor of the legislature and to the council room of the cabinet. The strength of the ruling party is increasing not only vis-a-vis opposition groups but also vis-a-vis the administration. This political conditioning of the administrative process is at least as important as the administrative conditioning of political policies and programmes.

The Ministerial Hierarchy

The organisation of government has been conditioned by interplay of the two processes. In the process, the accepted principles of constitutional and administrative theory have been modified. The expansion of the functions of government has brought out the conflict between the principle of ministerial responsibility inherent in the constitution of parliamentary government and that of collective responsibility which developed as a convention of cabinet government. Collective responsibility, to be effective, necessitates a small and compact team of ministers. Ministerial responsibility, on the other hand, limits the size and number of administrative units under a single minister thus increasing the total number of ministers. As a result, the ministry and the Cabinet could not obviously be the same. Distinctions set in and the hierarchical organisation of the bureaucracy was also projected into the ministerial structure.

The position was complicated by the fine and delicate sense of honour that led to much political semantics. Some ministers not included in the cabinet were, however, to be called ministers of cabinet rank and the substantive hierarchy of powers was overlaid by a formal equality of status. Considerations of prestige led to much confusion. A minister of cabinet rank could be provided with an appropriate designation if he could be in charge of specific functions grouped under specific departments (such as the Minister of Heavy Industries). This was not always possible and that led to such designations as Minister in the Ministry of External Affairs. More logical was the designation of Ministers of State for all subordinate ministers. The conflict between logic and honour led to change from one designation to another four times in the ten years between 1948 and 1957. Still the practice is not uniform. The position was further complicated by the practice of having some Ministers of State in charge of independent portfolios while others occupied subordinate positions under cabinet minister.

Deputy ministers and (in certain cases) parliamentary secretaries occupy the lower tiers in the hierarchy. The category of deputy ministers was created with the specific purpose of giving experience to younger men and to train them for ministerial position. In practice however, elderly politicians are accommodated as deputy ministers. Also accommodated in these position are politically turbulent persons like members of the Congress 'Ginger Group'. All of this shows how personal and political influences interfere with considerations of administrative efficiency.

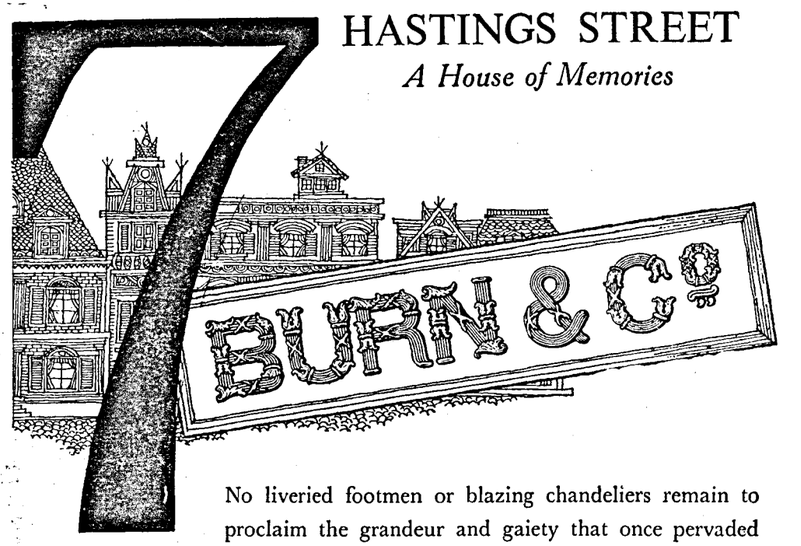
Multiplication of Portfolios

The overlapping of functions of, for example, the deputy minister, the parliamentary secretary and the permanent secretary; the consequent dilution of the line of responsibility; and the wide gulf between a ministerial council charged by the Constitution to be collectively responsible to parliament, but which never even meets as a group, and the actual cabinet which meets and decides issues often beyond the competence of those who attend such meetings—all these create a peculiar situation. Of course, the development of the Cabinet Secretariat and the system of memoranda bring some order to the situation but it falls far short of giving a cabinet government to the country.

The multiplication of portfolios during the last fourteen years shows similar influences at work. Here the unfortunate impression is often created that these adjustments are made either to suit the convenience of ministerial changes or to widen the avenues of advancement of secretariat personnel[9]. Thus on the death of Sardar Patel in December 1950 the portfolios of States and Home were separated even though by then the former had ceased to be an exacting undertaking. The Ministry of Food and Agriculture was bifurcated in October 1956 as it was felt that the imporance of preventing food prices from rising necessitated that food administration be placed under a 'whole-time secretary'. The same minister held the two portfolios but the new arrangement could accommodate two permanent secretaries. In April 1957 the two ministries were once again united. The death of Maulana Azad led to a protracted conflict of personalities resulting in separation of Scientific Research from Education, each being placed under a Minister of State. As a result such an important subject as education remains unrepresented in the Cabinet. The same is the case with the Ministry of Law which was down-graded in the ministerial hierarchy in 1957 and was placed under the charge of a minister of state; the personality of the Law Minister then was not strong enough to secure for him a seat in the Cabinet. The Health Ministry also suffered the same fate. On the other hand, the powerful personality of the Railway Minister prevented the integration of transport and communication in April 1957 from affecting the railways, which with other modes of transport should have logically been placed under one ministry. Planing, labour and now the vice-chairmanship of the Planning Commission are in the charge of Shri Gulzarilal Nanda. They make a motley combination.

Case of Ministry of Production

The classic example of personal considerations frustrating efficient administrative development is provided by the short-lived Ministry of Production. Keeping in view the needs of planning, it was decided in June 1952 to set up two new ministries, one of Production and another of Irrigation and Power. Powerful resistance to the former came from the Ministry of Commerce and Industry which was in no mood to part with its control over the steel industry. The control over iron and steel was retained by it for the time being. The dilemma was ultimately resolved by a compromise: an altogether new Ministry of Iron and Steel was set up[10]



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to look after the steel plants, at first only those in the public sector but with another reorganisation, those in both the private and the public sector. The new ministry, however, continued to be under the charge of the Minister of Commerce and Industry and not of the Ministry of Production; the power of the latter was greatly circumscribed.

This was not all. When Shri T T Krishnamachari left the Ministry of Commerce and Industry to become the Finance Minister in August 1956, he took the Iron and Steel portfolio with him. In fact, when he left the Ministry of Commerce and Industry, the latter was split into two separate ministries of (i) commerce and consumer industry and (ii) heavy industry. Shri T T Krishnamachari had hitherto represented in the Cabinet the Ministry of Production and the Ministry of Iron and Steel apart from the Commerce and Industry Ministry. Now, when he became Finance Minister, he continued to represent Iron and Steel. One anomaly led to another: the Home Minister was asked to look after the interests of the Ministry of Heavy Industry in the Cabinet. Finance and Steel, Home and Heavy Industries—one cannot imagine more curious combinations. At last in the 1957 reorganisation, the two ministries of Commerce and Consumer Industries and Heavy Industry were once again merged into a Ministry of Commerce and Industry. The Production Ministry, set up with so much fuss was also finally wound up[12].

Cabinet Committees

It is not suggested here that political considerations are irrelevant to the development of the machinery of government. Two points, however, emerge from the above analysis. One is that when poltical and personal considerations are carried too far they render the administration liable to such confusion and instability as defeat their political objectives. Secondly—and this is the focus of our analysis—the substantive process that emerges deviates from the expected pattern to a very significant extent.

Deviation from more fundamental constitutional principles also can be seen in practice. Thus the collective responsibility of a council of ministers that never meets, has more the character of a coalition than a unified team, is divided into several layers of hierarchy, and allocates functions on a basis of drift and stop-gap arrangements, can neither be collective nor responsible. The Cabinet Committees seek to co-ordinate the functioning of the various ministries. It has been found in practice, however, that most of these committees share the top-heavy structure of the cabinet; in fact they are more top-heavy than the Cabinet. The Prime Minister is the Chairman of nine out of ten standing committees, the Home Minister presiding over the tenth. In fact, the Prime Minister, the Home Minister, the Finance Minister and one or two other ministers dominate the deliberations of these committees. "Appointments to these Committees have been made more on personal considerations than on the consideration of bringing only ministers concerned together in relevant committees"[13]. The concentration of decision-making power in the "inner Cabinet" is also reflected in the working of the committees. In any case, it hardly makes for collective responsibility of the ministry as a whole. The result in practice is that the principle has been flouted on a number of occasions though perhaps never seriously enough to jeopardise Constitution. The emergence of the Planning Commission as a semi-political, semi-administrative arm of the governmental machinery, without really becoming an integral part of it, has also added to the general vagueness of the decision-making process. All this modifies the working of cabinet government considerably.

The principle of ministerial responsibility has also been subjected to considerable strain. The question will be taken up below in dealing with the relations between the minister and the civil servants. Suffice it to say here that the fact that a number of important aspects of the administration in the fields of planning, development and social welfare remain unrepresented in parliament affects the working of the principle. The view that for every act of government some minister is answerable to parliament has not been fully accepted in this country. Also, the ministers feel that their responsibility is more to the Prime Minister or the Chief Minister than to the elected legislature. The general result is a ministry more of the Presidential type where neither collective responsibility nor ministerial responsibility is constitutionally important. But the analogy should not be stretched too far. Actually, the structure conforms neither to the Cabinet model (although its formal requirements are usually complied with) nor to the single executive model (although much of its practice can be discerned in actual working). It is a structure which is in some senses unique and without parallel in other democracies.

The Substantive Pattern

The substantive pattern that has emerged is made up of three layers of organisation. There are the bureaucratic departments which provide the structural framework within which the governmental machinery has expanded and functioned. They constitute an elaborate structure from the Centre down to the district level. It has its own rules, procedures, jurisdictions, and lines of command. Overlaid on this structure is the development of an intricate network of planning and development administration. This is a new type of organisation with its own jurisdictions and work-techniques, independent authority and specified functions. The Planning Commission commands a huge staff organisation that provides leadership in research and evaluation, direction for action programmes, advice on specific policies and acts as a clearing house of information on diverse issues. It shapes a large part of the government's programmes both at the Centre and in the States and, although acting in an advisory capacity, makes its weight felt. It has ensured in a manner which has no precedent in modern administrative systems that investigation and appraisal should go hand in hand with the implementation of programmes[14]. It has maintained a close contact with the Cabinet by having a common membership, the same secretary, joint deliberations and continuous informal contacts. Indeed, the Planning Commission is more political than professional in its character. The Prime Minister is its chairman as he is the chairman of the National Development Council. The Finance Minister and two other Cabinet Ministers are its members. All the other official members of the Commission enjoy the status of ministers of cabinet

rank. Its members attend all meetings of the Economic Committee of the cabinet and meetings of the cabinet whenever economic questions come up for discussion. The recent appointment of the Minister of Planning as the Vice-Chairman of the commission has completed the process of identification. The commission is thus, in many ways, "a small edition of government itself"[15].

Planning Apparatus

It is not often realised in assessing the mammoth growth of the extra-constitutional apparatus of the Planning Commission and its auxiliaries that quite apart from carrying out their special purpose in the field of development, the latter have also performed a more general role in the country's administration. In the period after independence the administration was in the danger of breaking up into so many parts each jealous to preserve its local identity and to care out their respective areas of influence. Against the background of virulent parochialism in the country as a whole, this would have spelled disaster. (Even today the danger is not wholly absent). The development of various planning authorities cutting across the existing pattern of administration both horizontally and vertically with the clear purpose of carrying out defined tasks has provided a unity of outlook and a sense of direction to the machinery of government as a whole. The Planning Commission, the National Development Council, the Committee on Plan Projects, the Research Programmes Committee, the Programme Evaluation Organisation, even the Statistical Institute, the Panel of Economists and the various institutes of public administration, these and other institutions have succeeded to a marked degree in instilling a sense of common purpose. There is, of course, the danger of too much uniformity and conformism in such a system. This must be guarded against. But the primary need in this country is to develop a common consciousness among the people transcending their diverse identities without completely destroying them. And this is being done in some measure by the new administrative pattern that is emerging in this country. At a time when the governmental structure is suffering from divisive tendencies, the administration imparts some unity and continuity to the poliical process.

The other important element making for such unity of effort is the political party which is the third "layer" of the substantive pattern. Enveloping the administrative and developmental structures is the large network of the Congress Party, stretching in depth as well as breadth, and touching all levels of governmental organisation. Its personnel man most of the district development boards, provide information to government officials and actively collaborate (at times in spite of the resistance of entrenched officialdom) in solving local problems. It is especially effective in spreading "plan - consciousness" among the people. There is also an attempt at evolving a machinery of consultation and communication at the pradesh and district levels in various States, while coordination of effort between the Congress Party and the Community Development Blocks and Extension Services is even more marked. Very often non-official but nonetheless officially sustained organisations like the Bharat Sevak Samaj serve as useful links in such collaboration. Other and more informal methods are also employed. The techniques of collaboration between the party and the government are wide and varied. The result is immensely useful in the present phase of political development. Of course, much tension is generated in the process and personal rivalries and opportunism often get more than their due spill. There is also the danger of the administration virtually becoming an arm of the ruling party. The overall effect, nevertheless, is to provide a type of organisation and leadership which would not have been otherwise available.

Force of Tradition

The pattern that emerges is largely the creation of the last decade or so in which the same men have provided the leadership of the various key organisations and served as links between them. On the other hand, it is a pattern that has evolved within the framework of the old bureaucracy. And it is this that has created a number of problems. The exercise of power resides with the traditional departments and collectorates; only lately inroads are being made into their power, largely without success. The results are disappointing. When it comes to the actual execution of plans and programmes, inertia and vested interest together frustrate the attempts. A remarkable feature of administratio is the wide gap in enthusiasm an initiative between its higher an lower levels. The lower down yo go, the farther you feel you are r moved from the vitality you foun at the top. The administration thu provides a classic case of "appe plexy at the centre and anaemia a the circumference". The result i waste and frustration. Targets re main unfulfilled, policies remain o paper, consultations (for example between the block development off cers and the district authorities are rendered fruitless by mutua jealousy, statistics are unreliable an administrative waste and corruptio rampant. Red tape becomes a tech nique of self-preservation and re verence for traditional forms is matched only by attachment to strict routine and an unwholesome preoccupation with questions of accountability. Concentration of decision-making powers and reluctance to grant discretionary authority to the men on the spot reflect the same mentality. The conservatism of habit and thought and suspicion of experiments disparage the whole process of change and distort it.

All Staff, No Line

The fact that much of the administrative structure of the Planning Commission and even the Central Government is all "staff" and little, if any, "line" adds to the problem. There is no way of ensuring that the implementation of policies in the districts advance the goals laid down. There is no way of checking on the progress reports, the statistics and other information supplied from below. The findings based on such data tend to be unreliable and lead to faulty policy conclusions. More important is the fact that lack of experience in a "line" organisation lends unreality to the process of deliberation and policy-making: the important maxim of modern public administration that it is ultimately the executors who should make policy is neglected. Similarly while the insistence on investigation as a preliminary to policy-making[16] is laudable in itself, lack of communication in administration leads to the fruits of research being accumulated without making their impact on action programmes; the two proceed apace

unrelated and uncoordinated. The result is that a large part of the directives and advice received from above appear like so many sermons which have little relevance to the actual problems of administration and are generally scoffed at by the "realists" in the field. The process is aggravated by the fact that the party men at the bottom do not share the zeal and idealism of their counterparts in the middle and upper ranks and often conspire with the administrators to share the spoils and consolidate their political control over the locality.

Concentration of Power

Lack of flexibility and creative enthusiasm, a chronic preoccupation with rules and precedents, and low morale at the lower levels of administration have been noted by many observers.[17] Much of the rigidity springs from concentration of authority at the top and from an "inherited disinclination to delegate, to consider administration as literal execution of orders and to think of decision-making as issuing orders, to confine subordinates by too many and too precise rules, and to limit both inter-organisational and public communication to a few as empowered to "commit government".[18] Even the emphasis on "coordination" is often wrongly placed; attempts at coordination take place even before action has started: Even the smallest case is "referred", there are successive verifications and re-verifications, and inquiries, commentaries and reports constantly pile up, the net result being delay, inaction, lack of initiative and dilution of responsibility. Even the *esprit de corps* is confined to one's own unit of work, thus giving rise to not one but several bureaucracies. Lack of an efficient communication system between different levels of authority results directly from an insufficient "line" organisation. The coordination that occurs is largely one that takes place in the higher regions of government. It is co-ordination "between peers and between different hierarchies, not within unified hierarchies".[19] In fact, the structural inadequacies of the machinery of government in India derive not from too much hierarchy as is often alleged, but from an *irregular* hierarchy, a hierarchy that is not well filled-in, that is not truly pyramidal. Coupled with the tendency to concentrate authority at the top, this leads to lack of flexibility, impedes communication and encourages isolated behaviour among bureaucrats who are neither sure of their own abilities nor of the confidence of their superiors.

Ministers and Civil Servants

Ministers also tend to concentrate decision-making power in themselves and to interfere unduly with the administrative process. A reaction seems to have set in to the earlier practice when most of the substantive decisions were taken by the civil servants. The results are sometimes unhappy.[20] In their zeal to exercise initiative and take their own decisions, ministers often adopt questionable methods. They tend to rely too much on reports from outside, especially from partymen. Although popular opinion often sets a corrective to departmental orthodoxy, the former is not always correctly represented by the minister's informants. The tendency among ministers to take *particular* decisions instead of confining to *general* policy leads to irresponsibility and evasion lower down the hierarchy. When we remember that ministers also shift responsibility to their subordinates by declaring to have acted "on the best available advice", the extent to which confusion can spread in the administrative process can be imagined. Weak in their grasp of governmental processes, the Ministers rely far too much on civil servants. Cashing in on the principle of anonymity of the civil servant, they naturally get the credit for the department's performance. This is as it should be. When subjected to criticism, however, the Ministers are equally quick to shift responsibility to the civil servant.

On the other hand, the "favourites" among the civil servants are almost full-fledged politicians, often neglecting their official duties. The odium of the whole arrangement is experienced by those who feel left out of the network of patronage. Ministers wield considerable patronage and influence in the administration. There is a growing number of posts to which direct recruitment is made. Even in recruitment to the regular posts, the Public Service Commission's authority has sometimes been limited by withdrawing some categories of appointments from their competence by invoking Article 320 (3) of the Con-

stitution. All this makes for significant departures in practice from the accepted relationship between the political and administrative parts of the machinery of Government.

Where the political party and the bureaucracy form the twin pillars of Government, the intertwinking of political and administrative processes becomes inevitable. The development of healthy practices would depend here on the quality of political and administrative leadership. It would also depend on the extent to which the leadership can build up and rationalise a hierarchy and delegate power to it and thus vitalise administration all the way down and provide it with a unified outlook and a sense of oneness. The efficiency and ability of an administrative system can ultimately be judged by the extent to which it furthers the political objectives it is designed to serve. In India, the public's attitude to bureaucracy is very often prejudiced. Experience with an alien regime has left in the popular mind an unhappy image of the administrator. Bureaucracy appears to be antithetical to democracy, and the picture of an officialdom fighting to enslave the people has not died.

Public's Antipathy for Bureaucracy

But the public antipathy for the bureaucracy cannot be entirely explained away as a hangover of the past. The rigidity of the administrative structure noted above results in a rigidity in the approach to the public. The pre-occupation with rules and precedents leads to an undue insistence on forms and procedures that do not fail to annoy; the insistence on formal correctness leads to excessive red tape; the concentration of discretion at the top leads to a shirking of responsibility leaving the citizen in doubt about whom to approach to get his work done; above all, the bureaucratic norms of impersonal treatment, supplemented by a tendency to "categorise" persons into "cases", results in much irritation "at the point of contact" with the public. The impression of officialdom as arrogant, indifferent and inhuman, leaves a deep mark and opens up a wide chasm between the administration and the general public.

In a sense, what is clear from

authoritarian structure of administration cannot go hand in hand with a democratic polity; the former defeats the latter. Concentration of decision-making powers is as bad for administrative efficiency as it is for political organisation. Similarly, a static and rigid model of administration ill serves a dynamic society that must find new flexible avenues of effecting change. Above all, a system that has not devised the principal need of modern administration, namely, an efficient system of communication with the general public, fails to provide the psychological context from which the mechanics of political democracy find its chief sustenance.

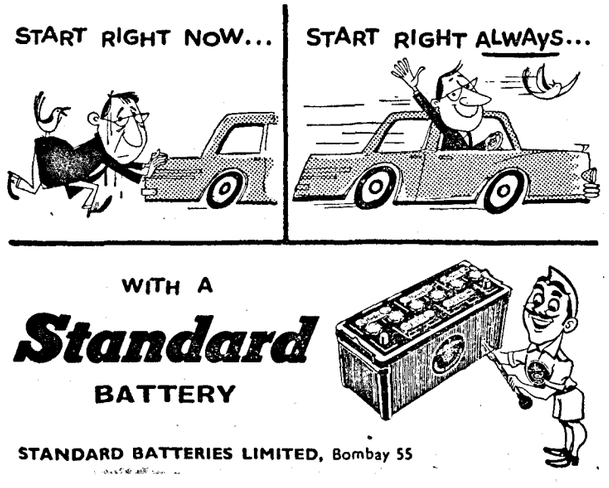
Putting Administration in It's Place

Unless we cut the administration down to its proper size and assign to it its due place in the scheme of democratic government, we would slip imperceptibly into an "administrative state". Efficiency in administration is not always the first objective in a democracy; indeed, an inefficient bureaucracy may provide opportunities for the exercise of capacities which a highly efficient system would have streamlined into standardised behaviour. What is more important is flexibility, scope for initiative for all and the readiness to submit traditional forms to scrutiny and change them when they are found unsuited. Democracy survives only in an atmosphere of open dealings and incessant questioning of forms and beliefs.

The machinery of government in India displays two marked characteristics. There is, in the first place, a subtle and intricate interplay of politics and administration at all levels, giving rise to complex forms and multiple structures. Second, there is a very wide gulf in the quality, vigour, and outlook, of the elite and the laity in each of these structures. While the cross-conditioning of the political party and administrative bureaucracy has modified the accepted relationship between the two, the development was both inevitable and desirable and can, properly directed, lead to the growth of healthy and sound conventions in the long run. Much would depend, however, on the extent to which the process of nullification, distortion of policies at the point of implementation is arrested. It is suggested here that this would depend on three factors: flexibility and dispersal of the power to use discretion, the filling-in of the administrative hierarchy by rationalising its "line", and the building up of an active system of communication both within the administration and between the administration and the general public. These are no *obiter dicta*. They follow logically from the analysis of the substantive process of government.

Notes

1. W. F. Willoughby, *Principles of Legislative Organisation and Administration.*
2. For the classic expression of such a view, see Frank J. Goodnow, *Politics and Administration*, p 9.
3. The first systematic steps towards such rejection were taken by Morstein Marx, *Elements of Public Administration*; Paul Appleby, *Policy and Administration.*
4. This is shown very well in the monumental study of Philip Selznicks, *TVA and the Grass Roots.* See, however, Herbert Simon, *Administrative Behaviour*, where the dichotomy between value and policy continues to be maintained.
5. Dwight Waldo, *The Administrative State.*
6. A D Gorwala, *Report on Public Administration.* See also M Venkatarangaiya, "The pattern of Public Administration in the Five-Year Plan", *The Indian Journal of Political Science*, July 1953.
7. Asoka Chanda, *Indian Administration*, pp 64, 78.
8. N Gopalaswami Ayyangar, *Report on Reorganisation of The Machinery of Government*, pp. 20-22.
9. Chanda, op cit p 82.
10. The Indian Institute of Public Administration, *The Organisation of The Government of India*, p 119.
11. *ibid*, p 95.
12. For further details on the development of portfolios, see Shriram Maheshwari, "Evolution of Portfolios in the Central Government Since Independence", *The Modern Review*, December 1960.
13. Chanda, op cit p 91.
14. Merrill R Poodall, "Organisation of Administrative Leadership in the Five Year Plans", Richard Park and Irene Tinker (ed.) *Leadership and Political Institutions in India*, pp 318, 328.
15. Paul Appleby, *Re-examination of Administrative System: Report of a Survey.*
16. For an early and forceful expression of the principle, see *Report of the (Haldone) Committee on the Machinery of Government*, Government of Great Britain (1918).
17. Appleby, *Public Administration in India: Report of a Survey.* See also Appleby's article "Morale at Subordinate Levels", *Indian Journal of Public Administration*, Vol III, No 2.
18. Appleby, "History and Precedent Versus Reform," *Indian Journal of Public Administration*, Vol I, No 4, pp 304-5.
19. Appleby, *Public Administration in India*, p 11.
20. On the whole question of the relations between ministers and civil servants in India, See Gorwala, *Report on Public Administration.* See also R Dwarkadas, *Role of the Higher Civil Service in India.*
21. Appleby, "Concerning Ministers", *Indian Journal of Public Administration*, Vol 1, No 2, p 90.



Around Bombay Markets

Dalal Street Is Buoyant Again

Thursday, Morning

DALAL STREET is buoyant again. Equities simply soared last week, with many counters recording new high levels for the year. "Vyapar's" equity share index, which had taken nearly a month to recede from 148.11 (20th March) to 138.36 (18th April), gained as many as 6 points in a matter of three days and touched a high of 147.35 on 24th May. The index thus is back again near its year's high which again is not much below the 1960 peak of 150.39. Since the recent rise has been rather too steep and the market is very close to its previous top, the market might like to pause for a while before making a fresh assault but there seems little doubt that it is now set for a new peak.

There was nothing particularly exciting in the week's news to explain the market's spectacular performance. Bewildered by the sudden spurt in equities last week many an observer has asked : Boom for what? But the rising trend in equities calls for no explanation. The inflationary trends and expansionary impulses in the economy are strong enough to sustain a prolonged bull market.

Technical Adjustment Over

After quite an impressive rise since the beginning of the year which took the "Vyapar's" equity share index from 127.19 to 148.11 by 20th March, Dalal Street halted for a technical correction and in the process the index receded to 138.36 by 18th April. Thereafter it moved up and down in quite an irregular fashion. It had risen to 144.68 by 30th May but was down again to 140.80 on the 17th. The process of technical adjustment had continued long enough and the carryforward charges at the end of the past few settlements had indicated a distinct improvement in the market's technical position. The market was therefore ready for a new bull phase. Seasonal improvement in the money market conditions, some relaxation in special deposit making-up prices and encouraging corporate news came in quite handy for professional bulls who had been marking time to push up equity prices. Options accelerated the pace of the rise.

That the cash section of the market has not developed any marked strength despite the remarkably buoyancy in speculative counters is not surprising. For there is often a big time lag between the movements in the two sections. "Vyapar's" new issue index which had touched a high of 100.62 on 20th March had been drifting lower upto the end of the previous week when it made a low of 88.46. Last week it steadied to around 90.31. It is extremely unlikely that this index will again rise to the previous year's high of 116.50 in the foreseeable future.

Oilseeds

Steadier but Dull

OILSEEDS futures continued to drift idly in a narrow range but with sellers generally reserved, the market displayed a slightly steadier tone. The marked strength in the maturing May contracts due to poor tenders induced short covering in the September contracts. Tenders issued against the May contract total 1,875 metric tons in castorseed, 75 tons in cottonseed and 75 tons in linseed. These tenders are too small considering the fairly comfortable supply position in respect of these seeds. Last week castor September moved irregularly between Rs 176 and Rs 178.3 , linseed September between Rs. 37.56 and Rs 37.87 and cottonseed September between Rs 93.50 and Rs 94.75. These narrow fluctuations indicate lack of any important speculative interest in the market which is in no small measure due to margins.

Dullness was not confined to futures only. The performance of the spot market was no better. And export houses too had very little fresh business to report. It was not because of the Whitsun holiday that overseas buyers did not evince any interest in Indian oils and oilcakes. For excepting groundnut extractions, export business in oils and cakes, particularly oils, has been poor since long. Exporters expect revival of business in groundnut extractions in coming months but they are not quite optimistic about selling oils. Groundnut oil and linseed oil continue to be substantially out of world parity since long and even castor oil exports are experiencing considerable difficulty this year. The difficulty in selling linseed cake is said to be mainly that of poor quality for which the shippers are much to blame.

Shipments

Shipments of oilseeds, oils and oilcakes from Bombay since the beginning of the year to 11th May with corresponding figures for 1960

Important Price Movements in Shares

Shares	1960 High	January 1961 Low	March-April High	Reaction Low	Last Week's High
Bombay Dyeing	72.70	58.50	68.50	63.30	65.30
Century	544.00	446.00	599.00	564.00	674.00
India United Ordy.	14.68	12.68	15.60	14.32	15.72
Kohinoor	372.00	259.50	318.00	285.00	326.00
Standard Mills	2100.00	957.00	1680.00	1445.00	1580.00
Svadeshi	286.00	218.50	275.00	254.50	276.00
Tata Mills	53.00	38.25	55.50	49.50	61.00
A. C. C.	152.50	145.25	161.00	155.50	163.25
Indian Iron	26.55	23.00	27.65	26.10	27.95
Tata Steel	164.50	138.00	156.25	145.00	158.75
Scindia	17.40	14.20	16.16	14.00	15.56
Hindustan Motors	23.64	18.68	22.32	19.36	21.84
Premier Auto	197.00	157.50	186.50	164.75	174.50
Bombay Burmah Old	658.00	539.50	637.00	594.50	647.50
National Rayon	617.00	460.50	560.00	500.50	568.00
Tata Chemicals	22.04	16.56	21.12	18.72	19.80
Tata Locomotive	349.00	278.00	351.00	322.00	368.50
Voltas	307.00	247.00	301.00	269.25	295.00

in brackets are: groundnuts 6,789 tons (11,516 tons), sesameseed 6 (454), groundnut oil 149 (19,056), linseed oil 565 (26,870), castor oil 6,271 (18,193), groundnut expellers 9,372 (14,287), groundnut extractions 48,211 (50,116), linseed cake 4,940 (22,530), cottonseed cake 12,633 (82), Niger cake nil (2,675) and mowra cake 430 (79).

In view of the poor export performance this year, shippers' complaints about the unhelpful attitude of the Karmahom Conference Lines deserve serious consideration by the Government. The trade has already protested against the increase in oilcake freight from 1st July. What is worse, the Karmahom Conference Lines are reported to have refused permission to shippers to export their goods on non-Conference vessels even when they are unable to provide the requisite space themselves. This problem arises only because of the system of deferred rebate. The Government will do well to find an early solution to this problem because of the pressing need to maximise export earnings.



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UNDER SECRETARY TO GOVERNMENT 29 MAY 1961 PUBLIC DEPARTMENT

New Crop Contracts

The Bombay Oilseeds and Oils Exchange has made some important suggestions to the Forward Markets Commission in respect of trading in new crop contracts. It has requested the Commission to do away with the margin system which has made the market thin and anaemic without producing any restraining effect on the upward trend in prices. Another suggestion is to add one more contract to the existing ones in order to discourage excessive speculation on the argument that the larger number of delivery months will discourage bull manipulation. January, April, July and September are the delivery months proposed for groundnut and cottonseed and the delivery months for castor and linseed will be March, June and September. The exchange has suggested voluntary restrictions in case price fluctuations on any day exceed certain limits. While opinion about margins is sharply divided, there seems little doubt that the market should be given sufficient freedom of action if forward trading is to be permitted in any commodity.

Cotton

Erratic Fluctuations

COTTON futures last week moved up and down quite erratically on fluctuating hopes of a further export quota for both Bengal Deshi and cotton stapling below 3/4 inch. Business was generally on the low side and activity was mostly professional and of a jobbing type. With the supply position quite comfortable and monsoon approaching nearer, enthusiasm to follow the rise in prices was lacking. But persistent rumours that the Government might yield to the mounting pressure from Gujarat and Andhra States for permitting the export of short staple cotton discouraged selling at lower levels and induced some short covering. Fluctuations therefore were erratic. After rallying from Rs 567.50 to Rs 571.75 the August contract eased to Rs 566.25, recovered to Rs 572.50, eased again to Rs 567.25 but improved quickly to Rs 574 and wound up the week at Rs 572.25 (per 3 quintals).

Spot dealers reported moderate turnover during the week, with interest mostly confined to L 147, C02, Vijay, Digvijay and Kalyan. Among foreign cottons, U S short staple cottons continued to monopolise attention for the simple reason that indigenous cotton quotas are linked with the off-take of this cotton. The Indian Cotton Mills' Federation was reported to have made further purchases of cotton, mostly Gujarat varieties, during the week. The trade is very much exercised over the entry of the Federation in the market as a bulk buyer but fears in this regard seem to be greatly exaggerated because it seems unlikely that the Federation will continue to figure as a bulk buyer of cotton in the market in future.

Consumption

Surprising as it might seem, in spite of a bumper crop the consumption of Indian cotton by the mills in the first seven of the current season at 23.54 lakh bales is considerably less than in the previous season's figure of 27.06 lakh bales. The March figure of 3.69 lakh bales is, however, the highest for the season which indicates that consumption is gradually picking up. While the consumption of indigenous cotton during the September-March period is down from 27.06 lakh bales to 23.54 lakh bales that of foreign cotton has more than doubled from 3.03 lakhs to 7 lakh bales. With imports of cotton continuing to be large, off-take of Indian cottons during the current season might not be much larger than in the previous season even though the crop is estimated around 52.5 lakh bales against a mere 37.5 lakh bales in 1959-60. This means that the season will end with a substantially larger carryover. This will naturaly check any important rise in prices. Of course much more depends upon the trend of monsoon in coming months.

Bullion

Moderate Recovery

BULLION prices staged a moderate recovery last week. Gold second Jeth settlement moved irregularly up from Rs 117.20 to Rs 118.50 and closed at Rs 118.25 against Rs 117.35 a week ago. Silver second Jeth settlement which was done down to Rs 196.75 early in the week rose to Rs 200.10 by the weekend and finished at Rs 199.45 thus showing a net gain of Rs 2.40 over the week. Recovery in both the metals was due both to short covering and modest renewed bull support induced mainly by technical considerations. Off-take was not heavy but arrivals were relatively small. Backwardation charges in gold increased from 85 nP to Rs 1.65 but in silver they declined from Rs 1.30 to Re 1. The premium on spot silver over second Jeth contract rate declined from Rs 1.30 to 50 nP but the premium in the case of spot gold increased from Rs 1.15 to Rs 1.75.

The general body of the Bombay Bullion Association has approved of the changes in the by-laws proposed by the By-Laws Committee. This paves the way for a three-monthly contract instead of the present monthly contract. The new contracts are designed to avoid deliveries in Chaitra and Vaisakh because of the heavy demand for bullion in these months. The sanction of the Forward Markets Commission is considered to be a formal affair since these changes are said to have been incorporated after sounding the Commission in the matter.

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Company Notes

BANK OF RAJASTHAN

FOLLOWING the taking over of Treasury business in Rajasthan by subsidiaries of the State Bank of India, the Bank of Rajasthan has ceased to transact this business at six of its branches. This loss has been made good to some extent by arrangements for collection of water and electricity bills. Four new branches were opened during 1960, raising the total number of branches to 36, including one mobile branch in Jaipur City which serves the suburban residents.

Deposits increased during the year by Rs 44 lakhs to Rs 5.36 crores. In spite of the increase in the credit ratio from 41 per cent to 49 per cent, the ratio of liquid assets to total liabilities at 55 per cent at the end of the year was higher than the over-all scheduled bank ratio of 44 per cent. Net profits after bonus and tax have increased from Rs 1.27 lakhs to Rs 1.85 lakhs. Reserves stand at Rs 8 lakhs against the share capital of Rs 9.23 lakhs.

ARVIND MILLS

MODERNISATION is being pursued with vigour at Arvind Mills of the Kasturbhai Group. In 1960 alone, Rs 66 lakhs was spent on expansion of gross fixed assets. In addition to 192 automatic looms under erection, permission has been received to install another 144 automatic looms, of which 48 have already been ordered. Part of the new equipment installed consists of one Dronsfield roll grinding machine, Uster evenness testers and one shearing and cropping machine. Orders have been placed for high draft spinning frames with preparatory equipment. The total outlay on new equipment installed and ordered is estimated at Rs 2.45 crores. The installed capacity of the mill now is 62,448 spindles, 3,964 doubling spindles and 1,216 looms with complete dyeing, bleaching and printing plants.

Sales in 1960 fetched Rs 374 lakhs at a gross profit margin of nearly 25 per cent. The net earning of Rs 44 lakhs represents 13 per cent on net worth (the company has no loan liability), and nearly 72 per cent on equity capital. Out of the net profit, Rs 28 lakhs has been distributed and Rs 16 lakhs retained. The company's free reserves at the end of 1960 amounted to Rs 246 lakhs against the share capital of Rs 86 lakhs.

NATIONAL RAYON

THERE has been a slight delay in the commissioning of the tyre cord plant of National Rayon due to shortage of cement and delay in the delivery of cables. The plant is now expected to go into production only towards the end of the year. Production on the 12 new rayon spinning frames, which bring the total complement to 88 frames, however, should have begun this month. The machinery for the 100-ton sulphuric acid plant is under installation; this plant is expected to be commissioned about the middle of next year. Licenses have been obtained for a cellophane paper plant, expansion of caustic soda plant and for putting up a 100-ton rayon grade pulp plant in Mysore. Negotiations for a loan to cover the foreign exchange component of the caustic soda expansion project on deferred payment terms are proceeding.

Net sales in 1960 amounted to Rs 648 lakhs after payment of Rs 69 lakhs as excise duty. Gross profit margin was about 30 per cent. Net earning came to Rs 83 lakhs, which represents 10 per cent on capital invested, more than 16 per cent on net worth, and 30.4 per cent on equity capital. Out of the net profit, Rs 63 lakhs has been distributed; of the remaining Rs 20 lakhs, more than Rs 13 lakhs has been carried to reserves against various liabilities.

The company's free reserves now stand at Rs 91 lakhs against the share capital of Rs 415 lakhs. In addition, it has specific reserves of Rs 117 lakhs for deferred taxation, debenture redemption and staff gratuities. The debenture liability of Rs 150 lakhs maturing in 1965-70 is satisfactorily covered by a redemption reserve of Rs 60 lakhs. The company's unsecured loan from the Export Import Bank received during the year amounted to Rs 32.11 lakhs on the date of the balance sheet.

Gross capital formation during 1960 aggregated Rs 130 lakhs, of which expansion of fixed assets accounted for Rs 122 lakhs, and inventory for the balance. Machinery in transit amounted to another Rs 50 lakhs . . .

MODI SUGAR

THE percentage of sugar recovery at Modi Sugar improved during 1960 from 9.56 per cent to 9.76 per cent. Cane crushed increased by 31 per cent and the number of days worked from 137 to 166. The working results of the vanaspati factory are reported to have been satisfactory, partly because the raw material was purchased when the prices were low. The newly imported gas plant was commissioned during the year. The factories manufacturing soap, spirits, and lanterns also worked satisfactorily.

Sales during the year ended October 31, 1960 amounted to Rs 571 lakhs, earning a gross profit margin of about 7 per cent. The net profit of Rs 18 lakhs comes to 17 per cent on net worth and nearly 25 per cent on equity. Distribution absorbs Rs 12 lakhs.

Small Gas Turbines

SMALL gas turbines have started a revolution in power on the land and sea and in the air. Boeing Airplane Company's Industrial Products Division has worked for years in the field of small gas turbine power and has pioneered the majority of the world's small gas turbine applications in marine, industrial, vehicle and aircraft fields.

Boeing turbines have helped set a number of firsts : A Boeing-powered truck was the first to be driven by a gas turbine engine. The truck was operated for 60,000 miles over mountains and desert, through snow, rain and heat. Boeing turbine engines also powered the world's first turbine helicopter, first mechanical-drive turbine locomotive, first turbine boat, first turbine-powered tank, first turbine-powered firetruck and first turbine-powered earthmoving tractor.

The gas turbine is a simple device. The engine draws in air, compresses it, heats it by burning fuel in the compressed air, and the force of these hot gases turns a turbine wheel which produces the usable horsepower. It has many advantages — light weight, small size, simplicity, torque-convertor characteristics, low noise and vibration, flexibility of control, ability to operate on common grades of fuel and oil, all-weather operation and reliability

KALINGA TUBES

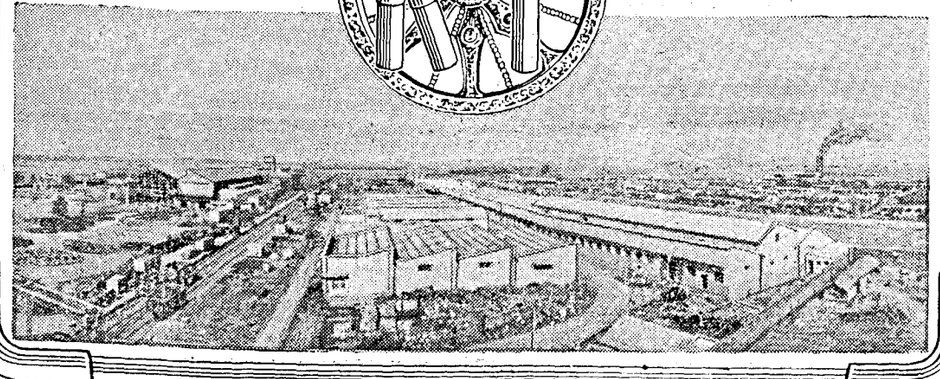
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CURRENT STATISTICS

BANKING RETURNS

(*Rs Crores*)

Reserve Bank	May 19	May 12	Apr 21	May 20 '60
1. Note circulation	1985.50	2007.26	2007.65	1880.06
2. Rupee coin	118.23	117.93	122.10	125.15
3. Deposits	273.95	263.32	263.23	279.50
(a) Central Govt	68.01	56.53	63.91	57.99
(b) Other Govts	15.22	14.20	4.30	29.47
(c) Banks	76.43	78.28	87.06	94.24
(d) Others	114.29	114.31	107.95	97.79
4 Foreign Securities	113.01	113.01	118.01	163.01
5 Balances abroad	22.86	21.94	10.79	11.66
6 Rupee Securities	1651.94	1671.94	1672.06	1496.40
7 Investments	203.42	171.78	152.24	231.77
8 Loans and Advances to Govts	81.04	87.89	93.45	51.31
9 Other loans and advances	121.92	133.80	126.27	114.78

Scheduled Banks	May 12	May 5	Apr 14	May 13, '60
1 Liabilities	1764.28	1764.75	1764.13	1938.23
Demand (net)	710.30	721.80	716.58	769.15*
Time (net)	1053.98	1042.95	1047.55	1169.08*
2 Cash in hand	49.73	48.74	47.82	50.16
3 Balances with Reserve Bank	72.15	75.85	74.88	92.59
4 (2) + (3) as % of (1)	6.62	6.76	6.65	7.36
5 Borrowings from Reserve Bank	42.78	39.09	56.90	49.16
(a) Against usuance bills and/or promissory notes	23.64	21.40	33.30	16.23
(b) Others	19.14	17.69	23.60	32.93
6 Advances	1100.45	1101.74	1103.40	966.52
(a) State Bank	254.48	258.77	262.68	202.66
(b) Others	845.97	842.97	940.72	763.86
7 Bills discounted				
(a) Inland	153.18	152.70	158.57	123.28
(b) Foreign	44.98	47.40	47.56	45.32
(c) Total	198.16	200.10	206.13	168.60
(i) State Bank	15.93	16.81	17.52	14.17
(ii) Others	182.23	183.29	188.61	154.43
8 (6) + (7c) as % of (1)	70.53	70.61	70.97	58.56
9 Investment in Govt Securities	552.65	547.14	560.41	741.37
(a) State Bank	227.41	224.97	236.78	379.37
(b) Others	325.24	322.17	323.63	362.00
10 (9) as % of (1)	30.01	29.68	30.37	38.25
Cheque clearance	170.60	206.64	184.39	191.20

*Includes deposits of banks and others.

Bombay Money Rates

(% *per annum*)

(Selected Scheduled Banks other than State Bank)

Call Money	May 12	May 5	Apr 14	May 13, '60
From Banks	5.00	4.96	5.25	3.50
Deposits :				
Seven Days	3.00	3.00	3.00	3.36
Three Months	—	3.50	3.50	3.50
Six Months	3.75	3.75	3.75	3.47

Bombay Bullion

(*Rs and nP*)

	May 25	May 18	Apr 27	May 26 '60
Gold (per ten grams)				
Spot	119.55	118.40	121.05	112.01
Forward	117.90	117.20	118.80	108.74
Silver (per kilogram)				
Spot	199.35	197.80	201.95	182.96
Forward	199.10	196.95	197.15	183.70

PADDY PRODUCTION IN ASIA

('000 *metric tons*)

Country	1960-61*	1959-60	1958-59	1957-58	1952-56 Average
Burma	6,969	7,027	6,572	5,090	5,801
Cambodia	1,400	1,406	1,183	1,410	1,305
Ceylon	795	753	763	658	603
India	46,000	44,011	45,536	37,331	39,655
Indonesia	13,500	12,100	11,784	11,448	11,068
Japan	16,073	15,626	14,991	14,330	12,639
Korea	3,114	3,255	3,254	3,086	2,616
Malaya	960	907	714	799	699
Pakistan	13,750	14,403	12,015	12,934	12,779
Philippines	3,836	3,740	3,685	3,203	3,230
Taiwan	2,488	2,320	2,356	2,287	2,074
Thailand	7,460	7,256	7,050	5,724	7,236
Viet Nam	5,400	5,300	4,300	3,192	2,478
Others	2,000	1,970	1,999	1,888	1,964
Total	**123,745**	**120,117**	**116,202**	**103,380**	**104,147**

*Preliminary Estimates

Source: Food and Agriculture Organisation of the United Nations, Rome

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53 = 100)

	Apr '61	Mar '61	Feb '61	Apr '60
Food Articles	**117.5**	**117.5**	**116.3**	**118.6**
Cereals	99.3	100.2	99.8	103.8
Pulses	87.3	92.8	92.2	89.4
Fruits & Vegetables	116.4	108.4	104.2	136.7
Milk & Ghee	116.3	115.8	109.5	114.7
Edible Oils	161.2	163.8	160.4	138.2
Fish, Eggs & Meat	125.1	123.6	121.3	118.0
Sugar & Gur	118.5	117.3	119.9	139.7
Others	171.2	166.8	169.3	159.9
Liquor and Tobacco	**112.0**	**113.4**	**111.2**	**103.1**
Tobacco	109.2	110.7	109.8	101.2
Fuel, Power, Light & Lubricants	**122.3**	**122.7**	**119.8**	**118.1**
Industrial Raw Materials	**152.9**	**159.1**	**159.4**	**134.2**
Fibres	164.4	176.9	178.9	130.0
Oilseeds	157.2	159.7	158.4	141.4
Minerals	95.2	95.2	95.2	98.2
Others	126.7	128.3	128.3	130.7
Manufactures	**126.8**	**129.4**	**129.2**	**117.8**
Intermediate Products	**136.0**	**137.3**	**134.2**	**123.2**
Finished Products	**125.3**	**128.2**	**128.4**	**116.0**
Textiles	129.1	133.9	134.4	116.3
Cotton	126.6	126.6	126.1	124.6
Jute	142.2	161.6	167.7	103.0
Woollen	110.1	110.1	101.1	104.2
Silk & Rayon	116.8	117.1	111.4	102.5
Metal Products	146.9	146.9	146.9	148.3
Chemicals	105.4	105.1	104.2	104.5
Oil cakes	143.6	145.4	149.1	139.1
Machinery & Transport Equipment	112.6	112.6	112.6	111.0
Others	118.6	118.5	117.0	114.7
All Commodities	**125.7**	**127.5**	**126.7**	**120.4**

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Real late
UNDER SECRETARY TO GOVT. 580 JUN 1961 PUBLIC DEPARTMENT

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Emergence of an Export Policy

HOWEVER attractive may be the concept of balanced growth, such growth can neither be a desirable nor a feasible policy objective. In no field of human endeavour do things proceed that way; it is, in fact, the emergence of imbalances which provide the motivation for concentrated effort to attain balance and in that process, a fresh imbalance is created and thus it moves on. The class would move slow indeed if it had to move with the dullest boy and growth would be much smaller if the dynamic sectors in any economy were to be held back and made to conform to the growth rates in the sectors which are sluggish and slow-moving. It is growth in the dynamic sectors far outpacing the others which creates the need and supplies the incentives for setting the lagging sectors in motion.

While dealing with unbalanced growth in terms of ground-swell instead of waves on the surface, we must distinguish between imbalance of the ordinary or garden variety—the leads and lags, or the frictions, bottlenecks, or even minor crises which arise from errors of forecasting, accidents or human frailties in achievement. For the ground-swell, the big heaves which push the economy forward in giant steps, the Chinese have coined a telling phrase—the policy of dynamic balance. The latter is not to be understood as just a moving balance as that of two people walking hand-in-hand along the rails on a railway line.

There are, of course, all sorts of inconvenient and even disconcerting gaps between idea and reality, aspiration and achievement. In practice, it is difficult to draw the line between one kind of imbalance and another. It is particularly difficult at this moment, when power shortage has broken out all over the country in an acute form, cement has gone underground and become extremely difficult to get and the transport situation has become so acute that inadequate movements of coal are holding up progress in the steel plants which are at once the crown and the king-pin of all the planning in this country so far.

Is the power shortage the delayed action of decisions taken some years ago to save the 'hard core' of the Second Plan from the foreign exchange crisis ? Or, is it the outcome of disparate and unconnected series of accidents and mis-adventures? Is the cement shortage, similarly, the resultant of past decisions taken, not in the Planning Commission, but in the private sector which was discouraged from going ahead with expansion because temporary shortages of steel had so slowed down construction activity as to affect adversely profit prospects in this industry? One, who is looking for the ground-swell and the big thrusts forward, would be naturally inclined to dismiss the current situation in power and cement, not as matters of no consequences, but as failures arising from errors of judgment or changes in expectations. These belong to a different plane. They are not in the category of imbalances which are dynamic and stimulate big leaps forward.

One should not ask either the inconvenient question which is really the dynamic sector of the Indian economy, the sector which has been pulling the others along, the focal point of the forward thrust? Without presuming to answer this question, one may yet say which are the

non-dynamic or sluggish sectors: agriculture and exports. That agriculture had been holding back planning and progress was acutely realised right at the beginning of the Second Plan even before the latter was finalised. Hence the last moment upward revision of the target for foodgrain production. Though the target was revised upwards and quite substantially, the appropriate policies to realise this target were neither clearly formulated nor energetically pursued. With the result that agriculture has been a drag throughout the major part of the Second Plan period and could be largely held responsible for the inflationary pressures in the economy during these years. The Third Plan seeks to correct this major imbalance and the motivation for this big and important change, one can find only in the unfortunate experience of the imbalance in the Second Plan period.

On the export front, we have all along been very complacent. Even the Third Plan Draft Outline hardly formulated any export policy. The ease with which we obtained external resources and a certain fatalistic attitude towards exports engendered this complacency. There are signs that this is now going be broken. The export policy had not so far been an integral part of the Plan; it appears that it is now being properly integrated into the Third Plan. What has shocked us into action, one may ask. A big shock alone can stimulate a big spurt.

The idea of a passive export sector is now being replaced by that of an active exports policy. One indication of this is the upward revision of the annual average export target for the Third Plan from Rs 690 crores to Rs 740 crores. By the end of the Fourth Plan, the objective is to raise exports to the annual level of Rs 1,400 crores. Exports, for the first time, have been thought of as amenable to conscious control and as object of effort. They have also been accorded their rightful place in the long-term perspective Plan.

In the light of the revised export target in the Third Plan, both monetary and fiscal policies as well as the pattern of investment and production programmes will have to be modified. It is understood that both the Planning Commission and the Ministries concerned are currently engaged in this not inconsiderable task of revision and modification. The importance which is being given to the export policy, our Delhi correspondent assures us, may be gauged from the fact that decisions on the various measures to be adopted for increasing exports are to be taken at the highest level — by the Cabinet.

It is only through the emergence of imbalance and the atmosphere of crises created by such imbalance that a major push can come. The process is broadly similar both in partially-planned or mixed economies. The only difference is that, in a mixed economy, perhaps, the imbalance has to go much farther before remedial action can gather momentum. The great stride forward in export promotion which is to initiate such a major change in the economy still awaits the question, however: what is it that gave the big push?

The Algerian Dialogue

From a Correspondent in Evian-les-bains

THE end of the French imperium is now in sight: for seven long years, Algeria has been flowing to its independence as a river to the sea. Historical myths die hard and, perhaps, the hardest to relinquish for the French colonialists is that of *Algerie francaise*. The atmosphere in Evian where Franco-Algerian negotiations have begun has generated the hope that a durable settlement will be reached.

A tough, talented and tenacious Algerian delegation has come to this beautiful health resort town to talk peace under the leadership of Belkacem Krim, Foreign Minister of the G P R A (Algerian Provincial Government), a Kabylian peasant and former veteran of the Italian campaigns with the French army in World War II.

Led by young men, the G P R A has stated that they have not come as beggars to France but as equals at the bargaining table. "It is because we have taken up arms against France," declared Belkacem Krim, "that we are here to negotiate for a free Algeria and a general peace settlement". Belkacem Krim has come to France as the leader not merely of a nation in revolt against France, but equally as the master strategist of the most dynamic military force in all Africa.

Out of a population of 9,000,000, more than 250,000 Algerians have lost their lives and thousands have been uprooted and thrown into internment camps. Yet, despite these savage war losses, Evian is not at all comparable to the Geneva Conference after the capitulation of French arms in 1954. The atmosphere is less tense, more congenial to a harmonious outcome. Yet, this atmosphere itself has been created by the very horrors created by the Algerian war.

Colonial wars have been the cornerstone of the political instability and degeneration of the fourth republic leading inexorably to the Gaullist ascendancy of 13th May 1958. The myths of *la grandeur francaise* had apparently not been shattered by Dienbienphu. For in that same tragic year (1st November 1954), the war in Algeria began, although initially and euphemistically called, as in the war against the Vietminh, "pacification and police action."

"Never vanquished, always betrayed" (obviously by the Paris politicos) has been the refurbished rationalisation of the French professional soldier who has been at war since 1940. Following the grim April days in Algiers and Paris, the French army has succumbed to a demoralisation comparable to the Dreyfus affair at the turn of the century and the debacle of 1940. For the French army today and its professional officer caste now find themselves cut off from the nation with several of its leading officers imprisoned and now being tried for charges of high treason. The arrests of Challe, Jouhaud and Zeller dramatises the depth of the malaise that struck the French army. Yet, it is precisely the elite of this officer caste—notably Generals Challe and Salan — who supported the Gaullist coup of 13th May 1958.

Although administering a decisive blow to French imperialism in the Far East, the military loss of

Indo-China did not result in the moral disintegration of the French army. After seven years of protracted war, which destroyed the fourth republic, and dragged the fifth almost to the brink of bankruptcy, the French army now stands discredited and morally quarantined.

With the army splintered and demoralised, with metropolitan France clamouring for a negotiated settlement, the gulf between the professional soldiery and the nation is now very wide. The French foreign legion, that elite colonial military force cradled at Sidi-Bel-Abbes and Zeralda, with its gory folklore, has now been disbanded. Minus a French imperium in Africa, it has no place in a renaissant France. It is difficult to conceive, as several members of the French military personnel have stated to this correspondent, how the French army can be called upon to prosecute the war in the event of a breakdown of the Evian talks and a resumption of hostilities.

An officer parachutist said that, when the storm broke in Algiers in April, not a single officer expected that the French nation — except the communist part of it — would react so unanimously in their support of De Gaulle. Indeed, the support to De Gaulle cut across party lines and doctrinal beliefs. The writing was on the wall and the Challists were able to read it. Further, as the unfolding of the treason trial makes clear, the bulk of the French general staff was sympathetic to Challe and Salan.

De Gaulle who still insists on labelling the Algerian nationalists 'rebels' realises that the G P R A cannot be fobbed off with rhetorical flourishes. For the first time since Algeria became a French colony in 1830, the Algerians stand as equals. Krim Belkacem is treading the path of Ho Chi Minh, Bourguiba and Mohamed V. Underscoring the philosophical outlook of the G P R A, Belkacem Krim noted: "For us, as for the rest of the world, self-determination is the right of all peoples to govern themselves. Thus, for self-determination to be viable, it must apply to a perfectly defined and valid entity — the Algerian people. It is they who must govern themselves by free consultation." To raise the question of the protection of French nationals and safeguard for their interests in order to justify the partition of the national territory is to assume, he went on, that the "constituted State does not desire to render this safeguard."

Dismemberment of Algerian territory, emphasised Krim, is an anti-peace force containing the permanent germs of instability and crisis. He went on record that the G P R A would not tolerate the existence of Katangas and Palestines which violate the nation's territorial integrity. Self-determination had to be made applicable to an entire people and must be exercised on the entire national territory. In other words, those who live in Algeria are Algerians. The G P R A thesis is that to restrict the application of national self-determination to a single portion of Algerian territory violates this principle. Any attempt to make a division between European and Moslem Algerians will be repudiated by the G P R A.

Among the most jagged stumbling-blocks is the solution to the Saharan problem. In 1960, De Gaulle transformed the Sahara into a special administrative district responsible to metropolitan France but this has been rejected as totally unacceptable by the GPRA. The 'Saharan problem', in their eyes, is inextricably linked up with the principle of self-determination. But, there are other cogent reasons why France desires to cling on to the Sahara. Apart from its prodigious natural resources — natural gas and petroleum — the region contains France's atomic testing-sites as well as the base of Mers el Kebir. Will the legal status of the Sahara prejudice the outcome of the talks? Should the war be continued to preserve the interests of the petroleum cartel? Would it not be possible to have an agreement with the G P R A on the setting up of mixed Franco-Algerian companies? The example of Indo-British economic co-operation is being evoked in support of this thesis.

Can France afford to occupy Algeria with an army of 500,000 for another half a decade and, if so, what would be its effects on the internal stability of the French government? What is the use of these military bases in the age of the I C B M to perpetuate the myths of a discredited military caste? Should the blood bath be prolonged in order to preserve the pickings of a handful of rich *colons* and landowners? And would not a continuation of the war lead to the same harvest of hate and the risk of internationalising the war?

General De Gaulle has brandished the word 'association' in the current talks. The meaning of this word has not been made clear by Mr Joxe in his recent policy statement. However, the Algerian leadership has flatly stated that if the word 'association' is nothing more than a fig leaf for neo-colonialism, it is unacceptable. Judging from the observation of the GPRA, a new Algerian domestic and foreign policy, distinct and diametrically opposed to that of De Gaulle, will be constructed.

Apart from continued fighting, what will be some of the immediate repercussions, if the talks fail? Undoubtedly, the impact of the USSR will increase and the hands of the powerful 'Chinese faction' in the GPRA strengthened. Already Soviet attacks against continued French testing of atomic weapons have reached new heights of virulence and they are an iminous portent. Soviet scepticism of the outcome of the talks has been clearly in evidence. And, the Chinese press is not trailing far behind, in its vehement invective against French colonialism which it regards as part of the bag and baggage of a western conspiracy against the emergent world and international communism.

The very fact, however, that the contestants have been brought to the negotiating table makes this a historic landmark not only in Algerian history, but more important in African history. "The stakes are vast," writes the leading French weekly *L'Express*. "For the first time, a representative — and what a representative — of the most powerful army of the African continent in revolt against the West sets foot on French territory, as a free man and as a plenipotentiary. When he leaves, depending on the outcome of the conversations, the destiny of the world will have changed."

Weekly Notes

Share of Indian Shipping to Decline

THE meagre financial allocation for development of shipping in the Third Plan, with which Shri G L Mehta expressed 'keen disappointment' in his speech at the inauguration of the Eastern Shipping Corporation's new service from the West Coast to Japan the other day, has been much criticised, and not by shipping interests alone. The total Indian tonnage at present is about 9 lakhs tons which just equals the Second Plan target. Of this about 6 lakhs tons are in the overseas trade and the rest in the coastal trade. The growth of tonnage in the overseas trade has been faster than was anticipated in the Second Plan. The Plan had put the target for coastal and overseas trade at about 4 lakh tons each. But the tonnage in coastal trade scarcely increased at all. According to the latest Report of the Ministry of Transport, the reason was that "there has been no increase in the volume of coastal trade to attract the employment of additional tonnage". Besides, the purchase of ships on deferred payments terms for coastal trade has not been possible for ships on coastal trade do not earn any foreign exchange.

The expansion of tonnage in overseas shipping thus exceeded the Second Plan target by almost two lakh tons. For the Third Plan, the National Shipping Board, of which Shri G L Mehta is Chairman, had, it will be recalled, recommended a total target of 14.22 lakh tons, with a corresponding financial outlay of Rs 104 crores.

The Draft Outline of the Third Plan, however, included a provision of only Rs 55 crores for shipping. Within this amount, it was expected that only about two lakh tons could be added to the tonnage by the end of the Plan after meeting replacement requirements. According to the Planning Commission, the target has to be scaled down for want of foreign exchange. The Draft Outline held out the promise, however, that the question of additional allotment for shipping would be considered before the Plan was finalised, depending on the availability of foreign aid. There is little likelihood of this promise being realised. The Minister for Transport indicated at the meeting of the Informal Consultative Committee of Parliament for Transport in March last that the Planning Commission was convinced that it would not be possible to increase the allocation for shipping.

While the foreign exchange position is undoubtedly very difficult, it must not be forgotten that we have been paying about Rs 130 crores every year during the Second Plan to foreign shipping companies. At present Indian ships carry no more than 10 per cent of our sea-borne trade and if the Third Plan allocation for shipping is not raised, the share of Indian shipping will go down to about 7 or 8 per cent. The drain on foreign exchange on account of payments to foreign shipping companies will, therefore, be larger during the Third Plan than it was during the Second.

Orissa Elections

AFTER his two-day election tour of Orissa, the Prime Minister thought so low of the chances of the parties opposing the Congress that he said he felt sorry for them. "They will have a bad time" he predicted. Other reports, including some from Congress sources, do not, however, confirm the Prime Minister's confident view of the Congress Party's prospects. The explanation perhaps is that the Prime Minister was going by the tremendous public welcome that he received throughout his tour without fully taking into account the fact that what will ultimately decide matters at the time of the elections is the local loyalties of the electorate.

A more objective survey of the party position on the election-eve indicates that any significant shift in political fortunes is unlikely as a result of the elections. After the last elections, in a House of 140, the Congress had 56 members and the Ganatantra Parishad 51. If either the Parishad or, as appears more likely, the Congress improves its position, it will be only marginally. The Congress has also to contend with the largescale defection from its ranks which followed soon after its official list of candidates for the election was announced. As a result it is now opposed by ex-Congressmen in as many as 47 of the constituencies.

It is not surprising that Congressmen are already asking whether it was wise, after all, to break up the coalition with the Parishad. When the question of dissolving the coalition came up last year, Dr Mahatab had advised against such a step, arguing that the Congress would not secure a clear majority at the elections. The pro-dissolution group in the State Congress headed by Shri Bijoyanand Patnaik, who has since assumed charge of Congress affairs in the State, ultimately succeeded in selling the idea to the High Command on the strength of their claim to be able to win enough seats at the elections to form a Congress government.

It will, herefore, be a double misfortune for the Congress if it fails to win an absolute majority now. It will revive the old controversy and strengthen the hands of the group which had opposed Shri Patnaik and his move to get the coalition dissolved. Shri Patnaik might then find himself in queer street.

Fertiliser Production

WHAT is the present position of fertilisers? Everyone knows that during the Third Plan, the production of fertilisers will be raised to a million tons in terms of fixed nitrogen, and that every State will have a fertiliser plant. Some of the plants will be for nitrogenous fertilisers such as ammonium sulphate; uria; calcium and ammonium nitrate; nitro-phosphate and so on; others will produce phosphatic fertilisers, such as super phosphates, ammonium phosphates, etc. In the programme of the Third Five-Year Plan, the only uncertainty is about its implementation; so far as the aspirations go, they are clear enough.

It is about the present situation that there is a baffling uncertainty. A keen student of Indian planning writes that he has encountered this particular difficulty :

"According to the Third Five Year Plan Draft Outline (p 19 and p 40), production of nitrogenous fertilisers (in terms of nitrogen) was likely to reach 210,000 tons in 1960-61: according to *The Economic Weekly*. (April 29, 1961, p 691) production of ammonium sulphate reached 370,000 tons in 1960; this would mean about 74,000 tons in terms of nitrogen. The gap between 210,000 and 74,000 must be partially due to production of some other nitrogenous fertilisers but which ones? What is the figure of total production of nitrogenous fertilisers, in terms of nitrogen?"

In the statistics of production issued by the Development Wing, either the production of other types of fertilisers are not clearly indicated or it is not possible to separate them. The report of the Ministry of Food and Agriculture for the year 1960-61 states the position as follows :

"For the year under review, the demand for nitrogenous fertilisers amounted to about 23 lakh tons in terms of ammonium sulphate while their availability, including internal production and imports, has been estimated at 9.8 lakh tons".

The figures of imports for the year are not yet available, but from the Monthly Statistics of Foreign Trade for December 1960, one can roughly reconstruct the total for the calendar year. This total is less than 3 lakh tons. If the balance is to be taken as internal production, it then comes to, say, 7 lakh tons in terms of ammonium sulphate or using the conversion formula in the above query, it is definitely less than 150,000 in terms of fixed nitrogen. The gap remains between the expected production in 1960-61 given in the Draft Outline and the actual of some 60,000 tons in terms of fixed nitrogen. This is not to be wondered at. The expectations at the time of the Draft Outline must have been based on Nangal Fertiliser plant coming into operation by the end of last year, and the Alwaye plant of the Fertilisers and Chemicals (Travancore) Limited going into production earlier in the year.

New Angles on the Problem Industry

IT would be perfectly natural for millowners to complain if the price of raw cotton went up too high. Is it not rather unusual for them to complain also when price of cotton is low? This is what Shri N K Jalan did in his address to the shareholders at the annual general meeting of the Elphinstone Mills. Of course, he is not the first millowner to stand up for the cotton grower this year. Several others have done it. But it is no secret that Gujarat dominates the Mill industry and that cotton growers in Gujarat are an important and powerful group. But, one would not associate Shri Jalan with Gujarat to that extent; he does not have to speak for the Gujarati cotton grower who has no dearth of friends in high places.

Shri Jalan makes out a case for ensuring proper returns to the cotton cultivator in order that the incentive for growing more cotton may not weaken, so that the textile industry can be assured of expanding supplies of raw materials in future. While in principle this is unexceptionable, it is nevertheless surprising that Shri Jalan should have to make out a case for the grower since, as far as one can make out, the grower is protected reasonably well. There is a floor price for cotton and current prices are nowhere near the floor yet, nor is there any likelihood of prices dropping to or going below the floor. What has scandalised Shri Jalan, however, is not so much the present low prices of cotton—they are not that low—but the large imports of American cotton, much of which is short-staple and which the millowners are forced to take at a substantial premium over the price of comparable Indian varieties.

The increasing reliance on American cotton, however, to which Shri Jalan draws such pointed attention, is surely to be regretted and the case he makes out for improving the yield and staple length of Indian cottons remains unanswerable. It stands on its own, and cannot be buttressed at the moment with the argument of loss of foreign exchange. The foreign exchange spent on imports of American cotton cannot be utilised for imports of machinery for modernising the textile industry and thereby making exports of Indian cotton goods competitive in the world market. This is because of the somewhat special conditions, under which Amrican cotton is being currently imported, with no foreign exchange cost.

Outdated Modernisation

LIKE other millowners, Shri Jalan is not too happy about the policy pursued by the Government to give protection to the manufacture of textile machinery. It is not Indian labour which is slow in adapting itself to the latest types of machines; it is the machinery-manufacturers who lag behind. As a result of protection given to the textile machinery, Shri Jalan complains, the modernisation carried out is soon 'outdated to a great extent', because the machinery-manufacturers do not, and do not have to, keep pace with developments in other countries. Either, therefore, the mill industry has to be allowed to import the latest machinery introduced in the world markets or textile machinery-manufacturers have to move with the times and go in for the latest type, design and modifications.

Shri Jalan is among those who believe that it is urgently necessary to keep on expanding the production of cotton textiles. If this is not done, he is convinced, one day the supply of cloth will fall short of demand. As a means towards this end, he invites the co-operation of labour unions for stepping up production through fuller utilisation of existing capacity by working the mills 24 instead of 22½ hours by arranging a relay system, staggering of holidays and other means.

Finally, there is the vexed question of prices and profits. Frankly, Shri Jalan does not like control of cloth prices, especially the *ad hoc* reductions. Which millowner does? He argues that the general rate of profits earned by the cotton mills is not high. This can be readily seen by comparing the average profits in this industry with those in other industries. Instead of trying to control prices of cloth, which is bound to be unsatisfactory, since no control can possibly keep peace with fluctuations in demand and supply, he would like cloth prices to be brought down by a reduction in the various imposts both on cloth and on the textile industry.

Then, there is the quesion of returns. So long as price control is selective or sporadic, it will always bear unequally on a particular industry like cotton textiles, while rayon, for example, or manufacture of dye stuffs gets away with so much larger profits. The justification, of course,

is that of larger social purpose, but the logic of it is somewhat rough and ready at best. Implicit in price control—statutory or informal—is the fixation of a fair return on investment and the Tariff Commission formula of gross return of 12 per cent comes in for criticism, first, because out of this the company has to meet bonus, income-tax and dividends and, second, because it is completely out of relationship with money market conditions where even interest on Government loans had to be raised. That the returns can be much higher than 12 per cent allowed by the Tariff Commission in those units of an industry which are run more efficiently than the others, modify the situation a little but not much, when returns in other industries, not subject to control, remain unlimited. To repeat, it is the larger social purposes rather than logic on the basis of which such discrimination can be justified.

Subsidy for Manganese Exports

TO blame the State Trading Corporation for the stagnation in our manganese ore exports is not new, as Shri A N Haksar admitted in his speech at the Annual Meeting of the Shivrajpur Syndicate. Nor is it entirely correct. An important fact which is not often mentioned is that manganese ore exports had begun to fall much before the State Trading Corporation entered the market in 1956. Exports had declined in 1954 and India's share in total world exports had fallen to 21 per cent from 27 per cent in the previous year. India's share continued to fall and was reduced to 18.6 per cent by 1956. Since then, it has, if anything, improved slightly with one sharp rise in 1957.

A recent study by the Economist Intelligence Unit has confirmed what has long been known, viz that, among the causes of the decline in our manganese exports, some were clearly beyond India's control. Most important among these was the development by the United States, which is our main consumer, of a new source of supply nearer home in Brazil. Brazil's share in U S imports rose from 5 per cent in 1953 to 25 per cent in 1959, making it the largest supplier. In the process, U S imports from India as well as from other countries like South Africa, Cuba and Ghana declined.

In the situation prevailing, barter deals have succeeded in stabilising manganese exports and fetch a price for them (see 'Barter Deals for Manganese', *The Economic Weekly*, May 20).

Any long-term policy for increasing manganese ore exports must concentrate on finding markets outside the United States and on developing deposits capable of supplying homogenous ore in substantial quantities.

Shri Haksar also suggests that barter transactions should be promoted, at least in the short period, to ensure that our exports do not lose more ground. Barter transactions were not normally permitted in the case of traditional export commodities, but in 1959 many such transactions involving manganese were permitted by the Government to stem the rot that had set in in our exports. Most barter deals are carried through by Indian importers of such items as steel, acting in conjunction with Indian exporters of ore and its foreign buyers. In these transactions, the foreign suppliers of steel etc are allowed to discount the Indian manganese prices. Such discounts in effect subsidise the Indian manganese exports, for the amount of the discount, generally between 10 and 25 per cent, represents the difference between the high prices of Indian export and the market price at which ore can be sold to foreign buyers.

That subsidy, in some form or the other, would be required to maintain our manganese exports has been recognised by the Manganese Ore Committee which has recommended a reduction in railway freights, dock charges and royalty to bring down the selling price of manganese. This may not increase our exports significantly in the absence of development of new markets and production of better quality ore in large quantities, but it should help to prevent them from falling below present levels.

From the London End

What Price the Common Market?

IT now seems only a matter of time before Britain makes a formal application to join the Common Market. After the failure of the original Free Trade Area scheme, by which Britain had hoped to get the best of both worlds and the damp squib of the Outer Seven, which only served to strengthen the unity between the Common Market countries, Britain feels she has no further cards to play. Britain now feels that in order to protect a certain section of her economy, that whatever the price, she must pay it so as not to be excluded from the Common Market. In a statement in Parliament on May 16th, Mr. Edward Heath, Lord Privy Seal, urged M Ps to see the formidable advantages for all concerned if Britain were to go into the envisaged association with Europe. It is no wonder, therefore, that the question of Britain's association with the Common Market provided one of the main topics of discussion at the three-day talks of senior economic officials from the Commonwealth which opened in London on May 24th.

Interests of Primary Producers

In the past, Britain has made a great deal of play of her obligations to the Commonwealth and how these prevented her from entering the Common Market. While it is true that certain of the older members of the Commonwealth, particularly New Zealand and to a lesser extent Australia and Canada, will suffer because of the abolition of imperial preferences, as far as the newer members — those in Asia and Africa — are concerned, it is certainly more important that some steps should be taken to ensure that the setting up of the Common Market does not mean the exclusion of a large number of commodities they export to Europe because of the preferential treatment meted out to overseas territories of the Common Market countries. Many of the products exported from the latter are directly competitive, as far as Commonwealth countries in Asia and Africa are concerned.

Again, another major preoccupation of developing countries is to secure adequate foreign financial assistance and, as things are at present, because of the balance of payments difficulties of both the U K and the U S A it appears that Germany is the only country that can provide loans which are not tied, and which, naturally, are particularly welcome to countries which have large needs for the import of capital goods. Indeed, it has been found that the effect of a tied loan is to raise prices for the importing country from 5 to 15 per cent and thereby place an extra burden on the recipient of aid. If some rapprochement is not made with the Common Market, there is always the fear that much of Germany's surplus funds might be syphoned into the overseas territories of the Common Market countries. In this connection, Kennedy's proposal to the Common Market for the abolition of preferential tariffs on tropical products and the creation of an Aid Fund for primary producing countries is relevant.

Imperial Perference Will Go

An aspect of Commonwealth trade about which Britain, in the past, has kept rather quiet, is the abolition of imperial preference for British exports abroad, which her membership of the Common Market will entail. With Britain losing her place in the export race, (in 1960 she took third place after U S A and Germany and between 1956 and 1960 the value of U K exports went up by 15 per cent while those of Western Germany rose 60 per cent) she had hoped to retain these preferences. The role of imperial preference, however, has been declining in Commonwealth countries and so Britain is now prepared to reduce these, as far as Common Market countries are concerned, as an earnest of her sincerity to make concessions to the Common Market.

Naturally, very little is known at this moment, of the final terms which Britain will be prepared to accept, and the Commonwealth Conference could discuss only in broad outline the possible implications of Britain joining, on the economies of the respective Commonwealth countries. The Government of New Zealand has already called an emergency meeting to discuss the possible repercussions, and the British Trade Union Council received, on May 25th, a cable from the President of the New Zealand Federation of Labour saying that it would be a big gamble for Britain to enter the Common Market:

"I question whether the British working man will maintain his standards in competition with Europeans if Britain marries into Europe at the expense of Commonwealth trade.....I do not believe it is fully realised that the force behind this drive to herd Britain into Europe comes from the greed of industrialists. In the past they happily sacrificed the British worker for their profit and they have lately engaged in a fierce cannibalistic war of take-over bids among themselves. Now we see a grand take-over contest for Europe. The princes of industry believe they can emerge as the kings. The British worker and his counterpart in New Zealand and other Dominions are to be trampled under in an enormous industrial war in which the victors might be those other than British industry."

British Opinion Divided

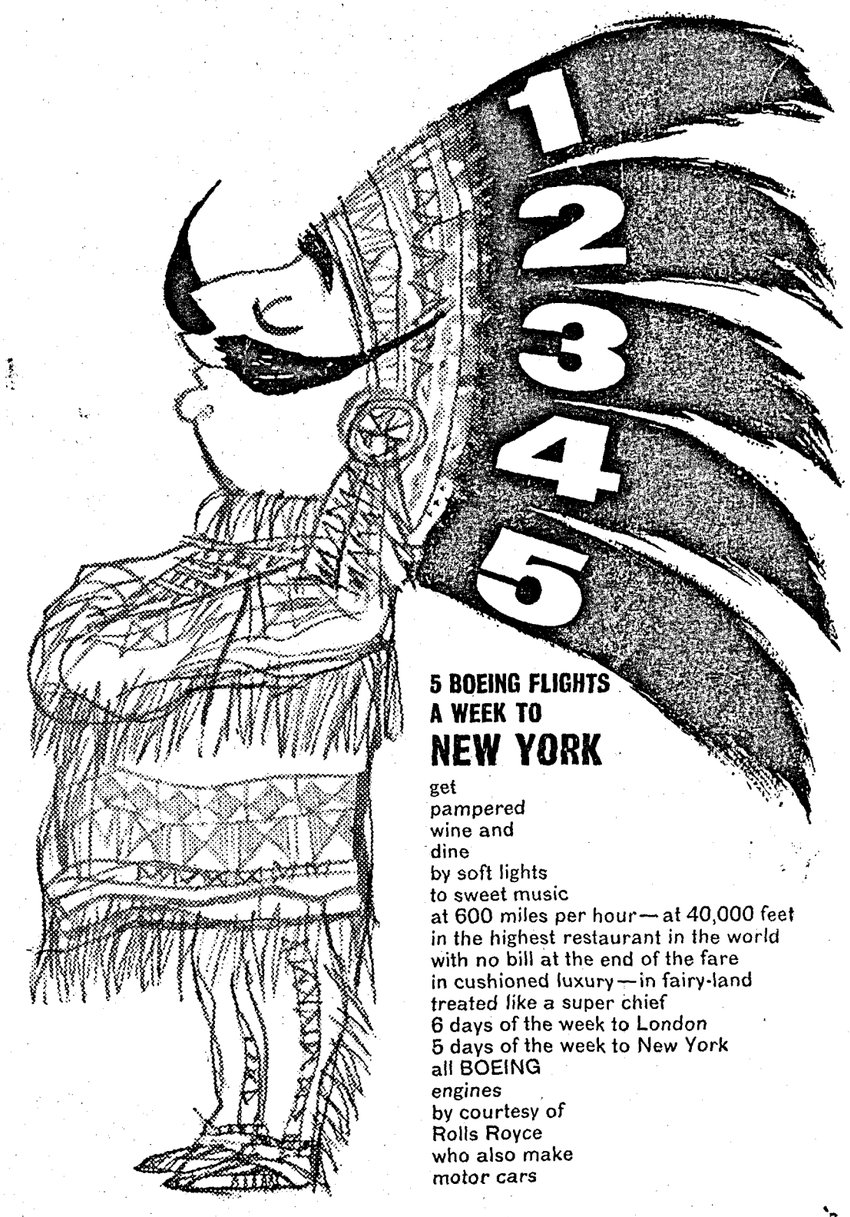
Within Britain itself, opinion is by no means unanimous in support of joining the Common Market. The Express Group is violently against any such move and in a recent article has said: "Britons beware. The propaganda campaign to push this country into the European Common Market is being driven forward with vigour and cunning. Powerful interests stand to benefit from a tie-up with Europe. Do not be bounced into helping the financiers and industrialists who are willing to sacrifice agriculture at home to promote markets for their products abroad. For the people, the Common Market means high living costs and higher unemployment. Hard times for the many to provide rich pickings for the few."

Mr Colin Clark, Director of the Agricultural Economics Research Institute, Oxford, has pointed out how certain prices would rise if Britain were to join the Common Market. The retail price of food would rise by 3.1 per cent (or 1/-½d per person per week) because of price rises in meat and meat products, butter and fats and bread and cereals, though milk, potato and other vegetable prices would fall.

Government Determined

There is no doubt, however, that the present Government and the forces that it supports, have obviously made up its mind to take the plunge, and certain large and efficient industries feel that they can only benefit by having the whole growing European market open to them on the same terms as the more successful exporting firms in Germany. There is also the fear that with Kennedy's support for the Common Market, the dollar will go into Europe, and the City of London will be out on a limb; but no real thought has yet been given to the broader financial consequences of association — the effect on the U K balance of payments and the present restrictions on capital movements. Influential journals like the *Economist* have, for a long time, been in favour of Britain entering the Common Market. The latest move was the launching of a Common Market Campaign in London on May 25th, under the Chairmanship of Lord Gladwyn, and a committee of one hundred, consisting of Tory and Labour MPs, dons, bankers and industrialists with the object to get Britain to join the Common Market — "This dynamic new power which has appeared in Europe."

It is quite obvious that the terms which will be dictated to Britain will be stiff ones and that it will not only be a question of economic concessions, but that the political implications of the Rome Treaty will also play a predominant role. One factor that should not be overlooked is the remarkable economic recovery in France which, on present showing, has a faster rate of growth than Britain and is now in a position to face competition from British industry and is therefore likely to insist even more strongly on the political obligations of the Rome Treaty being carried out. Further emphasis was given to this point when Professor Hallstein, President of the European Economic Community Commission, addressing a joint meeting of the Harvard University and the Massachusetts Institute of Technology on May 22nd, pointed out that any nation which came into the Common Market was accepting a far-reaching political commitment. "We are not in business to promote tariff preferences, or to establish a discriminatory club to form a larger market to make us richer, or a trading bloc to further our commercial interests. We are not in business at all, we are in politics."



Letter from Japan

The Tough Capitalist

THE Olympic Games, 1964, are to be held in Tokyo and the Japanese Olympic Committee has circulated to all correspondents in Tokyo a handsomely produced magazine in English and French containing reproductions of letters from members of the international Olympic committee. The Governor of Tokyo city at a press conference claimed that by 1964 all difficulties of transport and accommodation would be ironed out. A few days after this interview it was revealed that the Olympic plans depended heavily on the use of two United States military housing areas known as Camp Drake and Washington Heights in the centre of Tokyo.

According to the recently ratified Mutual Security Treaty (and also according to the previous occupation agreement with the United States armed forces) all negotiations between the U S forces and the Japanese Government should take place through a special joint committee on which the two are represented. No official approach of any sort had been made to this committee by the Japanese until a few weeks ago. When the U S Government was approached, they released a statement saying that they would be very happy to *lend* the Olympic Committee the use of Washington Heights and half Camp Drake for the duration of the games provided that (a) alternative accommodation was found for the dependents of U S army personnel; (b) in the event of an emergency the camps would be returned immediately and (c) Camp Drake be returned to the army after the Olympics in the same condition

This statement created a storm. Members of the Olympic Committee claimed that they had been shown around the two camps a number of times by high army officials and that they had said nothing at all about any conditions for releasing the camps. The Olympic Committee, it appears, believed that the two camps would be handed over by the U S authorities without compensation to the Tokyo Government. They were, therefore, waiting for the American Government to take the initiative in the matter. The enormous cost of finding suitable alternative accommodation for approximately a thousand western families had not even been considered by the officials in their budget (apart from whether such accommodation could be found at all).

Washington Heights and Camp Drake were owned in the pre-war days by the Japanese Army. After the demobilisation, the Americans took them over. Now the Japanese feel that they were really Japanese property all along. The Olympic games are being used to some extent as an excuse to recover them. This issue could very well lead to the type of anti-American feeling which was in evidence at the time of the Mutual Security Treaty demonstrations. I do not believe, however, that it is the intention of the Olympic committee or the government to encourage such sentiments.

Difference in Attitude

The differences between the Japanese and the United States Government are mainly about how the release of the camps should be secured. The Japanese view is that although it is true that according to Treaty arrangements, the release of the camp should be sought through the joint committee, since it has been known for some considerable time that Tokyo is to be the site of the 1964 Games and since it has been widely advertised that these two camps have a central place in the plans for the Games, the *absence* of any comment by the United States Embassy was taken to mean that they would release the camps unconditionally and the final agreement at the joint committee would be a formality. The American view is that there was no reason why the military officers in charge of the camps should not have been friendly to the visiting members of the Olympic Committee. But this did not imply any *obligation* to hand over the camps until a formal request had been made through the joint committee. Both are to some extent right.

Of course, it must be admitted that the previous U S Ambassador, MacArthur, was extremely incompetent in his public relations. He should have made it clear that he was not going to agree to the Olympic committee's request when it was made formally. But the incompetence of the American Embassy apart, it is a fact that whereas the emphasis in western thinking is on the fixed nature of any document or treaty until it is altered, the emphasis in Japanese thinking is on complicated ties of friendships of which agreements are only a sort of distant aim.

A different example will make this clear. A friend of mine, a foreigner, recently visited a restaurant where, after the meal, he was handed a fantastically high bill. He demanded an itemised list of what he owed and on being given one, found that in the bill were included various non-existent taxes such as municipal tax, house tax, etc. My friend paid half the amount of the bill but refused to pay the balance and left the restaurant, leaving his card behind. He thought no more about it but after a week he was surprised to be visited by a debt collector who asked him why he had not paid the bill in full. My friend claimed that the price charged was exhorbitant. The bill collector suggested that it would be best to discuss the matter over lunch in a nearby lunch-room. After a meal which must have cost at least half the amount of the unpaid bill, the bill collector asked my friend whether he was prepared to pay the outstanding bill. My friend refused again and the bill collector then paid for the lunch.

Now, by Japanese standards my friend was behaving outrageously. Irrespective of whether the original bill was high or not, since he had had a free lunch at the expense of the bill collector he was obliged to pay the outstanding bill.

I could mention many other examples. Perhaps one reason for the Japanese attitude is that Japan is probably one of the last really tough capitalist countries in the world. If one has no friends in high places, no attempt to seek redress through normal legal channels will really help. The result is that the whole of

Japanese society is built around membership of a number of associations and groups (of which the famous *ziabatsu* is only one example). The social insurance schemes in Japan are not based on the principle that every sick or unemployed person should receive help from the State because he is sick or unemployed but on the principle that as one belongs to a special association, a university or firm or even a municipality one has a right to be helped by it. The government subsidises such groups so that they may help their members but will never help an individual directly.

A Compromise Society

Indian readers may be surprised to learn that there are still many Japanese who suffer from the effects of the atomic bomb dropped on Hiroshima who either receive no treatment because they are too poor to pay for it or who have to pay for treatment themselves because they do not belong to one of the special associations which take responsibility for its members. Hospitals which treat skin radiation will give free treatment only to those whom they find important from a medical point of view. The large sums of money devoted to the "peace movement" are not primarily aimed at relieving the suffering of all those who suffered from the atomic bomb.

Japanese society is a *real* capitalist society unrelieved by social welfare schemes as in England or by legislation aimed at mitigating the worst effects of uncontrolled competition as in America. Under Japanese conditions it is no wonder that people think in terms of negotiations and compromise rather than in terms of rigorous adherence to the actual terms of a treaty or agreement. Incidentally, there are cases pending before the courts of law (which in theory are supposed to hand down irreversible judgements) for the last fifteen years. This is not due to bribery or protracted litigation but because no government has felt it sufficiently important to introduce a programme of reform or to increase the number of courts since it is the Japanese view that a compromise between the parties outside the courts is better than a settlement based on a court judgement.

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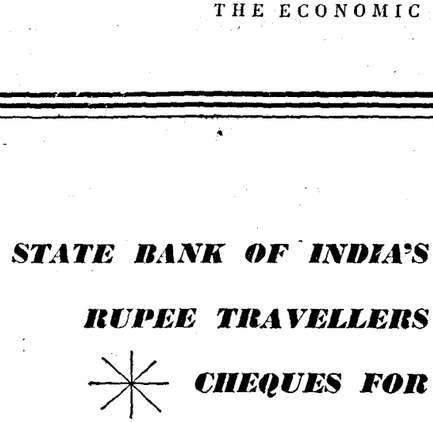
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SISTA'S-SB-15

Letter from South

DMK Split and After

Madras

THERE was a huge crowd at the airport here one hot afternoon last month. The Mayor, Munnuswamy, was leaving on a tour of Russia and Eastern European countries. A host of Dravida Munnetra Kazhagam members and supporters had gathered to give him a farewell. When the Mayor arrived he was warmly embraced by C N Annadurai. Others crowded around him, garlanding him and wishing him well. And then as he went up the steps, the Treasurer of the party and Annadurai's trusted lieutenant, M Karunanidhi, ran up to him and hugged him. Someone handed up the D M K colours and the Mayor waved the flag, smiling at the crowd.

Members of the newly-formed Tamil National Party stood watching, clutching their garlands, the speeches they had prepared frozen on their lips. In a sudden shift of political loyalty, the Mayor, who only a few days ago had walked out of the D M K with Sampath to form the Tamil National Party, had turned back on the new party. He announced his decision to rejoin the D M K just before emplaning for Russia. In the uproar that followed after the plane had disappeared from view, there was much hissing and spitting — not merely figuratively. A few Tamil National Party men slipped their shining new party badges into their pockets. Others hurried out amidst cries of "down with traitors" to warn Kannadasan, a noted lyric writer of Tamil films, who was even then speeding to the airport. Kannadasan was one of the 'traitors' who quit the D M K when E V K Sampath broke with C N Annadurai and left the party, taking with him legislators and councillors of the Corporation, including the Mayor.

E V R's Proteges

Both Annadurai and Sampath were members of the parent party, the Dravida Kazhagam. Sampath is E V Ramaswamy Naicker's nephew and Annadurai was then his first lieutenant. Both had subscribed to Ramaswami Naicker's anti-Brahmin ideology and held with equal passion that Northerners were aliens, that the South was neglected, that Hindi was being imposed. But they were more sensitive than Periyar to public opinion and to the public ridicule to which the Periyar's exaggerations exposed them. They also resented their being ignored.

E V R's following was largely among the masses. Annadurai's brilliant orations could excite the masses and rouse them to political frenzy and his slogans had the effect the tom-tom has upon a tribal gathering. The "big brother's" image was built up carefully and, as elder brother, "Anna" would offer loving counsel and guidance to Periyar. It was then acknowledged that he was Ramaswami Naicker's political heir.

But the mantle of leadership was slow to fall and when the aged Periyar married his young secretary, Annadurai and Sampath resigned in disgust.

Break with Periyar

The Dravida Munnetra Kazhagam ("Munnetra" literally means "to bring forward") was formed. In place of D K's black flag, red was given equal importance with the black in the new party's colours showing its leanings towards communism. The D M K and its young leaders caught the imagination of numberless young men. Came the General Election in 1957 and although the D M K fared badly as a party, its top leaders were elected — Annadurai to the Legislative Assembly and Sampath to the Lok Sabha.

It was not long before signs of a split in the D M K became evident. Many groups in the party, especially the group associated with the cinema, were closer to "Anna" than Sampath.

These groups began to view with disfavour Sampath's growing prestige as the 'spokesman for the South'. He seemed to be cast in a different mould, not quite one of them — less given to melodrama and extravagant speech. During his sojourn in Delhi as Member of the Lok Sabha, Sampath realised two things: one, that Northerners were not as terrible as he had supposed; two, that a 'Dravida Nadu' which included Andhra, Kerala and Mysore besides Madras was absurd, since the other Southern States wanted nothing of the sort. He also disliked the frequent hooliganism of his partymen. He wanted party procedure to be made more democratic. Above all, he wanted party funds to be handed over to a committee.

No Place for Sampath in D M K

Sampath came back from Delhi full of reformist zeal and the clash occurred at the Vellore Conference early this year. At the Conference, Sampath was assaulted — verbally and physically. He resigned all party offices and went on a fast — a purificatory fast, symbolic of the change that had come over him. 'Anna' issued copious statements expressing his grief at Sampath's behaviour, but did nothing else until he was forced by public opinion and political necessity to agree to a meeting with the steadily weakening Sampath. There followed the inevitable 'assurances' and Sampath broke his fast. But all the time Annadurai was strengthening his position in the party and preparing for the inevitable split.

At a meeting at Nagapattinam when a collection of Rs 3,000 was presented to him, Annadurai handed it over to Karunanidhi, though Sampath was present by his side. The gesture was not lost upon Sampath.

The formation of the Tamil National Party made the split irrevocable. Sampath publicly announced his renunciation of the 'Dravida Nadu' ideal. His disillusionment with 'Drivida Nadu' was widely shared in the D M K.

The reaction of the two leaders to the language question in Ceylon was typical. While Sampath flew to Delhi to represent to the Prime Minister the plight of the Tamils, Annadurai staged a mighty demonstration, some 15,000 volunteers marching past the Ceylon High Commission.

Relations between the D M K and the Tamil National Party are as strained as they could be expect-

ed to be. Words and shoes are freely bandied and the D M K's attempts to break up Sampath's meetings have necessitated the Police Commissioner's intervention on more than one occasion.

With the formation of the Tamil National Party, have the dissensions within the D M K been eliminated? I put this question to a Congressman. "Why", he replied, "it's all a question of leadership. In the Congress, there was Gandhiji in those days and there was no one else of his stature. C N Annadurai became a leader by virtue of his oratory and writings. An admiring crowd of young men set out to imitate him and the effort spawned dozens of orators and writers. Now there is a crop of leaders and the technique is no longer valid". I agreed. Now there are as many D M K newspapers as there are D M K leaders. And each of the Kazhagam's 15 legislators is his own leader.

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Y. 33

Form and Substance in Indian Politics — V

Party System

Rajni Kothari

The overwhelming influence of the party system on the functioning of all political institutions in the country has been stressed in this series. The consummation of the substantive political process in the two networks of party and administration and their mutual interaction were the theme of the last instalment.

The analysis is carried further below by focussing attention on the working of the party system itself. It will be shown that the system as it has developed is in many ways unique and without parallel in other countries.

The Constitution and the electoral system point to a development of the party system along conventional lines; in practice, its development has been along different lines and in the process, it has affected the working of the Constitution itself.

THE influence of the party system in politics is largely a result of our historical development. In many Asian countries, political institutions have developed under quite different auspices under an administrative bureaucracy or a military elite. In India, the movement for national independence was allowed to be openly organised by the British; second, and this is very important, it was spread over a period; thus there was enough time to build up a well-designed organisational network; third, the need was felt quite early to give the movement a mass basis thus turning a "microscopic minority" of Swarajists into a nationwide organisation. Max Weber's "stages" of party development[1] from aristocratic cliques to parties of notables and finally to mass parties do not apply to the Indian case where almost from the beginning the party had to be consciously organised and given a popular basis at a later stage. The Indian National Congress had emerged as a highly organised party long before Independence, achieving what Sir Ivor Jennings has called "organisation in depth".[2] India was, therefore, in a very fortunate position when Independence came. The leadership of the "movement" took over the government of the country and sustained it at all levels. Along with the administrative hierarchy inherited from the British, this made for political stability, avoided political disintegration and ruled out any possibility of the military taking over.

The "organisation in depth" of the Congress party also ensured that its authority would not be seriously challenged. While acute differences with the official line often developed within the Congress, the dissenting members could either try to influence the party from within or leave the party and go into wilderness. Attempts at bringing about an open split have been frustrated and although each break has meant the withdrawal of some very capable men from the Congress, thus weakening the party, the dissidents have lacked the political support that could make for an effective opposition.

Eclecticism of the Congress

This was so before Independence; it has been even more so since. The position is similar to that in Britain and America where the formation of a new party is an almost impossible task, except that in India the dissidents from the Congress do not have the alternative of joining another equally well-organised party. Besides, differences within the Congress did not always mean a complete and decisive breaking away of the dissidents from the party. Thus, when the Socialists in the Congress differed from the party's official leadership, there was considerable difference of opinion among the socialists, one group advocating a complete break and the other pleading for changing the Congress from within.[3] The argument has continued ever since between those in the Socialist party (now the P S P), who have sought "co-operation" with the Congress, and those who have advocated socialist militancy, in the process further splitting the socialist opposition (for example, the breaking away of the Lohia Group from the P S P). The only major merger among opposition groups (between the Socialist party and the KMP[4]) made for a dilution of the socialist platform and turned the P S P into a feeble replica of the Congress, which could provide no real alternative to the ruling party. On the other hand, the decision of the Kidwai Group to continue within the Congress strengthened the hands of the Prime Minister against the rightists in the Congress.

Many of the weaknesses of the Congress party arise from its eclecticism; so does its strength. The Congress has shown a flexibility in its political programmes which has defeated all attempts at providing real alternative to it. By adopting the socialistic pattern resolution, it stole the thunder from the P S P; by modifying its agrarian policy in practice, it prevented the Swatantra party from mobilising the land-owning classes against it. Even the Communists are forced to choose between "co-operating with Nehru" or going all-out against the parliamentary system. In this latter sense what the Communist party offers is an alternative to the present political system, rather than to the ruling party, the Amritsar thesis notwithstanding. The Congress party (as well as some opposition parties) treats the Communist party as alien to the existing political order and is in no way reconciled to its parliamentary status: the Kerala experience demonstrated this beyond all doubt. The understanding between the parties, which is necessary for the C P I to function as a parliamentary opposition, just does not exist.

Political developments in the Western world have led to the classi-

fication of political systems into one-party systems (used widely to describe the dictatorships) and multi-party systems; the latter being further divided into the two-party systems and systems where there are more than two parties.[5] Complementary to this broad classification is the distinction made on the Continent between the party of action and the party of platform, depending upon the degree of proximity to power. There is also the distinction between the party of programme and the party of personages, broadly approximating to the distinction between institutional and personal government. Finally, theorising about the British system has led to a division between the conservative party and the progressive party.[6]

How to Classify the Congress ?

None of these classifications is completely relevant to the Indian situation. Although the opposition parties are remote from the exercise of authority, thus making for much preoccupation with ideological issues, the Congress party is also preoccupied with such issues to a marked degree, largely because of frustration with action programmes. Similarly, the Congress party claims to be as "progressive" as most of the opposition parties. Again, the dominance of personalities and the lack of institutional leadership is evident in a more or less equal degree in all Indian parties. The more general classification into one-party and multi-party systems also loses much of its meaning when applied to India. The fact is that we have neither a one-party system which assumes not only the absence but also the illegality of other parties nor a multi-party system which assumes that no party is sufficiently powerful to form the government by itself. Nor is it a 'multi-party system *in theory but a one-party* system in practice' as it is often described. Attempts to fit facts into a preconceived pattern are misleading as they fail to take into account the most important facts about the Indian situation. The party system as it has emerged is unique and should be analysed in terms of itself. Most important for this analysis is to understand the relationship between the Congress and the opposition parties. We must, therefore, start with the latter.

The role of opposition parties in India is quite distinctive. Instead of providing an alternative to the Congress party, they function by influencing sections within the Congress. They oppose by making Congressmen oppose. Groups within the ruling party assume the role of opposition parties, often quite openly, reflecting the ideologies and interests of the other parties. The latter influence political decision-making at the margin. Criticism from the platform or in the legislature has often found response among Congressmen and been echoed in the deliberations of the party. The political stature of an opposition leader and his personal relations with the high-ups in the Congress have often given him an influence with the Congress which has prevented frustration and bitterness which would otherwise result from his party being in a position of permanent minority. This also explains why there is such a wide gap between the leadership and the rank and file of the opposition parties and partly accounts for the lack of unity among these parties.

Opposition Fragmented

The fragmentation of opposition parties has baffled observers. It has been observed that in a social order which is in the process of disruption, militant political parties provide a sense of belonging to the educated youth, who are also more often than not unemployed.[7] This is true to some extent and accounts for the anxiety of the rank and file of opposition parties to maintain the separate identities of their respective parties. The importance of this factor should not, however, be overstressed. For it is also true that political parties in India have failed to inspire young men who are turning increasingly indifferent to politics. Their ranks are being slowly depleted and the opposition parties are becoming top-heavy with much personal rivalry among leaders. The reasons for fragmentation have, therefore, to be sought in other factors.

One reason which has already been mentioned is the position of the Congress and its front-rank leadership in Indian politics. The impression has, therefore, gained ground that only if the Congress breaks up is there any chance for any other party to come up. Rampant factionalism within the Congress has given the opposition hope that such a break up is in the offing. Meanwhile, only by entering into some arrangement with the ruling party can the opposition parties taste power. This is possible in States where the Congress does not have an absolute majority in the legislatures.

Reasons for Divisions

This points to another and a more important reason for the continuing divisions within the opposition. The fact that no single party has been able to challenge the Congress led each party think that it is more capable than the others to eventually replace the Congress and that the others should therefore merge themselves. This attitude in turn ensures that no party can really replace Congress. Meanwhile, individual politicians contest the elections to get themselves elected, not to put their party in power. This has led to lack of concern for building up the party; it has also made for the absence of a common outlook among the members of the party in different parts of the country. Instances where regional units of these parties have flouted their national leadership are not lacking. The P S P, for instance, was forced to change its stand three times in two years on the question of coalitions with other parties, and in the end had to approve rather than condemn deviations from the official line in the States.[8] While discipline among the rank and file is stressed with almost totalitarian thoroughness, disunity among the leadership has become endemic. Disunity among opposition parties is reinforced by disunity within each party and the result is to reduce politics to a sort of personal sport for individual politicians. (The Communist Party, however, prevents a marked contrast with other opposition groups in all these respects but the Congress is determined to prevent it from coming to power. In this, the Congress can confidently count on the support of other opposition parties.)

Opposition to the ruling party does not take the usually expected form. It takes quite different forms in this country. There is much irresponsible criticism, a chronic habit of complaining and shifting all blame to the Government, sporadic compaigns of personal vilification and an inclination to wash dirty linen in public. The monopolistic position of the Congress, the unorganised and fragmentary nature of the opposition which cannot even adequately ventilate popular grievances, and the atmosphere of corruption and jobbery have given rise to a negative attitude among the general public. It goes further : antipathy to the ruling group turns into antipathy to politics itself. Politics is not for good men and it is only for opportunists and careerists. Such reactions are common among the middle class and more so among the intellectuals. The net result is that organised opposition is discounted and centralisation of power continues unchecked. This is aggravated by opposition politicians who, frustrated with the existing situation, plead for co-operation with the ruling group, in effect refusing to oppose. The "compulsions of a backward economy" thesis[9] is a rationalisation born out of a basic weakness of the opposition. Here too, the Communist Party's strategy is very different viz to wait for a general exasperation with the party system that would give it its real chance. Such exasperation is already noticeable among important sections of the people, and is often expressed by men who are till yesterday outstanding politicians. The fanciful plea for "unanimous elections" is another indication of the anti-party bias in recent political thinking. Such an ideology, shared as it is by part of the opposition, means that the latter is withdrawing from political struggle in precisely those areas, such as local government where it has most chances of success. All this adds to the confused and fragmentary state of political opposition in the country. The net result is that the only alternatives with which the country is left are the continuing exercise of power by the Congress which works through an internalised opposition system but which, if continued for long and under the leadership of less scrupulous leaders, would turn totalitarian; and the Communist rise to power which would bring an end to the party system itself. It is an impossible choice.

Today almost the whole of the political process is taking place within the folds of the Congress. *The Congress is more than a party, it constitutes an entire party system.* The conflicts and alignments within the Congress are of greater political import than its conflict with the opposition groups. The operative political categories in India are factions within the ruling party, organised on different lines *and interacting in a continuous* process of pressure, adjustment and accommodation. The true opposition that emerges is not against but within the Congress. In this, the opposition parties themselves play their part at the margin as indicated above.

The Political Process

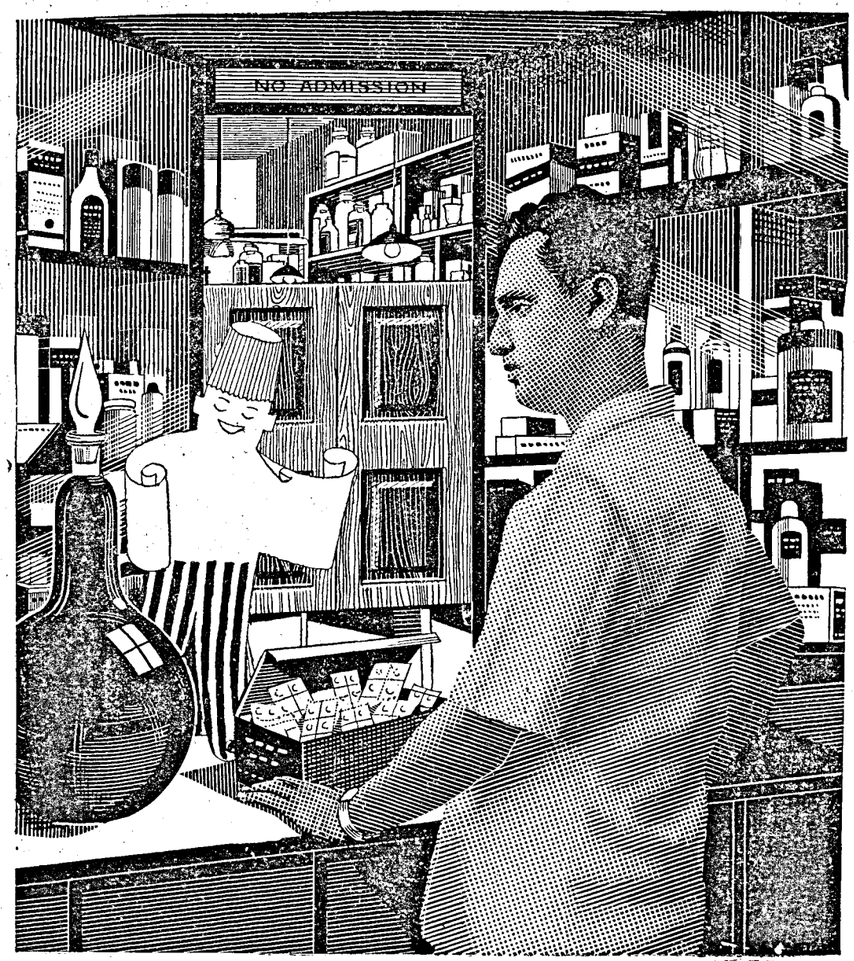
This also means that a large part of political conflict and competition for power take place before and after rather than during the general elections. Before, in the selection of candidates and the regional and group pressures that affect such selection and after, in the formation of ministries and the dispensation of patronage. Also in cases where the Congress has not returned with an absolute majority in the legislature, the real process starts after the elections. Attempts are made to obstruct other parties from assuming or continuing in power for long by mustering the strength of the Congress from all sides, by invoking interference from the High Command or the Central Government, by coalitions and united fronts and by the holding of new elections under more favourable circumstances. What the elections (and re-elections) do is to endow such a process with legal sanction. The elections are very important on other counts also. They provide a channel of participation to the general public thus legitimising authority, force the ruling party to make bargains with organised interests, and generally spread political consciousness among the electorate.

The upshot of the above analysis is that the working of factions within the Congress provide the substantive context of the political process that goes on in this country. Further, it is at the level of factions that the true nature of the Congress and its distinctiveness from other parties is also revealed. For it is at this level that one can see how close the Congress is to society: it reflects all the major social divisions and interest groups. It is also at this level that traditional institutions find entry into the political process. The factions have their own structure and lines of communication and constitute an intricate system of decision-making. They give rise to forms of political behaviour that cut across the formally established institutions and provide a clue to the otherwise baffling twists and turns of Indian political life. They can, with some intensive study, be as precisely located as the more formal institutions. Broad and tentative observations can here be advanced.

The faction system (factionalism is an emotive term and has no place in an analysis of institutions) works at all levels of the Congress organisation. Generally, however, the lower down we go, the more pervasive the system becomes in conditioning the political process. It is also found in more unalloyed forms nearer the base. Once we leave the rarefied atmosphere of parliament and administration and the Working Committee and go down, say, to the Mandal Committee level, we see that the whole picture changes. The issues differ; the understanding of politics differ; the norms differ; and although the formal procedures bear resemblance to those found in the higher levels, the actual process of arriving at decisions differs. There is much that the purist would find deplorable at this level but it should not be forgotten that what happens here determines to a large extent the tenor of Indian political life.

At the Lower Level

Factions at the local level are based on caste, kinship and personal loyalties, the last being the most important. Dominant personalities provide the rallying points of opposing factions. As factional loyalties are, however, based on expediency and are thus inherently unstable, kin and caste ties are brought into play to impart stability to personal followings. These are then reinforced by the dispensation of patronage and the personality of the leader. The result is clear divisions of the party that are openly avowed and that give rise to constant conflicts and adjustments. Of course, the factions



MEDICINE MAN MR. AL FOIL F.G.S.P.P. . . .

". . . Fellow of the Grand Society for the Protection of Pills" said Mr. Foil, greatly impressing the awed Chemist who had never heard of the degree before. "That is just one of many honours conferred on me", continued Mr. Foil modestly, "by Pharmacists for having rendered valuable packaging service to the medicine manufacturing industry. Whatever the pharmaceutical product, be it pills or potions, aluminium foil wrapping safely seals in the prophylactic and curative properties for long periods and effectively protects them from contamination, moisture and dirt . . . And that," finished Mr. Foil, "is just what the doctor ordered."

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sometimes disrupt and make for total frustration. Political adjustments are often confined to the dominant caste within which the faction system operates, thus leaving out the majority and making far much concentration of power. The depressed communities are usually denied any real access to power. Consequently the political process assumes great rigidity. But this is not always so. The electoral system is forcing the higher castes to seek support among the lower strata; the administration's "interference" in local affairs on behalf of the depressed communities opens a way for ventilation of complaints which have to be heard and settled; and the Congress ideology, which is slowly seeping into local politics, makes it difficult to deny elementary rights to men who were hitherto considered as outcastes. Moreover, the dynamics of the faction system itself is obliging local leaders to cast their net wider than their own community and extend their patronage system beyond their own kin. A miniature party system cutting across traditional divisions is emerging within the Congress in most localities.

Mandal — District — Pradesh Links

The Congress organisation has not spread physically to each village; nor is it necessary. Members of the Mandal Congress maintain contact with the politically active villages in various ways, through the Local Board, the District Development Committees; the village Sarpanch does so through the Panchayat Samiti and the Zilla Parishad, and even the local Talati who very often lives in town. Being the ruling party, the Congress has a privileged position among villagers who still look towards political authority in the traditional manner. The faction system penetrates the villages too. Village politics is invariably the cock-pit of local factions; these factions are linked to factions at the Mandal level sometimes and these links may create faction hierarchies; more often, however, the leader of each faction at the Mandal level is influential in a group of villages. mediates in village disputes and helps settle them, in the process building up his own support in the locality. The linkage is often indirect and roundabout but it is nonetheless present.

The really important links of the Mandal-level factions are, however, with groups within the District and the Pradesh Congress. It is a two-way traffic. Good connections with important persons or groups in the Pradesh Congress or the State Government strengthen the hands of particular leaders and the factions they lead at the lower level. Equally, a strong and dynamic leader with a large following in the district carries great weight at the State level. The system of communications between factions at different levels is important and although politicians from above often come to "settle" disputes at the lower level, such attempts are usually soon abandoned, largely because the State politicians are themselves indirect parties to the faction system. In fact, quite often the conciliatory move from above comes at the behest of local politicians in conflict with the ruling group.

To complete the picture, it must be mentioned that the strength of State politicians and their groups depends to a large extent on the weight they carry with the High Command and the Union Government. The process is similar as between the district and the State, except that it is of much greater political import and substantially affects the incidence of political mortality in the States.

Organisational and Governmental Wings

The hierarchy of factions outlined above does not exhaust the group process within the Congress. While it is very important for maintaining both the unity and the efficiency of the party, the most important dimension of the faction system is found at the State and national levels. The two-party system that is really emerging in India is made up of the Congress government in power and the organisational wing of the party. The opposition parties marginally influence this struggle; so does the factional hierarchy discussed above. On the other hand, this struggle is largely independent and has its own dynamics, very often affecting the fortunes of politicians at other levels and in other parties.

A marked shift has been noticeable of late in this struggle. The organisational wing of the Congress, till recently dominated by those in the government, has begun to assert its independence quite openly. Those in charge of the organisation constitute a rival faction to those running the government. They use various techniques of competition, traditionally associated with the opposition party. They make representations on behalf of aggrieved interests; they make legislative members make use of the question hour in criticising the government; they even utilise the press to publicise their dissatisfaction with the government; above all, they seek to win a majority in the legislature on their behalf and if the governing group feels it must have its own way, they are prepared to replace it as an alternative government. They use other means also. Motions are passed in Pradesh Congress meetings; representations to the High Command are made and mediation called for; very active canvassing is carried out for elections to the A.I.C.C., the Pradesh Election Committee, the Central Election Committee and the Working Committee.

The organisational wing has been building up its strength by giving greater importance to the affiliated agencies of the Congress like the Seva Dal, the Youth Congress and the Mahila Congress, but even more, by making political use of these agencies. This is a comparatively recent, phenomenon. These agencies recruit new and young men who add strength to the Congress organisation and nurse the ideology that field work is more important than the governmental work: the trend of reducing the ministerial VIPs to their proper size was clearly in evidence at the Sardarnagar Session.

Faction System in the Wings

All this does not mean that either the organisational or the governmental wing is united against the other; the faction system enters the functioning of each. Again built around personalities, the organisation is made up of a number of groups; so is the government. The strength of the faction system in the highest governmental organs was dramatically evident at the recent contest for the Deputy Leadership of the Congress. These groups interact in an intricate manner, governmental factions seeking support from among organisational factions and vice versa. The affiliated agencies themselves dis-

play the same trend, the Youth Congress runs as a parallel organisation to the Seva Dal in many its functions and constitutes a rival force. Leaders of the Youth Congress and the Mahila Congress are known to build up "connections" with important persons in the party, extending thereby the faction system into these agencies. Thus almost every Congressman belongs to one faction or another; the faction system runs through the entire working of the party and constitutes the substantive party system in Indian politics.[12]

Alongside the directly affiliated agencies, there are a number of organised interest groups close to the Congress that are able to influence the organisational wing and through it, the government. The strength of the Indian National Trade Union Congress as a pressure group, for example, is well-known. There are similar other organisations of students, women, peasants and the professions which are either run by Congressmen or which enter into informal relationships with the Congress. They are also a part of the faction system and exert substantial pressure on the organisation.

Where Indian Parliamentary System Differs

The organisational and the governmental wings of the Congress are in some ways not unlike two different parties and the rivalry between them has influenced the conventions of parliamentary government. After a prolonged debate a general agreement has been reached in England[13] that the government is responsible to the electorate as a whole and not only to the party that has put it in power. It follows that to insist on the government's subservience to the party's executive would be to violate a basic tenet of democracy that the most important organ of the party is the parliamentary party and that the primary function of the party organisation outside parliament is to "service" the parliamentary party and work for its success in the governmental process.[14] The situation in India is quite different. Historically, the formation of Congress ministries in the States in 1937 was part of the political strategy of the Congress and the governments formed by the Congress followed the directives of the party, although this caused strains even then.[15] Since independence, the view that the Congress is not merely one among many parties and that it still continues to be a national organisation, the growing realisation that the Congress organisation had lost its former vigour and must be revived, the emergence of the organisational wing as a rival organ and the attempts of this organ to control the government, and the lack of effective opposition from other parties have led to a situation contrary to that found in other countries. The Congress insists, and many in the parliament and the government agree with this view, that the Congress government is accountable to the party. The lack of opposition from outside and the weakness of the legislative and electoral machinery in making government accountable to public opinion have also made the divergence of the Indian from other parliamentary systems inevitable. The faction system is a different type of party system. It accounts for this divergence from the traditional pattern.

Factions Have a Role

The unqualified condemnation of "factionalism" within the Congress by national leaders is often based on an unrealistic appreciation of the political process. It is forgotten that factions have role to play at the present level of our political development. They prevent the rise of a monolithic state by providing a built-in opposition within the ruling party. In the absence of effective opposition from outside, they prevent excessive concentration of power. Within the party, too, they make for intimate relationships thus modifying the operation of the law of oligarchy found in all organised parties.[16] They make for constant interaction between opposing interests and necessitate the adjustments so vital to the democratic process. They accomodate all the important sections of society, *albeit* in an unequal manner. They lend flexibility to the political process and enable governmental changes to occur without a purge. While they have obstructed the growth of the vital convention of tolerating opposition parties in power when public opinion demands it and has kept the country unprepared for a change in administration, it has prevented the Congress monopoly from becoming totalitarian. On the whole it has made "politics by discussion" both possible and necessary.

On the other hand, factions, if not restricted, can prove dangerous, and lead to instability and intrigues. More important is the danger to the country's unity. It is true that genuine political unity assumes political divisions, but when the emphasis on divisions outstrips the concern for unity, the result is disintegration of the political community. But the worst consequence of factions, one that is inherent in it, is the exaggerated emphasis placed on personalities. The result is exercise of authority based on individual caprices in place of institutions and programmes. "Charismatic" authority is more suited to a totalitarian political order than to a democracy. Unless institutional correctives restrict factions, political instability and the consequent public exasperation would pave the way for dictatorship.

Conciliation Machinery in Congress

Such correctives exist within the Congress organisation. The Congress has an elaborate conciliation machinery that is prepared to intervene whenever the factions reach a deadlock. There is the Congress Parliamentary Board which mediates between government and party when acute conflicts arise. Deputations from the High Command to the States have become a regular feature of Congress politics. Various standing and *ad hoc* committees are appointed by the Congress President and constitute part of this conciliation machinery. Such questions as corruption among Congressmen, communalism and the neglect of minorities as well as specific charges against ministers are dealt with by these committees. The Central Election Committee and the Pradesh Committees apply themselves carefully to the selection and screening of candidates and settle differences between various organs and interest groups within the party. The conciliation machinery is in almost continuous operation and problems arising from the working of factions constantly call for solution. The dangers inherent in the system are partly avoided by such timely mediation. The conciliation machinery wields considerable influence

as it derives its authority directly from the High Command. On the other hand, it is certain that its present efficacy depends on the presence of outstanding leaders who have the interest of the nation at heart. Once, however, the faction system becomes all-pervasive and the power conflicts at the Centre come into open with each leader trying to build up support in the organisation, such a machinery will become ineffective. This tendency would be corrected only by a complete division within the Congress organisation all along the hierarchy which would lead to the formation of a genuine party system free from factions.

Swatantra Party Fills a Gap

Much would depend on the smoothness with which such a development takes place. The faction system has been performing an important function during the difficult period of transition from a national movement in which all sections of opinion joined together to a full-fledged party system in which the public is asked to choose between competing parties and programmes. With the rise of such a party system, each party will have to close its ranks when faced by other parties, although every party would still continue to perform its pluralist function of representing diverse social interests within itself. It is very difficult to trace the steps by which such a development would occur. The fragmentation of the democratic opposition within the country seems to have no sign of ending. The "menace" of the Communist Party adds to this fragmentation by forcing the other opposition groups to work with the Congress, thus preventing the building up of a strong and unified organisation which alone can ensure success at the polls. Such fragmentation leads to the emergence of local parties, which while they can successfully compete with the Congress in selected areas, have neither the leadership nor the organisation to spread their influence. Further, such localised parties, because they do not have to answer to a diverse electorate, tend to be parochial in nature. They cannot represent different interests cutting across the non-secular divisions within society.

The formation of the Swatantra Party has filled an important gap in Indian politics: a rightist party performs a useful function in a democracy. That its programme is largely negative does not matter: such is the politics of the right when in opposition. To condemn the party because it represents "vested interests" is also wrong. All political parties start by representing interests. But the party suffers from the same traits as other opposition parties. It lacks unity, is without sound leadership, is weak in organisation and its appeal is confined to the discontented. It is rigid in its approaches to other parties. The main function it performs at the present is, therefore, of influencing the Congress at the margin through factions within the Congress.

Among parties with narrow local influence, the most prominent seems to be the Jan Sangh which is now trying to free itself from its sectional past, to build up a sound organisation and capitalise on the growing discontent with the Congress party. It may well emerge as a major opposition group in some States. It has not however, succeeded, in attracting progressive individuals, and is too encumbered by its past and lacks dynamic leadership. So long as its successes are largely negative and built upon the discontent of minorities, its future is doubtful and it is dangerous to the political development of the country inspite of its avowed secularism.

There are two great dilemas of Indian politics that are prominently reflected in the party system. One concerns the place of the Communist Party in it. A political situation in which the Communist Party appears as the only alternative to the Congress is unthinkable. The totalitarian dangers of a communist rise to power are obvious. But this danger also causes the adoption of totalitarian tactics by parties of the right. The communists are prevented from coming to power by unparliamentary tactics. At the same time, continued rule by the same party ultimately leads to a situation where the public begin to crave for a change—any change. The paradoxical situation in which a large number of people who dislike the Congress are nevertheless obliged to vote for it cannot continue for long. Change, when it comes would be catastrophic. The political strategy adopted by other opposition parties in face of the Communist 'threat' — which obsesses them more than it does even the Congress—prevents them from concentrating on building up their own organisations. This prevents any party other than the Communist Party from emerging as an alternative to the Congress.

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Communist Tactics

The Communists, the other hand, realising that the Congress will not allow them to come to power easily, adopt more roundabout and flexible techniques. They concentrate their efforts on strategic areas hoping to make them pockets of power from where the "movement" can be directed. At the same time they make every attempt to make themselves acceptable to the public. The Dange-line on China, the Amritsar thesis and active participation in legislative activities make the communists appear respectable. At the same time they have also launched on a process of "permeation". Their influence on Congressmen, some in important positions, whose democratic convictions are not strong, is well-known. The acute rivalry between factions within the Congress is also driving leaders of the factions to strengthen their hands by accepting the support of pro-communists and giving them important positions. (This is one of the most disturbing aspects of the working of factions within Congress: the opportunistic alliance of factions with communists and communalists. With this has started a process of Communist "infiltration" in the ruling party, the government and the non-political agencies.[17] Once the Communists succeed in controlling a few key positions in the Congress or the government, the political situation will be transformed.

The other dilemma of Indian politics is closely related. It follows partly from the impact of modern ideas on a traditional society and partly from the means adopted to bring about change. The Congress is pledged to speedy industrialisation and uplift of the masses. The means it has selected to implement its policies are essentially alien to the traditional order. A wedge is drawn between Congressmen preaching "western" methods and the people who respond to traditional modes of thought and conduct.[18] The problems being tackled are, however, real problems. The result is that the masses desire

change without comprehending the nature of that change. They expect a sudden transformation of their conditions. This creates tension. While expectations are dramatically aroused, the programmes adopted fall short of fulfilling them. Frustration mounts and the argument for adopting other and more speedy methods of change become increasingly attractive. Such arguments—for example, the case for giving power to a dictator or a disciplined "vanguard" for a few years—find ready response in a traditionally authoritarian society. The Congress may itself succumb to such pressures both from fear of losing power and under the influence of new ideologies.

The Future — Uncertain

What is preventing such a development is the presence of a leadership steeped in liberal values. This leadership is now ageing. The ideological convictions of the newly emerging leadership are not yet clear. Meanwhile, institutions continue to be in a state of flux, thus exaggerating the importance of individuals. Much would depend on the development of the party system and the extent to which it imparts stability to existing institutions. In the meantime, in the transition period the factions within political parties are playing an important part. They have made for political mobility within limits, effective opposition to authority and consequent division of power. The dangers they give rise to are also clear: instability, too much emphasis on personalities and political intrigue. What the future holds in store is not clear. But it would largely depend on the extent to which the present system of political power being exercised by factions can transform itself into a democratic party system which would make a smooth change in government possible.

Notes

1. Max Weber, "Politics as a Vocation".

2. "Is a Party System Possible in Africa?", *The Listener*, Vol LXV, 16th February, 1961.

3. The opposing views have been documented in Thomas A Rusch, "Dynamics of Socialist Leadership in India" in Richard Park and Irene Tinker, *Leadership and Political Institutions in India*, pp 197-200.

4. For details of the merger, see Myron Weiner, *Party Politics in India*, pp 98-116.

5. The three types have been discussed at length by Maurice Duverger in his *Political Parties*.

6. For classification of party systems on these lines, see Sigmund Neumann (ed), *Modern Political Parties*, p 400 ff.

7. Myron Weiner, op cit pp 8-10.

8. Thomas A Rusch, op cit p 205.

9. Asoka Mehta's article in the Symposium on "Preconditions of Sustained Growth of the Indian Economy", *The Economic Weekly*, Special Number, June 1960.

10. Jayaprakash Narain, *Towards a New Society*, pp 29-31. On the same theme although based on a radically different orientation, see M N Roy's provocative posthumous publication, *Politics, Power and Parties*.

11. For a discussion of the idea of unity, see the article on Panchayati Raj in this series.

12. For an analysis of the emerging pattern within Congress, see *The Economic Weekly*, "A Report on Sardarnagar", Annual Number, February 1961.

13. For the attempts of Joseph Chamberlain and Randolph Churchill to raise the status of the party "caucus" outside Parliament within the Liberal and Conservative parties respectively, see M Ostrogorski, *Democracy and the Organisation of Political Parties*, Vol I, Part II. The attempt was short-lived. See A L Lowell, *The Government of England*, Vol I. For Harold Laski's revival of the theme in the Labour Party and Attlee's rejection of Laski's views, see Kingsley Martin's *Harold Laski*.

14. For an analysis of the relations between government and party in a parliamentary democracy, see Robert McKenzie, *British Political Parties*, especially pp 9-15, 582-585.

15. The relations between the party organisation and the parliamentary party in India have been dealt in historical detail in W H Morris-Jones, *Parliament in India*, pp 166-185.

16. Robert Michels, Political Parties, pp 417-422.

17. For comment, see *The Times of India*, 26-4-61, "Dangers of Communist Infiltration" by B Shiva Rao.

18. Robert I Crane, "The Leadership of the Congress Party", Park and Tinker op cit p 187.

PERSPECTIVE

AN ECONOMIC REVIEW

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Relative Prices and Inflation

R S Bhambri

It is commonly assumed that in a period of inflation prices of agricultural commodities rise faster than those of other commodities and, consequently, the terms of trade turn in favour of the agricultural sector.

In this note the behaviour of relative prices during inflation is examined within the framework of an elementary model.

The analysis suggests that during a period of slow but steady inflation the terms of trade are likely to move against the agricultural sector.

The behaviour of relative prices in a number of countries in the post-war years confirms this conclusion.

IT is generally supposed that agricultural prices rise faster than non-agricultural prices during a period of inflation. Conversely, agricultural prices fall more rapidly during a period of deflation. Dr Khusro (*The Economic Weekly*, Annual Number, 1961, and April 8, 1961) has produced statistical data to support this view and Professor Dantwala (February 25 and April 8, 1961) has agreed that this proposition is fairly well-known and would be generally accepted.

Changes in the absolute and relative prices of agricultural products have two important implications for a policy of deficit financing. First, rising food prices reduce the real income of low income groups more than the real incomes of richer sections of the population since a larger proportion of income of low-income groups is spent on food products. This may create a climate hostile to economic growth apart from the fact that such changes are regarded as undesirable in a 'welfare' state. Second, an improvement in the terms of trade of the agricultural sector redistributes income in its favour. This, it is supposed, will reduce the average propensity to save and may therefore reduce total voluntary saving and investment in the community.

These arguments have often been used to support financial stability and reject the assumption that the rate of economic growth can be stepped up with the help of moderate doses of inflation. However, before we jump to this conclusion, it may be pertinent to ask whether there are any valid reasons to believe that inflation *per se* turns the terms of trade in favour of agriculture. In spite of the fact that inflation is a much discussed problem, I am not aware of any serious attempts to analyse the behaviour of relative prices during an inflationary period.

Inelasticity of Supply

Of course there is ample historical evidence to confirm the view that the prices of primary products have risen faster than other prices during periods of prosperity. For example the world raw material and food prices rise more rapidly than the prices of manufactured goods whenever demand for primary products is booming in the industrial countries. However, I should like to suggest that this particular fact is explained by the well-known incapacity of primary producers to increase their output in the short period and the highly speculative nature of demand for a good many raw materials. But it is not easy to see the reasons for a relatively greater rise in agricultural prices during a long period of slow and steady inflation, i e the sort of conditions with which we have become familiar during the post-war years. We would also expect speculation to play a relatively less important part if a moderate inflation almost gets built into the structure of the economy. For these reasons it would be desirable to re-examine the effect of inflation on relative prices.

In this note I shall describe the influence of inflation on relative prices with the help of a simplified model. Since, however, simplified models are necessarily an imperfect guide to the understanding of complex issues, the recent experience of a number of countries will be briefly examined. Uniformities, if any, revealed by the empirical data will serve to check the adequacy of conclusions suggested by our theoretical analysis.

The economy is divided into two sectors, the agricultural sector, and the manufacturing sector producing food products and manufactured goods respectively. There are two groups of consumers, the wage-earners and the capitalists. The money income of wage earners is fixed by contract for the short period under consideration, while the income of capitalists depends upon the overall business situation. For certain purposes a distinction will be made between self-employed farmers and other capitalists. It will be assumed that workers consume their entire income while the capitalists are responsible for the entire voluntary saving of the community. But capitalists save only a part of their income and we shall examine how relative prices depend upon the different values of the marginal propensity of capitalits to save.

To begin with the economy is supposed to be in a position of equilibrium in the sense that the supply and demand for various goods, at some structure of relative prices, are equal. The structure of relative prices is, of course, determined by the given cost conditions, the given real income, its distribution and the tastes of the two groups of consumers identified above. Moreover, the level of investment is equal to the total real saving of the community. We shall now assume that the banks create a small amount of money which is used by capitalists to employ a part of the unemployed labour force on a new investment project.

In this note we shall only analyse the effect of a once-for-all increase in the amount of inflationary investment. Periodic increases in the amount of inflationary investment will lead to a repetition of the cycle of change analysed here, but do not produce any fundamental changes which cannot be considered with the help of the device adopted here. Changes brought about by inflationary investment fall into two

categories. First, the attempt by workers to increase their consumption will increase the prices of consumer goods by varying degrees and increase the profits of capitalists. Second, consumption out of profits by the capitalists will bring further readjustments in relative prices.

The newly created income will be spent on consumer goods whose total output is fixed in the short period under review. Relative prices will change if the workers' marginal propensity to spend on a product is different from the community's average propensity to spend on the same product. An arithmetical example will help to make this point clear. Suppose, in the initial position, out of their total expenditure of Rs. 2,000, consumers spend a total amount of Rs. 1,000 on commodity *A* and Rs 1,000 on commodity *B*, and the price of each commodity is one rupee per unit. Assume that out of an additional money income of Rs 100, workers spend Rs 60 on *A* and Rs 40 on *B*. The price of commodity *A* will then rise by 6 per cent and the price of commodity *B* will rise by 4 per cent making *A* the relatively more expensive commodity. If the additional expenditure is distributed in the same proportion as the community's average distribution, the relative prices of commodities remain unchanged.

From this statement it would be clear that inflation would tend to increase the relative prices of food products since the marginal propensity of workers to consume food is likely to be above the national average. But this is of course only the first step in the disturbance of equilibrium and the process of readjustment. As is well-known, the entire increase in money income will be passed on to the producers of consumer goods in the shape of higher profits. Workers will now revise their expenditure plans because they will soon realise that their real incomes have not gone up. Further the relative prices of goods have also changed and this may involve some substitution of the cheaper for the more expensive commodities. Moreover, capitalists will revise their expenditure plans since their money incomes have gone up.

Awareness of a decline in their real income would make the workers spend a somewhat higher proportion of their income on food products. On the other hand, a relative increase in food prices will tend to pull the other way. It would therefore be reasonable to suppose that, for a relatively *small* increase in the amount of deficit financing, the revision of expenditure plans by the workers would have a negligible effect on further price changes.

Secondary Reactions

While the secondary reactions of workers may not influence relative prices any more, the secondary reactions of capitalists are of great importance for determining the final position of equilibrium. This will depend upon the capitalists' marginal propensity to save and the problem may be examined by taking the extreme values of the capitalists' marginal propensity to save, i e, unity and zero.

If the capitalists' marginal propensity to save is unity, there will be no further effect on the relative prices of consumer goods. But if this value is equal to zero, the relative prices of goods will have to be readjusted. The capitalists' marginal propensity to spend on food is bound to be much below the community's average propensity to consume food. Consequently the relative prices of food products are bound to decline.

The reader may of course object that in an underdeveloped country the marginal propensity of farmers to consume food is likely to be higher than the average for the community, since farmers are a poor section of the community. In so far as this is correct the final position of equilibrium will depend upon the weighted marginal propensity of farmers and other capitalists to consume food products. There is however no a priori reason to believe that the value of this weighted marginal propensity will be above the community's average.

This fairly pedestrian conclusion could of course be easily deduced by making use of the well known proposition that inflation increases profit while it reduces the real value of money incomes fixed by contract. And since food is relatively less important in the consumption of capitalists, the relative prices of food products would decline. However we did not want to use this question-begging device since the path by which the new equilibrium is reached will determine the final position of equilibrium. For example, if the workers spend a very large part of their increased income on food and the farmers do likewise while other capitalists tend to save a large part of their extra income, the relative prices of food products are bound to go up.

The conclusions of this brief analysis may be summarised as follows. First, relative prices of agricultural goods will rise as a result of inflation when the marginal propensity of capitalists to save out of profit is very high. But in this case saving and investment in the economy must increase as a result of inflation. Second, if the marginal rate of saving out of profits is low, inflation will not increase the level of investment appreciably in the economy. But in this case it is highly probable that the relative prices of food products will go down. Food prices can increase relatively as a result of inflation only if the weighted marginal propensity of capitalists to consume food is above the community's average — and this is extremely unlikely even in very poor communities.

In common with the practice of most writers on inflation we have so far assumed that all consumer goods are exchanged for money so that increases in money supply affect prices of different goods according to the relationship between the *community's average* and the *marginal propensity of new recipients of income* to consume those goods. But in the case of underdeveloped countries, a large proportion of agricultural output is consumed on the farms and does not pass through the monetary network. This important aspect of market structure is likely to do some queer statistical tricks. During inflation the relative prices of the product of a partly monetised sector would behave in a way which is substantially different from the one outlined above.

This point may be explained with the help of an example. Suppose that total output of agricultural and non-agricultural products at the pre-inflation level of prices is Rs 1,000 each and the price of a unit of each product is one rupee. However only 40 per cent of agricultural output is exchanged for money; the rest is consumed on the farms. Now suppose that additional money income of Rs 100 is created and given to newly employed workers on an investment project. These workers spend Rs 50 on food products and Rs 50 on other consumer goods. The total monetary expenditure on marketed food increases from Rs 400 to Rs 450 and on other consumer goods from Rs 1000 to Rs 1050. Thus inspite of the fact that the marginal propensity of workers to spend on the two categories of goods is equal to the national average, the money prices of food products rise by 12.5 per cent while there is a 5 per cent rise in the price of other goods. Since, however the total rise in the profit of farmers and capitalists in a partly-monetised economy would be the same as in a fully monetised economy, the secondary income-effects would be the same as described above.

Statistical Corroboration

The brief analysis of this note does not suggest any strong reasons to believe that, during a period of inflation, the prices of agricultural goods rise faster than the prices of other goods. It will be instructive to examine whether available factual evidence would provide the basis of a statistical law. For this purpose the movement of wholesale prices of all goods and the wholesale prices of farm products in five countries during the years 1953-59 is shown in the table.

Movement of Relative Prices in Selected Countries : 1953-59

1953 = 100

	Brazil		Chile		India		Japan		USA	
	(G)	(F)	(G)	(F)	(G)	(F)	(G)	(F)	(G)	(F)
1953	100	100	100	100	100	100	100	100	100	100
1954	130	129	157	165	101	94	99	112	100	99
1955	147	145	277	287	90	77	98	112	101	92
1956	176	168	454	408	99	95	102	109	104	91
1957	197	183	646	549	105	104	105	112	107	94
1958	221	198	811	602	106	100	98	117	108	98
1959	305	263	1053	855	112	108	99	116	108	92

G = Index Number of wholesale Prices F = Wholesale Prices of Farm Products

NOTE : Indian figures are based on mid-year averages.

Source : United Nations Monthly Bulletin of Statistics, 1960.

It will be seen that in Brazil and Chile, both of which have experienced a high degree of inflation during this period, the relative prices of farm products have gone down. In Japan, farm prices have consistently risen while the index of wholesale prices has been held remarkably stable. In USA farm prices have gone down inspite of some inflation (cost inflation?) of wholesale prices.

The Indian case needs more careful discussion since this has prompted some writers to formulate a generalization which is being examined here. There is little doubt that agricultural prices have fluctuated more than wholesale prices. But I should like to claim that available data do not support the idea that during an inflationary period terms of trade turn in favour of agriculture. The apparent impressiveness of that claim is based on a satistical illusion.

To demonstrate this point we give below the movement of agricultural and non-agricultural prices during the period 1948-49 to 1958-59.

Wholesale Prices of Agricultural and Non-Agricultural Goods in India : 1948-49 to 1958-59

1948-49 = 100

	Agricultural	Non-Agricultural
1948–49	100	100
1949–50	103.7	101.7
1950–51	112.3	107.6
1951–52	115.7	118.0
1952–53	95.4	118.0
1953–54	89.9	125.1
1954–55	73.8	116.2
1955–56	90.7	121.2
1956–57	99.1	124.6
1957–58	95.8	129.9
1958–59	102.9	135.3

Source : A Khusro, 'Inter-Sectoral Terms of Trade', *The Economic Weekly*, Special Number, February 1961, p. 290

The official figures have been converted to show the movement with 1948-49 as the base year. Since our main purpose is to show how prices rise, this change does not make any material difference but enables the reader to spot the movement of prices without any mental calculations. It will be seen that non-agricultural prices have risen almost uniformally, except that there is a significant fall in the year 1954-55. Agricultural prices, on the other hand, have moved quite irregularly. From 1948-49 to 1950-51 agricultural prices have risen faster than non-agricultural prices. From 1950-51 to 1953-54 agricultural prices have risen less than non-agricultural prices in one year, while in other years agricultural prices have fallen sharply inspite of rising non-agricultural prices. Again between 1955-56 and 1958-59 the rate of rise in agricultural prices has been almost equal to the rise of non-agricultural prices.

Leaving aside these unimportant details the course of prices during the period as a whole in Brazil, Chile and India clearly suggests that inflationary periods are associated with a relative decline in the relative prices of farm products. It cannot of course be claimed that this evidence conclusively proves the results of our brief analysis. During the course of years relative prices may change under the influence of numerous forces — of which inflation is only one and perhaps a not very important force. A statistician in search of uniformities can hardly base any firm conclusions on the basis of a decade's experience. But, I hope, enough has been said here to cast some doubts on the 'law' that during inflationary times agricultural prices, generally rise faster than non-agricultural prices, and that terms of trade turn in favour of agriculture.

U S Investments in India

The total amount of U S A investment in India was Rs 59.85 crores at the end of 1958, representing 10.5 per cent of the total foreign investment in India. This investment was 3.3 per cent of the estimated capital employed in the organised Corporate Sector in the country. U S investment in petroleum accounted for over Rs 41 crores of this figure. The balance was divided among other industries.

The total U S A investment as on June 30. 1948 was Rs 11,17 crores. This represented 4.4 per cent of the total foreign investment in India as on that date.

From the Chair

The Elphinstone Spg. & Wvg. Mills Co Ltd

Speech of the Chairman Shri N K Jalan

THE following is the Speech of the Chairman Shri N K Jalan at the Annual General Meeting of The Elphinstone Spg. & Wvg. Mills Co. Ltd. held on May 31, 1961:-

Gentlemen,

It gives me great pleasure to welcome you all to this Forty-second Annual General Meeting of your Company. The Directors' Report and the Audited Statement of Accounts have been with you for some time now and with your permission, I shall take them as read.

The trading conditions in cloth and yarn in local markets which had taken a turn for the better some time in 1959, showed further improvement during the year under review; and although the total volume of cloth exported from India was lower during 1960 than in 1959, your Company more than maintained the export percentage of its total production of cloth.

It is gratifying to note that the profit of the Company for the year 1960 is about double as compared to that of 1959. I hope you will consider the results to be very satisfactory, especially in the face of higher costs on wages and acute shortage of cotton and stores on the one hand, and the voluntary reductions in prices of cloth and yarn effected during the year, on the other.

Stocks of cloth and yarn were higher at the close of the year compared to 1959 on account of the uncertainty created in the local markets by the reduction in prices proposed towards the end of the year. The present stock position, however, is satisfactory.

Modernisation and Renovation

The beneficial effects of the new machinery installed in the recent years have been reflected in the working results of the year under review. The Management has under contemplation plans for further modernisation and renovation of the mill machinery.

In the Spinning Section about 18,000 new spindles have so far been installed in replacement of the old ones. We have a further programme for the replacement of the remaining old spindles, and also for the conversion of the existing serviceable spindles to the latest system of High Drafting, and also for the conversion of existing Speed Frames to Can feed and D-Zone Drafting. Orders for additional frames have already been placed with the suppliers accordingly. Order has also been placed for 3 High Speed Draw Frames for replacement of old ones.

The Barber Colmen Winding & Warping Machines which were ordered for replacement of half the number of our existing Winding & Warping Machines are expected to arrive shortly. With a view to modernising the entire Winding and Warping Departments, application has been made for the import of licences for one more set of these automatic machines. One High Speed Sizing Machine was put into commission last year and application has been made for import licences for 2 more such machines. Orders have also been placed for one Automatic Warp Tying Machine and 48 Automatic Looms in replacement of plain looms. We have been allotted further 48 Automatic Looms in replacement of plain looms and another 48 as additional to the existing looms making a total allotment of 144 new Automatic Looms.

The processing section has also been progressively renovated and a Mercerising Plant is expected to be received by the end of the current year.

Leather Cloth Division

The working of this division remained at a satisfactory level during the year and the production was about 50 per cent higher compared to the preceding year. Production of Starch Book Binding Cloth which enjoys a good demand in the local markets has been further developed during the year. Steps are being taken to equip this division also with the latest types of machines and a modern type of Embossing Calender Machine has already been erected in this division.

Unfortunately, on account of the restrictive policy of the Government for import licences for plant, machinery spares and raw materials, we have not been able to put into effect all the plans for the further development of this division for modernisation and for manufacture of new qualities. Besides, production was affected owing to shortage of chemicals. With erection of more up-to-date plants, we could have stepped up our production in order to meet the increasing demand for this article from both inland and overseas markets. The Government's plea for being cautious in granting foreign exchange for importation of machinery is not very convincing seeing that the apparent depletion will be more than compensated by increased earning of foreign exchange through exports.

Moon Mills

As mentioned in the Directors' Report, the Company has made an Agreement with the Moon Mills Company to purchase their existing block of lands, buildings, and machinery including 875 looms. It has no spinning section at present and it is contemplated to make it a composite unit by introducing the spinning section with the most modern types of machinery at a total estimated cost of about a crore of rupees.

It is expected that the acquisition of this unit will help the Company to augment the profit-making capacity besides providing more employment.

Dividends on Preference Shares

Under the provisions of the Preference Shares (Regulation of Dividends) Act, 1960, which came into force on 28-12-1960, the holders of Preference Shares would now normally be entitled to a dividend which would be lower than the quantum received by them for the year 1959. Your Directors have proposed to pay dividends on these shares so as to ensure that the share-holders will get the same net amount as they received for the year 1959. It is hoped that this step will be welcomed by the Preference Share-holders of the Company.

Problems of the Industry

Although your Company has fared better than in the previous year and although other mill companies have been able to show good results for the year in varying degrees, it should not mislead one to conclude that everything is now all right with this industry and that it has embarked on the road to prosperity. In fact this industry has continued to remain a problem industry and the problems have only increased at the present juncture.

Unfortunately there is a general impression in the minds of the people and the Government that the Cotton Textile Industry is making enormous profits and is, therefore capable of bearing the burden of any amount of taxes or that any reduction in prices of its products would little affect it adversely. In fact it is just the other way round. As mentioned by me last year from this very platform, the profitability of this premier industry of India has been proved to be the lowest in the industrial sector as disclosed in a study undertaken by the Reserve Bank of India. Besides, with the cloth and yarn prices now being regulated and the cost structure having become so very rigid, it is all the more likely that the profitability of the industry will in fact be lower hereafter.

Further improvement in the level of profitability is necessary to enable the industry to modernize and rehabilitate its plant and machinery from out of the profits that it can possibly plough back from its current profits after taxation and payment of reasonable dividends.

The working group set up by the N.I.D.C. has come to the conclusion that Rs. 180 crores are required towards modernisation of the Textile Industry, out of which the Industry itself has to find Rs. 80 crores, and the balance of Rs. 100 crores is to come from Government bodies by way of loan. Accordingly, unless and until the industry is allowed to build up reserves, it will be very difficult to find money for rehabilitation. It is not proper or legitimate to say that the industry has got big reserves only by locking to the reserve funds of a few selected companies.

There has been a steady decline in the export of cotton piecegoods during the first quarter of the current year and this should be considered as a very unhealthy development especially in the context of the necessity for the country to try to earn as much foreign exchange as possible. Declining exports are due to higher costs and competition from other countries and to circumvent these disabilities, it is necessary to restore the competitive capacity of the industry through all encouragement to modernise and rehabilitate its machinery so that the mills may produce quality goods and be able to sell at competitive prices in the export markets.

On account of increased cost of production due to abnormal incresae in wage, stores and others, Indian goods are facing serious competition in the world markets. The result is that India is losing ground and though in 1960 on account of higher price of cloth, the value of foreign exchange earned by export of cloth was same, the quantity exported in 1960 was lower by about 15 per cent.

In dealing with the question of increase in wages, I do not for a moment say that the labour should not get adequate wage and that their standard of living is not to be improved, but with increased wage and higher emoluments all round, the labour should also be rationalised to ensure competitive value of our cloth in export market.

It is also imperative that the industry should be allowed to be modernised in order to see that India's cloth, the third most important foreign exchange earner, is not priced out of the world markets.

Price Reductions

Price reductions were effected twice by the industry at the instance of the Government during the latter half of the last year. It is wondered whether such expedients in the form of ad-hoc reductions would really help the consumer. Price variations are after all the result of the changes in the demand and supply situation and it would serve no useful purpose on a long range basis to try artificial methods to check the prices.

Inflated cost is the greatest disadvantage this industry is suffering from. It is therefore necessary to ensure sufficient supply of raw materials at normal rates in order to see that the industry can produce and sell at fair prices. Some restraint in the fiscal measures by the Government would also help in creating conditions of steadiness and normalcy for the industry and trade.

Besides, to render real help to the consumer, there is every reason for the Government to come forward to reduce the high incidence of excise duty and other levies on cloth in order to help the consumer. In this context, one fails to appreciate how Government should at all have thought of increasing the rates of excise duty in the Finance Bill, 1961.

Government Policy

In view of the changing pattern of consumption of essential commodities as well as rise in the standard of living of the people of India, the requirement of long staple cotton is steadily growing. It is, therefore, most imperative that steps should be taken to produce cotton of long staple in the country, so that the import of the same from other parts of the world can be reduced to minimum. In the last 3 years the imports of long staple cotton were as follows:-

Year	Bales (Bales of 400 lbs)	Value (in Crores of rupees)
1958	4,00,372	30.6
1959	5,33,165	34.7
1960	11,88,174	73.00

The Government of India has allowed import of 3 lakhs bales of American cotton for the current year which will cost the consuming mills Rs 250/- to Rs 300/- extra per candy which will mean a drain of about 3.75 to 4 crores of rupees. If machinery worth so much would have been allowed to be imported that would have gone a long way to modernise the industries and thereby establish the competitive value in the world market. Evidently, this is a glaring instance of avoidable drain of India's precious foreign exchange. On the one hand, there is glut of stock of cotton in India on account of bumper crop, and on the other hand, American cotton is being imported. Such action on the part of the Government can hardly be reconciled.

As you are all aware, the cultivators have got this year very poor return on their crop of cotton. This naturally will have disastrous result on future crops. The Government should, therefore, take effective steps to ensure proper return to the cultivators. It is disappointing to find that until now the yield per acre and quality of cotton have not improved appreciably.

The policy pursued by the Government to give protection to the Indian Machinery Manufacturers leaves much to be desired. In this connection I regret to find that though the industry is being modernised at heavy cost, the modernisation carried out in India is outdated to a great extent. Considerable improvements have already taken place in other parts of the world. To name some such improvements, I would point out the introduction of 10" and 12" lift narrow width Spg. frames without loss of any production and silver spinning by elimination of processes, which have been adopted in other parts of the world, while on account of the protection in India we have to content ourselves with 8" lift Spg. frames even on which there is loss of production on account of old conventional machinery being produced today. I am rather surprised that according to our local machinery manufacturers 3" lift ring frames are most suitable for Indian labour, cotton and other conditions. Whenever any new advanced machines are introduced in India, we are told that our Indian Labour is not competent enough to adopt to these machines. I am extremely sorry that I disagree with this view point. We have rather found Indian labour adopting themselves to the latest type of machines in the shortest period. I would earnestly request the Government to examine this point and see that either the cotton industry is allowed to import the latest machinery introduced in the world markets today or advise the Indian Machinery Manufacturers to start producing machineries of the latest type, design and modifications.

The Cotton Mill Industry has been continually impressing on the Government the necessity of pursuing a very liberal expansion programme in its favour but unfortunately, the request is not being conceded to. Ultimately, we may find out one day that the supply of cloth will fall short of demand.

The Tariff Commission has fixed a gross return of only 12% out of which the Company has to meet bonus, income-tax and dividends. This return is too small particularly in the context of recent Government loans carrying high percentage of interest. Accordingly, the percentage of the return deserves upward revision.

The industry has given several proposals for stepping up the production by several means such as staggering of holidays, working of the mills 24 hours instead of 22½ hours by arranging relay system etc. I would, therefore, earnestly request the Labour Union to agree to these proposals, in as much as staggering of holidays and 24 hours working have been adopted practically in all other industries.

In conclusion, I have to sincerely thank my colleagues on the Board and to express my appreciation to the executives, staff and workers of the Company for the valued co-operation extended by them during the year.

Thank you.

INDIAN INVESTMENT CENTRE

(An autonomous Body sponsored by the Government of India)

has

opened its Office at

National Insurance Building,
Parliament Street,
NEW DELHI - 1.

Telegraphic Address :
"INCENTRE", New Delhi.

Telephones :
48779
47118
47119

Inquiries are invited and should be addressed to

Executive Director
Indian Investment Centre,
National Insurance Building,
Parliament Street, New Delhi - 1.

The Shivrajpur Syndicate Limited

Speech of the Chairman, Mr A N Haksar

THE following is the speech of the Chairman, Mr A N Haksar, delivered at the Annual General Meeting of the shareholders on Thursday, the 25th May, 1961 :

Gentlemen,

You will recall that on a similar occasion last year I had given an indication that the Company's position would improve during 1959-60. owing to the opportunities provided for export of Manganese ore under Barter transactions. The results of the year fully bear out my expectations.

Trading Results

Deliveries and shipments during the year under review again reached the level prevailing in 1956-57 and in 1957-58, and amounted to 92,529 tons. This represents an increase of about 30,500 tons, mainly of medium grade ore, as compared to 1958-59; at the same time, the average prices realised for your High and Medium grade ores in 1959-60 were approximately the same as in the previous year. Of the total tonnage mentioned earlier, 2,400 tons represents chemical grade ore, most of which was sold to Indian manufacturers, and the balance, consisting of Medium and High grade Metallurgical ores, was sold for export.

From these results it might appear that Indian Manganese ore has made some recovery since 1959 in the international market; I am sorry to say that, in fact, the position is quite the reverse and Indian Ore continues to lose ground to its competitors. You are aware that since 1956 the preoccupation in our country has been to provide the State Trading Corporation with as large a slice of the export cake as possible, and at the same time, the Railways, and the State and Central Governments have also made further claims on the Exporter and Producer. The other producing countries, like Brazil, have taken full advantage of the opportunities thus provided to them and duly snatched away from us a major portion of our traditional markets. I will not today go into this story which is too well-known to require repetition; I will try, instead, to explain how, in the circumstances, your Company was able to achieve good results in 1959-60. For this purpose, I would like to say a few words with regard to Barter transactions.

Barter Transactions and Manganese Trade

I understand that Barter transactions are not normally permitted in the case of traditional export commodities; however, by about 1959, Indian Manganese ore exports appeared to be coming to a standstill and consequently, a number of Barters involving ore exports were permitted by the Government on and *ad hoc* basis. Most of these Barter proposals were put forward and executed by Indian Importers of items such as steel, acting in conjunction with the traditional Indian Exporters and Foreign Buyers of Indian Manganese. In all such cases, the foreign suppliers of steel, etc, were able to "discount" the Indian Manganese prices; this discount in fact represented the difference between the higher price required by the Indian Exporter and the actual or market price at which ore could be sold to foreign consumers. This discount, which ranges today from 10% to 25%, could be taken as an indication of the extent to which Indian ore prices are uncompetitive. I should also mention that all such Barter Schemes have to be approved by the Government who have held that Manganese ore exports against Barters can only be made in the name of the State Trading Corporation.

Coming now to the year under review, of the total deliveries of metallurgical grade ore amounting to approximately 90,000 tons, 66,200 tons were against Contracts outstanding at the commencement of the year, and the balance of about 23,800 tons represented new sales. The latter were possible mainly due to the stimulus provided by Barter transactions, which also enabled us to maintain our price level. In fact, a major portion of the total deliveries was directly or indirectly connected with Barters.

Your Company's immediate prospects seem to be linked with Government policy regarding Barters. These Barters have helped us considerably, but one serious drawback of the policy needs, I think, to be brought to notice. As I have stated earlier, each Barter proposal is considered individually by the Government, and its policy in this regard has been changing constantly even in the short period of two years. Thus, early last year Government revised its policy and since then did not allow Barters of Manganese Ores with Phosphorous content of less than 0.18%; towards the end of the same year, however, Government decided to stop Barters involving any Manganese Ores. But, in the last few months, there have been many rumours that permission would now be given for "Special" Barters involving ore. I am informed that a number of new Barter proposals have, in fact, been submitted for importing steel, machinery, non-ferrous metals, fertilisers, etc, but none of these has so far been approved.

As far as the Manganese Exporter is concerned, the situation today is that fresh sales are possible as and when such Barters are approved, which means that sale prospects are haphazard and unpredictable and it is almost impossible for an Exporter/Producer like your Company to forecast demand and plan production, which we require to do years ahead if we are to achieve maximum economy and reduce costs.

Government's Manganese Policies : Suggestions

To my mind the approach to the country's Manganese problem could be on two lines. Firstly, the short-term objective should be to ensure that Indian ore does not lose any more ground, for which purpose Barters should be freely permitted on terms and conditions which should be well publicised or, failing this, some other form of subsidy should be made available to the Exporter. This is, of course, a measure of temporary relief, while from the long-term point of view,

the Indian Exporter should be able to stand on his own feet. This entails, on the one hand, regaining the confidence that Indian Ore enjoyed prior to Government's intervention in 1956, and, on the other hand, reduction of Indian Ore prices. With regard to the latter, it has been pointed out that the main factors resulting in increased costs during the last few years have been beyond the control of the Producer or Exporter; examples are increases in Royalty, Railway Freight, costs of machinery and spares, the introduction of Labour Legislation such as the Employees' Provident Fund Act, etc.

Company's Efforts

Leaving aside these matters, you may like to know that your Company has been doing its utmost to meet the challenge of this difficult situation and I would like to give an idea of some of the measures.

Last year I had informed you that your Mine at Bamankua had to be closed down as it was the least economic unit and I fear that we may soon have to face a similar situation regarding Pani Mines. At the same time, the major Expansion Project concerning the development and exploitation of the 3rd and 4th levels (350 and 500 feet, respectively, below surface level) at Shivrajpur is proceeding according to plan and this will in about one or two years begin to yield a bigger proportion of High Grade ore, as compared to the present production pattern. As High Grade ore fetches a better price and is also easier to market, this should help us to some extent to retrieve the situation.

I should also like to stress the importance which we place on the beneficiation of Low Grade ores. Mechanical as well as manual methods of screening and jigging have been practised at your Mines for several decades now and these facilities have been increased considerably in recent years. Thus in 1959-60 about 35,000 tons, or 45% of our total output, resulted from beneficiation. A large portion of this was obtained by processing material from the old "waste" dumps from which saleable ore was thus recovered economically. Such processing has also necessitated increasing use of mechanical handling and conveying equipment during recent years. These are but a few of the steps we are taking to ensure maximum economy and efficiency of operations.

Future Prospects

Taking into account what I have stated earlier regarding the various major uncertainties confronting Indian Exporters, you will appreciate that it is very difficult to make any long-term forecasts regarding your Company's prospects. Generally speaking, world demand for Manganese continues to be good and is likely to improve during the year. Imports into the USA during 1960 were slightly better, at 25 lacs short tons, than in the preceding two years. During 1960, the American steel industry suffered a recession and production dropped to about 45% of capacity towards the end of that year; this is now reported to be in excess of 60% and further improvement is expected. Consumption of Manganese Ore in Europe and Japan continues at a high level, but here powerful competition from the Soviet Union has to be reckoned with.

Taking an overall view, it seems that world demand will continue to increase, but this is unlikely to reverse the downward trend of Ore prices, on account of increased production in several other countries and severe competition. I believe there is, in the circumstances, scope for the Indian Manganese Industry, but whether we are able to regain our proportionate share of the increasing world market, or even maintain exports at the present level, will depend largely on whether Government is prepared to reorient its thinking. In any case, I think it is only fair to warn you that according to the present indications your Company's results for the current year are likely to be most disappointing. The tonnage shipped will probably be lower as compared to last year; further, Shivrajpur Ores are today being offered at prices which are lower than at any time since 1955 and the profit margin is far from adequate. This is inevitable in the prevailing circumstances.

Labour

I should now like to say a few words about the Labour situation at the Mines. Relations with the workmen continued to be cordial during the year and there were no strikes or stoppages. However, differences within the recognised Union assumed serious proportions and a stage has unfortunately been reached where it is not at all clear who are the authorised office-bears of this Union. Under the circumstances, the demand for bonus for the year 1958/59 remained pending for about a year and it was only last month that an Agreement was reached between the Company and the representatives of the workmen whereby bonus amounting to 1/8th of the basic wages earned during the year has been paid.

Accounts

The Accounts do not, I feel, require much explanation. The profits after tax amount to Rs 13,29,883/- which, you will agree, is a satisfactory result. Keeping the Development Programme in mind, your Board has set aside Rs 1,42,590/- to the Mine Development and Prospecting Reserve, which is thus rounded off to a total of Rs 30/- lacs. A sum of Rs 3 lacs has also been transferred to the Equalisation of Dividends Reserve and in view of what I have said today about the uncertainty regarding the future, I am sure you will agree that this is a wise decision. The proposed dividend and bonus at the rate of Rs 5/- and Rs 3/- per share respectively, subject to deduction of tax, accounts for Rs 8,37,110/-.

Note : This does not purport to be the proceedings of the Annual General Meeting which can be seen by any shareholder on request.

Agricultural Stores for East Pakistan

THE Government of East Pakistan proposes to build 4,000 agricultural stores within the next 3 years at an estimated cost of Rs 5.5 crores. It is intended that there would be one agricultural store in each Union. The stores when constructed will be run by cooperative societies.

The stores will be constructed in three phases. In the first phase 1,054 stores will be built, in the second phase 1,473 and in the last phase another 1,473. These 4,000 stores when completed will have a total capacity of storing 144,000 tons of fertilizers, 30,000 tons of seeds, 4,000 tons of pesticides and about 40,000 sprayers in addition to agricultural implements.

Around Bombay Markets

Dalal Street Digests Gains

Thursday, Morning

DALAL STREET spent most of its time last week in 'digesting' the preceding week's gains. It did well to take a pause because the preceding rise had been too steep to be continued for long without making the technical position of the market very much suspect. In the process of technical adjustment that followed most counters shed quite a bit of their recent gains. National Rayon declined from Rs 569 to 547, Tata Locomotive from Rs 372.50 to Rs 358.75, Bombay Burmah from Rs 651 to 635, Standard Mills from Rs 1568 to Rs 1510, Century from Rs 686 to Rs 670, Tata Steel from Rs 159 to Rs 156.25 and A C C from Rs 163 to Rs 160.25. Near the week-end, the market developed renewed strength, with equities recording an all-round improvement under the lead of Steel which hit new high levels in the current bull phase. Hindustan Motors continued to be an outstanding bright spot throughout the week and did not have any worthwhile correction except a modest setback near the week-end.

Vyapar's equity share index which had touched a high of 147.60 on 25th May, fell to 145.21 on the 27th but thereafter it moved irregularly up to 147.28 on 31st May. Wednesday's closing of 146.76 showed a small net gain of 0.44 over the week. The index is now very close to its 20th March top of 148.11 (the closing was lower at 147.40) which again is not much below the 1960 high of 150.39. The market is unlikely to take long before it establishes a new all-time high. The corporate news continues to be good and the foreign aid outlook seems fairly encouraging though Washington reports about the Aid-India Club meeting indicate a wide gap between the U S offer of $ 1,000 million and the contributions from the other members of the Club.

Above Margins

Technical considerations alone could have produced the mid-week setback in prices. But sentiment was also affected by rumours that the Government had suggested a tightening of the margin rules. The appointment by Government of the sub-committee of the Governing Board of the Stock Exchange to examine the working of the three-tier margin system had encouraged hopes in some quarters about possible relaxation of the margin rules. Anticipating some such move, the Stock Exchange Division of the Ministry of Finance wrote to the Exchange that far from there being a case for relaxation, there was a strong case for tightening up the measures in order to prevent certain abuses in the system. The stock exchange authorities have assured the Government representatives on the Board their fullest co-operation in checking unhealthy speculation.

It is quite natural for the stock exchange community to plead for a relaxation of the margin rules for the simple reason that margins restrict the scope of their business on which depends their prosperity. But much of the criticism about margins is mis-informed and ill-informed. Margins are very necessary for containing the volume of speculation when it tends to assume unhealthy proportions. But it is equally necessary for the authorities to ensure that margins do not make the market anaemic and sick. This cannot be over-emphasised considering what the Forward Markets Commission has done with commodity futures markets. Margins, like taxes, will continue to be evaded, particularly when they are very heavy. While informed market opinion is not opposed to the system of margins, there is a general feeling that the present three-tier system needs to be streamlined as it gives rise to all sorts of anomalies and hardships. The sub-committee examining the working of the present margin system will have done a useful job if it can suggest how the system can be streamlined to give required results without seriously affecting the income of the stock exchange community, which, in coming years, will need to spend a larger volume of funds on attracting the small investors whose ranks are now gradually swelling.

Oilseeds

Prices Drift Lower

AFTER a show of strength earlier in the week oilseeds futures developed a soft tendency under the lead of castor and recorded all-round small losses over the week. Wednesday's closing prices were generally around the week's lowest levels. Castor September eased from Rs 178.75 to Rs 175.75, linseed September from Rs 37.87 to Rs 37.50 and cottonseed September from Rs 94.75 to Rs 93.75. Improvement earlier in the week was due mainly to the continued firmness in the maturing May contracts which reflected a tight bull grip rather than the supply position which is far from being uncomfortable. Sentiment during the latter part of the week was affected by the issuance of larger tenders, particularly in castorseed. Tenders issued against the May contracts total 2,750 metric tons in castor and 225 tons each in linseed and cottonseed. With the May contracts out of the way, oilseed futures are likely to develop a sagging tendency due to improved supply and unencouraging export performance of oils. The supply position in respect of groundnuts, however, is tight, which is why groundnut and groundnut oil prices continue to be on the high side though they are now well below the highest levels recorded earlier in the season. But for the relatively high prices of groundnut linseed, cottonseed and castorseed prices would have suffered quite a sizable decline by now. Most market men expect oilseeds prices to ease further unless monsoon does not progress satisfactorily.

Exports

It was not an altogether disappointing week for exports. The Communist countries were reported to have purchased about 3,500 tons each of linseed cake and groundnut extractions and about 400 tons of castor oil. East Germany was mentioned as the chief buyer. The trade expects further good business with the Communist countries in groundnut extractions in the near future. Inquiries from the U K,

however, have not been very encouraging of late. Difficulty of getting adequate freight for June and the higher freight charges from July have greatly hampered export business and shippers seem very much annoyed with the attitude of the Karmahom Conference Lines. The U K was reported to have purchased a few hundred tons of castor oil afloat and despite the reportedly tight stock position in the U K few shippers seem optimistic about selling large quantities of castor oil to the U K at attractive prices. Exports of castor oil this year have been very disappointing. Shipments up to May-end are nearly 10,000 tons less than in the corresponding period of 1960. The U S has continued to keep off the Indian market and with Brazil continuing to make cheaper offers for distant positions it seems very unlikely that India will be able to sell much castor oil to the U S this year. If castor prices have been holding fairly steady despite the poor performance of oil exports it is mainly because they look cheap in relation to groundnut. This is equally true of linseed and linseed oil.

Cotton

Futures Dull

CONDITIONS prevailing in the cotton futures market last week could be appropriately described as dull, drab and monotonous. The August contract moved between Rs 572.25 and Rs 566 and the daily range of fluctuations seldom exceeded Rs 2. Outside interest was conspicuous by its absence and professional activity too was at an extremely low ebb. Persistent rumours about a further export quota for short staple cotton discouraged bears from extending their commitments but bulls too were reserved because of the improved supply position. Despite a substantially bigger crop, consumption of indigenous cotton in the first seven months of the current season is nearly 3.5 lakh bales less than in the corresponding period of the previous season and it is doubtful whether mill consumption of Indian cotton in 1960-61 will exceed the 1959-60 figure. This will mean a substantially larger carryover at the end of the season. And if monsoon is favourable this time cotton prices can be expected to develop considerable weakness notwithstanding continued steady conditions in the cotton piecegoods market which have led to a steady decline in stocks of cloth with mills.

Gujarat Cotton

While cotton futures drifted idly in a very narrow range with a generally subdued tone, the spot market maintained a steady tone with moderate turnover. Mills, particularly from the South, showed fair interest in Surti, L 147, C02, Vijay, Kalyan and Kalagin. Export houses also evinced good interest in short staple cottons in the hope that the Union Government will yield to the Gujarat Government's demand for a further export quota. The agricultural experts are said to have warned the Gujarat State Government that if the 'crisis' of accumulation is not resolved soon enough, it is bound to affect production in the 1961-62 season. The consensus of opinion among the trade appears to be that the 'crisis' of accumulation is due less to increased production than to the mishandling of the cotton situation by the Textile Commissioner. The quota system of mill buying, compulsory survey, large imports of costly short staple cotton, linking of mill quotas for Indian cotton with imports and an unimaginative export policy — all these factors have combined to create a difficult situation for Gujarat State which produces nearly 23 per cent of cotton in the country.

On-the-Spot Study

Representatives of the Gujarat Government, the Textile Commissioner and the Indian Cotton Mills' Federation are reported to be making an on-the-spot study of the cotton situation in the Gujarat State. Results of this study will be awaited with interest because the Government might not like to take any decision on a further export quota until the outcome of the inquiry is known. This will also have a significant bearing on the policy of the Indian Cotton Mills' Federation regarding further purchases of cotton in order to ease the situation created by the accumulation of stocks. That the trade should be talking about a 'crisis' of accumulation of stocks when the 1960-61 crop is just normal around 52 lakh bales reflects poorly on the Government's cotton policy. Can it be that cotton growers in Gujarat are talking 'crisis' merely in order to secure better prices for their product.

Reliable reports indicate that the Government of India is actively exploring the possibilites of obtaining an extension of the shipment period of the 3 lakh bales of 1" and below U S cotton. This cotton is due for shipment before the end of July. The proposed move is intended to avoid an undesirable glut at a time when the problem of finding a suitable outlet for the huge accumulation of stocks in the Gujarat State is engaging the attention of the authorities. It is also possible the delay in the shipment period may enable India to benefit from the higher subsidy of 8½ cents a pound from 1st August.

Bullion

Subdued Tendency

THE bullion futures market had quite a dull time last week. Outside interest was virtually absent and professional activity too was at a low ebb. Fluctuations were irregular and small and the tone of the market was rather subdued because daily arrivals were said to be in excess of the off-take. After an early rise to Rs 199.80 silver second Jeth contract moved irregularly lower to Rs 198.30 and closed at Rs 198.50 against Rs 199.45 a week ago. Gold Second Jeth contract moved between Rs 118.30 and Rs 117.70 and the closing price of Rs 118.05 showed a nominal loss of 10 nP over the week.

Satisfactory arrivals and slack off-take, which are normal for this time of the year, were the causes of further decline in the spot premiums. Spot gold which was quoted Rs 1.75 higher than the second Jeth contract at the end of the previous week fetched a premium of 65 nP to 75 nP near the last week-end. The spread between the two Jeth contracts (Adhik Jeth is quoted higher) which had risen from 65 nP to Rs 1.55 earlier in the week declined later to around 75 nP. Backwardation charges in silver declined sharply from Rs 1 to 40 nP and the premium on spot silver disappeared altogether.

The Indian Standard Wagon Company Limited

NOTICE

NOTICE is hereby given that the Annual General Meeting (being the fortysecond Ordinary General Meeting) of the Company will be held at the Registered Office, 12, Mission Row, Calcutta, at 11 a.m. on Monday the 26th June, 1961, for the following purposes :

1. To receive and adopt the Audited Accounts for the year ended 31st March 1961 and the Directors' and Auditors' Reports thereon.
2. To declare dividends (including additional dividend on preference shares).
3. To appoint Directors in place of the Hon'ble Sushil K. Sinha and Mr. T. C. Hornby who retire by rotation.

In this connection notice is hereby given that a special notice has been received of the following resolution:

"That the Hon'ble Sushil K. Sinha who has attained the age of 65 years be and is hereby re-appointed a Director of the Company and that it is hereby specifically declared that the age limit prescribed by Section 280 of the Companies Act, 1956, shall not apply to him."

4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit to pass the following resolutions as Special Resolutions.

5. Special Resolution No. 1.

That pursuant to the provisions of Section 314 of the Companies Act, 1956, the consent of the Company be and the same is hereby accorded to Mr. A. Adhikari, who is a relative of Sir Biren Mookerjee, a Director of the Company, holding and continuing to hold an office or place of profit under the Company, namely, as an Assistant of the Company on the terms and conditions specified in the copy of the Agreement submitted to this meeting and signed by the Chairman for the purpose of identification.

6. Special Resolution No. 2.

That subject to the approval of the Central Government pursuant to Section 360 of the Companies Act, 1956 the Company do hereby approve of the contract embodied in the Agreement referred to in Special Resolution No. 1 entered into between the Company of the one part and Mr. A. Adhikari, an associate of Martin Burn Limited, the Managing Agents of the Company, within the meaning of the Companies Act, 1956, of the other part the material terms of which are:

(a) Mr. Adhikari, who is the Works Manager in the Company's Santa Works, shall continue to be such Works Manager for a period of five years with effect from the 1st December 1960; during this period he shall enjoy the same privileges, amenities and perquisites and be subject to the same liabilities and obligations as are applicable to other Assistants of the Company in the same grade of employment and with the same status.

(b) Mr. Adhikari's basic salary will be on the scale Rs. 2500 – 2600 – 2700 – 2800 – 3000, during the first and successive years of service, plus dearness allowance at the rate allowable under the Company's rules from time to time, free unfurnished accommodation, medical expenses and, at the discretion of the Company, an annual bonus.

He will be entitled to two months leave on full pay and will be paid return air-conditioned railway fares for himself and his wife after completing the second and fourth years of his contract of service.

7. Special Resolution No. 3.

That pursuant to Section 309(4) and (7) of the Companies Act, 1956 and subject to Article 114 of the Articles of Association of the Company, each of the Directors be and he is hereby authorised to continue to receive every year a share in a commission of 1% of the net annual profits of the company for a further period of five years up to and including the financial year ending on 31st March 1966.

The Registers of Members and the Transfer Books of the Company for both Ordinary and Preference Shares will be closed from the 17th June 1961 to the 26th June 1961, both days inclusive.

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member.

By Order of the Board,
Martin Burn Ltd.,
S. Gupta,
Managing Director.
Managing Agents

Calcutta,
31st May, 1961

Note: The Dividends if sanctioned, will be paid on or after 26th June, 1961, to those shareholders so entitled whose names appear in the Company's Registers of Members on that date, or to their mandatees.

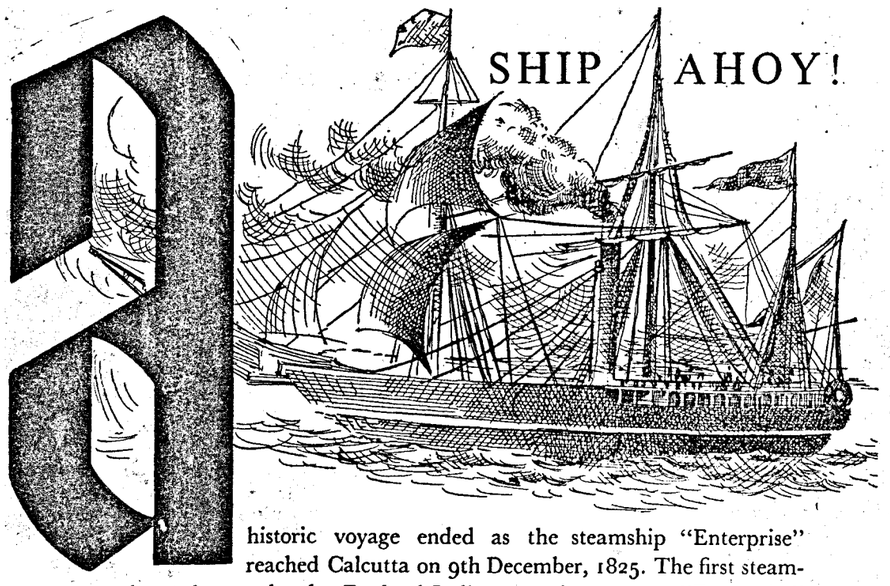
AN EXPLANATORY STATEMENT as required under the Companies Act, 1956, has been forwarded to the members of the Company.

Power Generation in Second Plan

78,546 million kWh of power was generated during the Second Plan as against 44,553 million in the First Plan.

During 1956-61 domestic consumption accounted for 6,126 million kWh of power, large and small-scale industries taken together for 48,445 million and irrigation for 3,007 million. The corresponding figures for the period 1951-55 were 3,524 million kWh, 27,709 million and 1,118 million respectively.

Regd No B 5489

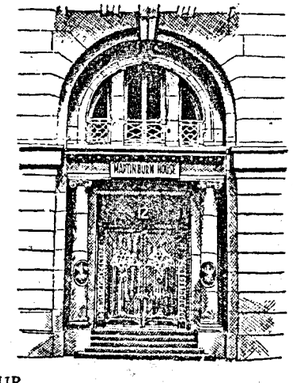


historic voyage ended as the steamship "Enterprise" reached Calcutta on 9th December, 1825. The first steam-powered vessel to make the England-India run, the 500-ton "Enterprise" won a cash prize of Rs. 100,000 offered by Calcutta's trading community for this truly pioneering achievement. Her captain on the hazardous voyage round 'the Cape' was James Henry Johnson, Commander, Royal Navy, and a hero of Trafalgar.

Though the "Enterprise" was the first ocean-going, partly steam-propelled ship to arrive at any Indian port, small steam-powered craft were being built in Calcutta as early as 1823.

Among the oldest and best known marine and general engineering firms in the country, a privately-owned concern known as Reid & Company's Hooghly Dock (founded 1819), the forerunner of The Hooghly Docking & Engineering Company Limited, was already flourishing before the introduction of steam to India.

The 'Hooghly Docks' are a part of the vast industrial and engineering organisation of Martin Burn Ltd., an organisation which is playing an important role in India's industrial progress.



MARTIN BURN LIMITED

MARTIN BURN HOUSE, 12 Mission Row, Calcutta 1

Branches : NEW DELHI BOMBAY KANPUR

MBC-12

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Relief *Plus* Responsibility

THE members of the Consortium of Governments and Institutions interested in development assistance to India, known commonly as the Aid India Club, undertook on June 2nd to provide India $ 2,286 m in the next two years. Announcing this, the World Bank which had organised the meeting added that the Consortium considered the broad objectives of the Third Five-Year Plan to be reasonable in relation to India's needs, the Plan itself to be well conceived and India's capacity to make effective use of foreign aid well demonstrated.

As it happened, at the same time as the Aid India Club met in Washington, the National Development Council met in New Delhi and gave its approval to the Draft Plan. The Third Plan now stands ratified, so to speak, by the two agencies which matter most in mobilizing domestic resources and foreign resources respectively for the programme. It is not without significance that both the N D C and the Aid India Club decided simultaneously — one to give official recognition to the Plan and the other to declare support for it. No better boost to the Plan could have been given at this juncture.

France has now joined the consortium and Governments of Austria, Denmark, Norway and Sweden were represented by observers. There is thus clear evidence of an enlargement of interest in this Club by prospective aid-giving countries in Western Europe. It is no doubt still true that the Consortium is an instrument for adjustment of broad commitments rather than co-ordination of individual loans or grants. The dovetailing of assistance received by India from each of the members is not amongst the functions of the Consortium and has to be done through a series of bilateral agreements between India and the lending country. But the principle that there should be a sharing of responsibilities and views in regard to the aid to be made available during specific periods is now well established. And this is certain to introduce an element of urgency in the conclusion of bilateral arrangements.

This ought to be a definite gain from India's point of view. Those who go to West Germany or U S or France to negotiate on our behalf will be able to use the allocations from one country as lever for phasing or directing aid from another country into specific projects or sectors of the Plan. While this is an advance over the past, it is perhaps less significant than the shift that has occurred in the approach to the giving of aid to underdeveloped countries. What the decision of the Aid India Club amounts to is in effect, that assistance is oriented towards "plan" rather than "project". In so far as every plan consists of a multitude of projects, the actual utilisation of the loans provided by the members of the Consortium may, for accounting purposes, be tagged to this or that project. But in deciding the magnitude of assistance to be provided jointly, the approach has been in terms of broader objectives.

The communique issued by the World Bank says very clearly that the Consortium reviewed India's financial requirements for the period of the Third Plan and took decisions on the basis of "what additional aid should be committed by its members during the first two years of

the Plan in order both to provide immediate support for India's balance of payments and to enable India to proceed in an orderly manner with the placing of new overseas orders for the Third Plan". This is indeed a far cry from the project approach so assiduously followed for many years by both the World Bank and foreign governments in lending to underdeveloped countries.

This major breakthrough in the field of international assistance for development is important not just because the first benefits from it are derived by India. For those countries who have started on planned development even more recently than India and whose programmes are less articulate or sophisticated than India's, the way is now open for canvassing external aid in fairly generel terms. On the other side, viz that of aid-giving countries, the acceptance of the principle in respect of one underdeveloped country will make it easier to extend similar help to others which evolve proper programmes and policies for development of their economies.

The Consortium has broken with the past in yet another way. It has emphasised the need for aid to be extended in the form which would add as little as possible to India's foreign exchange repayment obligations. Whether the members should do this by adjustments in the rates of interest or currency of repayment or period of loan is a matter left to their discretion. But here again the useful distinction has been drawn between developmental aid and profitable foreign lending. The emphasis is not on the higher returns that can be negotiated but on the least strain that could be imposed on the borrowing country without converting everything into a giveaway.

In the face of all these advances, it might seem uncharitable to complain about certain of the other conditions attached to the assistance given or proposed to be given. Nearly half of the promised aid is to be given by the United States. However, the commitment indicated by the United States in 1962-63 — $ 500 million — is related to the possible additional aid commitments of other countries. There is thus a matching principle adopted so that any shortfall in the contribution of members other than the U S will also mean a similar shortfall in the U S contribution. Clearly this is intended to increase the pressure on countries like Germany and perhaps France to enlarge their participation in the programme for assistance to underdeveloped countries. Indeed it is possible that without the exercise of such pressure by the U S in the recent past, the magnitude of total commitment in respect of the Third Plan might have been smaller. Nevertheless, it does complicate matters for the aid-receiving countries.

Apart from this, there is the rigidity introduced by tieing of credits to purchases within the country offering assistance. The bulk of U S assistance will inevitably be of this type in view of the weakness of the dollar at present. Whether the shift in U S practice on this matter will be compensated by same untieing of loans granted by the other members, it is difficult to say. But since nearly all of these countries have so far granted tied loans only, chances are that the change in U S practice will lead to a net loss in flexibility for the aid-receiving country. This may not have mattered much if the imports sought by underdeveloped countries can be had at a uniform price in all markets. This is not so, particularly where capital equipment is concerned. To the extent that the U S credits have to be used, for instance, for buying only capital equipment manufactured in America, many of which are known to be more expensive than those available in other countries, the real benefit to the importing countries will be reduced somewhat. In real terms, therefore, the burden of repayment obligations may be less light than would appear at first sight partly because the net addition of real resources would be smaller and partly because costs will be higher. This is quite a serious problem for the recipient countries. But given the international payments difficulties of the members of the Consortium, the insistence on tied loans is perhaps inevitable at present; one can only hope that this rigidity will not be an enduring one.

It is in this context important to remember that India now bears a great responsibility. Hers is a test case; not only her destiny but that of many other developing countries depend on how well she fulfills the expectations that aid-giving countries have of her. Should the experiment fail in a country which is considered to be ahead of other underdeveloped countries in its planning techniques and administration, it will become that much more difficult for the advanced countries to enlarge their developmental aid programmes. It is, therefore, of the utmost importance that India should ensure the most effective utilisation of the foreign aid that is promised. This hinges in the final analysis on utilisation of *all* the resources — domestic as well as foreign—to the maximum for achieving the objectives of the Third Plan, and in ensuring the chances of faster development in the subsequent periods. More than ever, it is now imperative that there should be no resting on oars. The feeling of relief engendered by the promise of massive aid should combine with that 'flaming, raging enthusiasm' for which Pandit Nehru has so passionately pleaded. Otherwise we shall have betrayed the faith in us, of all the world — developed and underdeveloped.

MID-YEAR SPECIAL NUMBER JULY 1961

The Mid-Year Special Number of *The Economic Weekly* will be out on July 15, 1961. It will be a 200-page issue bound in art cover and will be priced at Rs 3/- per copy. Registration and Postage Charges will be Re 1/-.

The focus of interest of this Special Number will be the Third Five Year Plan—its objectives, its structure, its problems. We hope to be able to present a comprehensive critique of the Draft Plan now that it has been approved by the National Development Council. In addition, there will be a number of contributions on current economic and political affairs from some of the leading experts in their fields.

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

Authors' Cooperative Pays Highest Royalty!

WHAT makes cooperatives tick? Which are the special fields in which this particular form of organisation has distinct advantage over proprietory or joint stock business, or State management? The fields in which both past experience and the nature of the undertakings favour co-operation against the others are not many. One is where either the middle man can be eliminated and thus costs reduced, as in consumers' cooperatives, or cooperative marketing. Another field in which much is expected from it is that of agricultural credit, the distinctive contribution of cooperation being the elimination of risk through the collective assumption of liability by the members. The progress of primary agricultural cooperative societies which are based on the principle of unlimited liability, however, has been slow, if not altogether disappointing, because of the well-known difficulties of nurturing the spirit of cooperation and of securing the right quality of management or leadership.

The success of cooperatives in eliminating the middleman depends naturally on the nature of the service rendered in eliminating the middleman and the ability of the cooperators to provide the same service as efficiently, if not more efficiently, at little or no cost. Publishing has not hitherto been regarded as a field where cooperation could have much success. The business entails considerable risks and laying out of much capital and long wait for the returns. The selection of titles for publication, printing and marketing of books through the retail trade which must have its margin, all these look too involved and too commercial to be successfully managed by a co-operative. Hence, the book trade runs on well-known lines. Publishers are only after those authors who are established and are likely to have a paying readership; the rest of the authors have to be after the publishers and accept whatever terms they are offered. This is the general situation. True, commercial publication, that is publication of books which are expected to bring some returns to the publishers, are supplemented by publications which are subsidised by trusts, foundations, individual patrons or the State.

From Kerala comes an astounding story of successful cooperative publishing. Kerala has been running a cooperative society of authors ever since 1945 which, from humble beginnings, has developed into a large sized publishing organisation, brings out nearly 3 books every week, pays the highest royalty paid by any publishers to any authors however well-known and has yet managed to pay a handsome dividend of 7½ per cent to the shareholders.

It is worth investigating how a cooperative happened to tick in Kerala in this most unlikely field. The cooperative part of the enterprise, it should be emphasised, is confined to the publishing and retailing of books and not to the writing of them. The authors are entirely left free and write whatever they like. Whether as publishers, the cooperative society of authors, exercise the same right of selection or rejection of titles, with an eye to eventual success of the publication, and whether the members accept with good grace and resignation the rejection of their manuscripts or rush to some commercial publishers or not, it would be interesting to know about these aspects of the undertaking. The P I B handout on Kerala's literary cooperative which has done immense service to the cause both of cooperation and of literature by giving out the broad features of this very interesting venture does not unfortunately go into these details. But the broad facts presented are exciting enough and deserve serious attention from struggling authors and lovers of literature all over the country. The society was started in 1945 with only 12 members and a working capital of Rs 120 contributed by them. Today, it has a membership of 393, a working capital of Rs 4.5 lakhs and 1,200 books to its credit. Every year, for the past several years, it has been publishing on an average 140 books. Its annual sale increased from Rs 3.6 lakhs in 1955-56 to Rs 6.8 lakhs in 1959-60.

The shares are moderately priced; Rs 10 per share. The largest block allowed to an individual is Rs 5,000, and there are only 14 members who have taken the maximum. In order to make the society as broad-based as possible, the minimum for membership has been brought down to as low as Rs 100 or ten shares. For the last several years the society has been able to declare a dividend of 7½ per cent annually on the shares. The annual figure for the amount distributed as royalty to authors is over Rs 1 lakh.

In addition to all this, the society pays 30 per cent royalty to authors which is just double or a little more than that of the royalty usually paid by publishing firms. It is able to pay such a high rate of royalty to every author, because it is able to cut out the discounts to the trade by marketing its own books. The society has now turned its attention to expanding its marketing network by setting up bookshops all over Kerala. It is not clear, however, whether the society has hitherto kept the retail bookshops altogether out by insisting on direct selling or not. It is difficult to conceive that the society could have commended such large sales without the cooperation of the book trade, and if it had to secure that cooperation at the usual cost, all the greater is the credit of the society in maintaining such a high rate of royalty, large list of annual publications and expanding sales.

Weekly Notes

National Book Trust

RECEIVED by the same mail and on the same day were two volumes, both from the Publications Division of the Government of India : one was the National Book Trust publication '84 *Not Out* by R P Paranjpye, the other was *India* 1961 : *A Reference Annual*.

India 1961 has a chapter on cultural activities and under it a section on literature. A reference to this section showed the following entry against National Book Trust :

"The National Book Trust was set up in 1957 to encourage the production of good literature and to make such works available at moderate prices to libraries, educational institutions and the public. Thirteen such publications have so far been released.

"The Trust will also publish standard works on education, science, culture and the humanities. Classical Indian literature, the translation of foreign classics and the translation of Indian classics from one language to another will receive special attention. Universities and other learned bodies can seek the assistance of the Trust for the publication of approved books. The Publications Division of the Ministry of Information and Broadcasting is the principal publisher of the Trust":

'84 Not Out,' placed against the above, raises a not inconsiderable problem of classification. It is nice to know that the author, the Senior (bracketed) Wrangler of 1899, is still going strong and that though he had been 'generally unwilling to write or speak about himself,' and even if he wrote something, 'was not prepared to undertake to get it printed and published', was helped to overcome this second obstacle to his writing about himself by the National Book Trust. The Trust not only removed this particular obstacle, it rendered another service by prescribing the limits within which these reminiscences had to be confined. The author considers this to be fortunate, for otherwise 'a book like this could easily have been expanded to any extent.'

These are, to repeat, certainly distinct services both to the readers and the author. But one wonders how exactly this kind of literary sponsorship comes within the above mentioned functions of the National Book Trust? Paranjpye's reminiscences consists of a series of disconnected 'facts', some of them culled from 'fugitive articles in magazines and newspapers or referred to occasional speeches or radio talks'; one is lifted bodily from an article contributed to a magazine and others drawn from memory and general impressions. Since the author had no idea of ever writing such a book, he had not kept any record of the various events in his eventful career extending over half a century. As reminiscences go, these are not bad; they are good enough to while away an idle hour. But surely even the distinguished and modest author himself would not claim it to be *good literature* and neither would the National Book Trust seriously maintain that in bringing out this volume it was encouraging "the production of good literature".

If '84 Not Out' does not come in the category of good literature, does it come under "standard works on education, science, culture and the humanities", the publication of which is also one of the functions of the Trust? This volume does not figure in this second category either.

There is a third function entrusted to the National Book Trust, publication of books on classical Indian literature, translation of foreign classics, and that of Indian classics from one regional language to another. This last raises a separate problem of classification in relation to the respective functions of the Sahitya Akademi and the National Trust. But '84 Not Out' is definitely out of this category also.

Finally there remains another class of publications which the Trust is authorised to undertake. These are specialised publications for which universities and other learned bodies seek its assistance. Surely no learned body could have sought the assistance of the National Book Trust for '84 Not Out?'

One wonders who are the members of this Trust and how do they continue to remain trustees while discharging their duties in a manner which presents such a baffling problem of classification to the lay public? Classification is believed to be the first step in knowledge. How does one classify the National Book Trust and its books?

N D C Approves Draft Plan

AT its last meeting, the National Development Council approved the Draft Third Plan, prepared by the Planning Commission. At a previous meeting last month, the N D C was unable to make up its mind with regard to the size of the public sector plan; though it felt that the size should be Rs 8,000 crores in view of the needs of the State Governments, the resources available were expected to be of the order of only Rs 7,500 crores. A Savings Committee was therefore formed to find out ways and means of increasing the resources available; though this Committee was optimistic about the possibility of raising the needed resources, it recommended, nevertheless, that *for the present* the financial limit of Rs 7,500 crores should be maintained. And in spite of the pressures exerted by some of the Chief Ministers of the States, the N D C has stuck to Rs 7,500 crores. This is, however, an improvement over the public sector plan size of Rs 7,250 crores proposed in the Draft Outline.

The total investment in the economy now proposed is Rs 10,400 crores, an increase of Rs 200 crores over the Draft Outline figure. Of this, the investment in the public sector would be Rs 6,100 crores, while the private sector investment would be Rs 4,300 crores (inclusive of the assistance of the public sector of Rs 200 crores); over the Draft Outline figure, thus, there is an increase of Rs 100 crores for each of the two sectors.

Anyway, this exercise with figures is now over. It is to the formulation of specific schemes in detail and their implementation that the Government would have to give its serious attention. After all, this is what matters. In view of the importance and urgency of this task, it seems rather strange that so much time should have been wasted in a dispute with regard to a figure of Rs 500 crores.

And this is a task which can be fulfilled only if all concerned work

at it with what the Prime Minister called "a passion with a tinge of anger", "flaming, raging enthusiasm".

Jute Mills Closure

NEW DELHI has at last agreed that the jute mills which are members of the Indian Jute Mills' Association will all be closed during the last week of June and, again, in the last week of July. The mill interests have not lost time in circulating estimates of the likely losses this closure will entail in the shape of lay-off compensation to workers, etc. The economics of block closure, however, as compared with that of scaling of looms and restricted working hours, remains obscure. To what extent was the decision for a block closure dictated by the rising stocks with the mills? Stocks had started to rise when overseas buyers stood off the market, expecting prices to drop with a new crop coming to the mills before long.

Is the raw jute situation so serious as to warrant this step? Ever since Partition, there have been periodic crisis due to non-availability of adequate quantities of raw jute. Keeping the mills running all the 52 weeks in the year has been a problem but a flexible working time agreement could take care of such shortages. It is true that the production of raw jute both in India and Pakistan fell in 1959-60. Even the production of mesta was affected. With smaller raw jute supplies, the production of jute goods fell, but only fractionally. The production during July 1960-April 1961 was 8.6 lakh tons as against 8.9 lakh tons in the corresponding period last year. Fortunately because of high prices, foreign exchange earning was fully maintained and jute goods emerged again in 1960 as the largest foreign exchange earner for the country.

With a smaller crop, raw jute prices also went up. Thus, the maximum and minimum price of Assam bottoms in April were Rs 163 and Rs 142 per 100 kg, the corresponding prices in April last year being Rs 99 and Rs 89 respectively. These were reflected in the prices of jute manufactures. Hessian 40" 10 oz ready varied between Rs 68 and Rs 61 per 100 metre in April. In April last year, the range was between Rs 51 and Rs 46.

Shortages always provide an excellent opportunity for speculators and there are speculators in the raw jute trade as much as in the jute goods market, in India and abroad. As more and more mills are coming under Indian management, the raw jute trade and mill interests are becoming more unified, unlike the olden days when the Scotsmen controlled the jute mills and Marwaris dominated the raw jute market. To what extent the seriousness and recurrence of the crises in the jute industry can be traced to this factor would be an interesting study. It is, however, not necessary to be excessively pessimistic about the industry which has faced worse crises and, despite these, the jute mills have sunk and are still sinking steadily large sums on modernisation and rationalisation. If the future were indeed so bleak, the Chairman of the I J M A would not have ended his annual speech last March on an optimistic note, as he did.

Some time back, the Government of India posted a Jute Commissioner in Calcutta and, in the confused situation of the last season, he has at times promulgated various orders; and the Government, too, has armed him with powers so as to control and direct the trade in raw jute and jute goods. No impact of all these, however, has been noticeable nor has Government thought it proper to explain why this drastic step that has now been decided upon should at all be necessary.

A Formula for Assam

IT is not possible to write about Assam without raking up the past. That past stares in the face the whole of India and the Government of India along with the rest. It is not the question of the rights granted to minorities to the use of their language which agitated Assam. The language controversy is only on the surface; beneath it, lies the question of the contents of citizenship in India, of the meaning and validity of the rights and privileges guaranteed by the Constitution to all the children of the soil, whether they be in Assam or in Madhya Pradesh or anywhere else in the Union of India. Assam posed the challenge in essence of invalidating Indian citizenship by violating it in its vitals. Recent events in Assam threaten to disrupt the basic, fundamental unity of India and, unless an effective answer can be found to this challenge, Assam made it amply clear that India will begin to disintegrate.

The compromise formula suggested by Shri Lal Bahadur Shastri has been approved by Dr B C Roy. It has been blessed as a matter of course by the Prime Minister, who had earlier suggested the maintenance of the *status quo* — not even the restoration of the *status ante*— for the solution of the controversy. Shastriji's formula is difficult to understand. Its operative part consists of two provisions :

(1) Communications between State headquarters and Cachar and the autonomous hill districts to continue in English till replaced by Hindi; and

(2) At the State level, English will continue to be used for the present. Later English will continue to be used along with Assamese.

This is a stalling operation, but even if this modification had been adopted in time, Assam could have been spared of much of what it has passed through. Some of the points of the eight-point programme, however, are more than curious. The first of these is that the Assam Official Language Act may be amended to do away with the Mahakuma Parishad clause. It will be recalled that Bengali was allowed to be used in Cachar —a predominantly Bengali-speaking district — until the Mahakuma Parishad, by a two-thirds majority, should change this provision. The official language is the prerogative of the President of India to decide. There are clear constitutional provisions to that effect. How can the Mahakuma Parishad be empowered to make a decision on this point and how did the President give his consent to the Assam Official Languages Bill which contained this clause which is ultra vires of the Constitution?

Another point of the formula is that "The linguistic minorities will be accorded the safeguards contained in the Government of India's Memorandum of September 19, 1956." This is not only curious but damaging or worse. Does it mean that but for Shastriji's belated intervention, the safeguards contained in the Government of India's memorandum would have remained a dead-letter?

Bengalis of Assam or, for that matter, the people of the hill districts, need no fresh safeguards; there are plenty of them in the Constitution. What they want is that the Constitution should not remain a dead-letter and that something more than exhortations is needed to make the Constitutional safeguards real and meaningful in day to day operation.

Statistical Picture of Cooperation

WITH a total working capital of Rs 1,083 crores as at the end of June 1960, the cooperative sector forms a large sector of the economy today. "Statistical Statement relating to the Cooperative Movement in India—1959-60" which the Reserve Bank has just released presents an exhaustive picture of this movement in considerable detail. This annual publication is being continuously improved and in the current issue, additional information has been provided relating, for example, to dormant societies, some items on marketing, and recoveries through marketing societies.

As before, agricultural credit remains the largest segment of the movement. At the end of 1959-60, there were over 2 lakh such societies with 144 lakh members, as compared to 1.83 lakh societies and 119 lakh members in June 1959. During 1959-60, the working capital of these societies increased by Rs 53 crores to Rs 224 crores; loans advanced by them stood at Rs 169 crores in June 1960, as compared to Rs 125 crores in June 1959. It is interesting to note that large-sized societies—a product of the All-India Rural Credit Survey, but now banned by the Government of India—show better performance than the considerably more numerous small-sized societies. With larger areas of operation, large-sized societies naturally have more members and, therefore, larger aggregate share capital. Their share capital and deposits per member, however, were also bigger being Rs 51 and Rs 12 respectively, compared to Rs 29 share capital and Rs 8 deposits for small-sized societies. True, the share capital of large-sized societies is inflated to some extent by Government contributions, but there are many parts of the country where such contributions were either nil or very small.

The pattern of lending—specially, the distribution of the total between small, medium and large individual loans—has largely remained unaltered. In small-sized societies, loans up to Rs 500 form 76 per cent of the total in both 1959-60 and 1958-59. In large-sized societies, the corresponding percentage was 67 in both these years. Clearly more effort is needed to bring in the small cultivators. The extension of loans on personal surety and not on the mortgage of land is one manner of attracting the small man.

The statistics make another thing abundantly clear: The cooperative movement has been depending more and more on the Government and the Reserve Bank. As its scope of of activities are widening, funds are being largely found by borrowing

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from the Reserve Bank or as share capital contributions by State Governments, which, in turn, borrow from the Reserve Bank for the purpose. Take the State Cooperative Banks, their borrowings from the Reserve Bank of India formed 49 per cent of their working capital in 1959-60 against 43 per cent in 1958-59. During the same period, the contribution of their deposits to working capital fell from 40 per cent to 34 per cent. In the Central Cooperative Banks, again, borrowings—largely from the State Cooperative Banks—were 42 per cent of the working capital in 1958-59 but 45 per cent in 1959-60. At the level of primary agricultural credit societies, the increase of Rs 43 crores in loans outstanding as between June 1959 and June 1960 was financed by an increase of borrowings to the extent of Rs 40 crores.

Dependence on Government

BESIDES current borrowings, the State and Central Banks, primary credit societies and land mortgage banks had as much as Rs 21.4 crores of Government share capital contributions. State Governments had contributed another Rs 11.4 crores to non-credit societies, of which almost one-half — Rs 5.5 crores, went to sugar factories and another Rs 3.4 crores to marketing societies.

That deposits and members' share capital are failing to keep pace with the increasing requirements of finance in the co-operative sector are serious matters. In the case of deposits, it is known co-operative banks are averse to increasing their borrowing rates to attract deposits, presumably since concessional finance is available from the Reserve Bank. Also, it is noteworthy that an important sector of the co-operative movement in India, viz, urban credit societies, operates in complete isolation from the other sectors. This sector, perhaps the strongest financially, has large resources, some part of which may be diverted elsewhere for the movement. It is also known that in many co-operative banks, surplus reserves find their way into the commercial banking sector.

The weakness of the movement is perhaps reflected in its overdues. Thus, during 1959-60, overdues to Central co-operative banks increased from Rs 15 crores to Rs 24 crores and to agricultural credit societies from Rs 27 crores to Rs 38 crores. The estimated bad and doubtful debts of the agricultural credit societies are put at Rs 47 crores at the end of June 1960, as compared to Rs 35 crores a year earlier. The number of these societies, which incurred losses in 1959-60 is much more than in 1958-59, despite an appreciably larger assistance from Government for management expenses.

The eastern States of the country continue to be the weak-spot of the co-operative movement. Except for the very strong Urban Credit Movement in West Bengal, where only 89 societies have a working capital of Rs 26 crores, the rest of the movement presents a disheartening picture. Thus, in the agricultural credit societies individually listed in this publication, with capital and reserves of Rs 1 lakh and over, only one society — Chotanagpur Catholic Mission Society in Ranchi-figures from the eastern region. It was reported that recently the Reserve Bank and the Government of India jointly convened a Conference of the Eastern Region States of Bihar, Orissa, West Bengal and Assam, at which the measures to strengthen the co-operative movement in these States were discussed with particular reference to primary societies.

The co-operative movement will be saddled with very serious responsibilities in the Third Plan period and one is forced to doubt if with the weaknesses that are evident and others of an organisational nature which no statistics can reveal, the tasks that face the movement can be accomplished.

Letter to the Editor

Avro-748

I HAVE just seen the 'Delhi Letter' entitled "Avro-748 Flops" in your issue dated April 29, 1961. This article contains the most astounding statements which have no basis in fact and it displays complete ignorance on the part of the writer of the whole situation concerning the Avro 748, the manufacture of aircraft by the Defence Ministry at Kanpur, the Lockheed proposal, and in fact is basically misleading.

The title suggests that the aircraft is at fault or is fundamentally wrong. Nothing could be farther from truth. It is a fact that the production aircraft will eventually be 3,000 lb heavier than the original design specification but this was not only anticipated it was actually part of the programme. If an aircraft in the prototype stage is designed and constructed to an all up figure in respect of weight, the numerous designers of individual parts will work towards this figure quite regardless of weight saving. By planning the prototype in this way the Avro Company, whose manufacturing experience is so great it is ridiculous to question its ability, has achieved the eventual production 748 so that it will have an improved payload which at the present moment is estimated by the design team to be approximately 800 lb higher than was originally guaranteed.

The Certificate of Airworthiness was originally expected by July 31 this year, the second prototype was completely damaged in a fire which brought down most of one section of the Avro factory at Manchester. That this disaster has only delayed the 748 programme by approximately two and a half months, it might be three, is something to the credit of Avro and shows their tremendous ability to overcome a major production disaster which was no fault of the aircraft or the Company. The loss of the second prototype naturally delayed the flight trials.

The article states that the second prototype has not flown yet which is absolutely untrue as it has flown more than fifty hours. Also, it is sheer nonsense to say "It is now being doubted whether certification will be obtained next year or ever". The Air Registration Board pilots have flown the aircraft and only requested one minor control adjustment which was carried out to the A R B satisfaction.

It may interest you to know that I have personally inspected the whole of the production programme and building of the 747 in the Manchester factory, during this

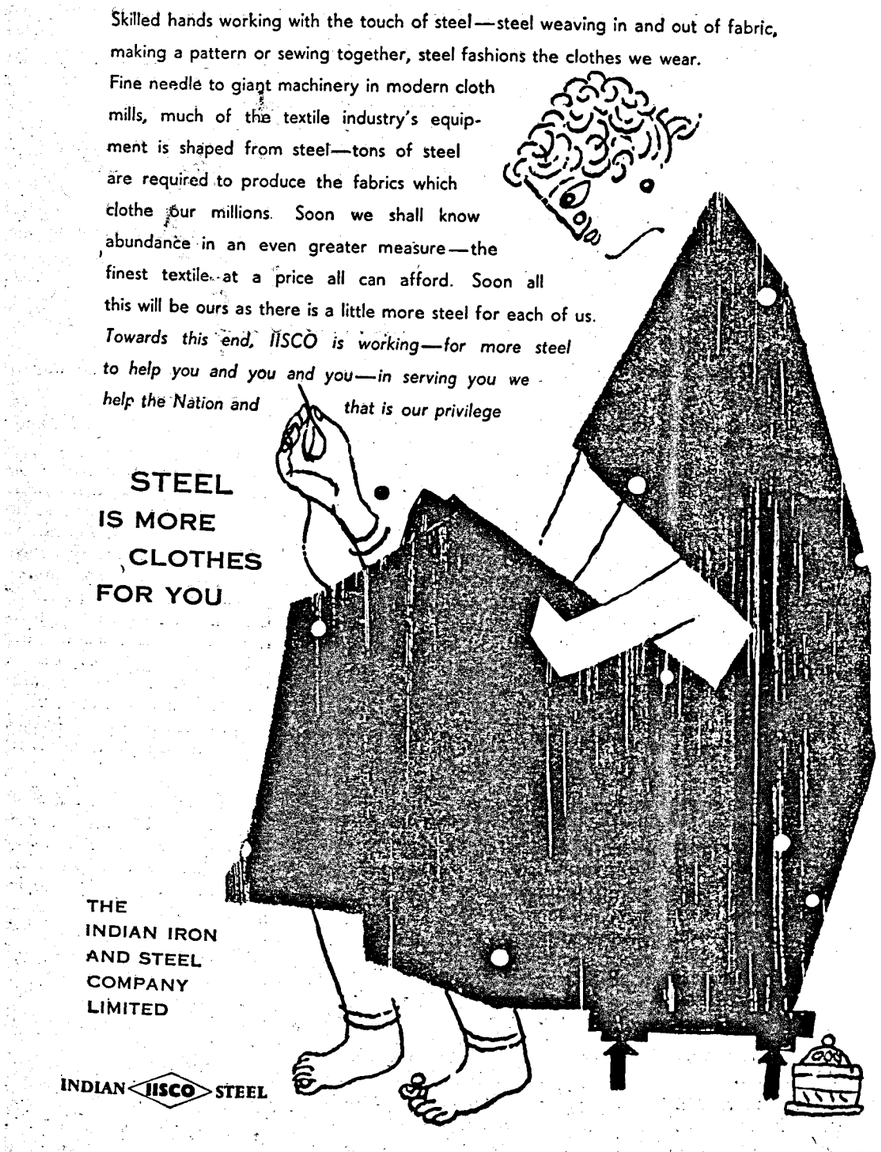
last week, and what is more I have flown as co-pilot in the first prototype and its performance at 33,400 all up weight is quite remarkable even on one engine. It handles with perfection in the air and anybody who suggests for one moment that there is something wrong with the controls or the aircraft's performance is either wilfully making false statements or is talking without understanding the problem.

The problems of manufacture in this country are not fully appreciated, neither are they properly understood as the magnitude of the task of building a modern aircraft is far greater than realised.

A great effort is being made and the Defence Ministry is working in close cooperation with the Avro Company, facing a gigantic task and doing extremely well although not advancing so rapidly as had previously been estimated by the Defence Department. They were fully warned that their time estimate was completely out but this is not really a matter of importance as eventually the objective will be achieved.

R VAUGHAN-FOWLER

Editor,
Asian and Indian Skyways,
Bombay - 54.
May 29.



From the London End

Balance of Payments and Prices

BALANCE of payments, of course, is no new problem for the U K. It has indeed been Britain's main preoccupation for a number of years and it has been one of the important reasons which has held up the rate of growth of the British economy. The difficulties of balance of payments is also one of the reasons advanced by the U K Government for its inability to give more aid to the under-developed countries. At an earlier meeting of the Washington Aid to India Consortium, the Americans offered to put up $ 1,000 m for India, provided this was matched by a similar contribution from the other members of the group. At the first meeting, the offers fell short of this amount by $ 350 m a year for the Third Plan. Of this $ 204 m is already a firm commitment to be included in the figure of aid for the first two years. UK may be willing to increase this commitment, but at present there appear to be no signs that more would be made available over the five years as a whole. The British view is that $ 70 m a year is as much as can be promised, given the balance of payments outlook and the needs of other developing countries.

According to the latest issue of the National Institute Economic Review, the main problem for U K in 1961 will be balance of payments. The findings of the National Institute are that Britain's exports will probably rise, but only slowly throughout the year. On the other hand, although imports are now falling, the Institute is of the opinion that with renewed expansion of industrial activity and hardening of primary product prices, imports may well rise again in the second half of the year. This means that Britain would again run a deficit on current account, though not on the disastrous scale of 1960. There is, besides, the probability of further substantial withdrawals of sterling balances during the year. The National Institute concludes that there will be need for large-scale support from foreign central banks or the International Monetary Fund, if losses of reserves are to be avoided.

According to the Review, the prospects for British exports have brightened, both in North America and in Western Europe, but the primary producing countries, notably Australia, New Zealand and South Africa, will probably be a weak market. How far Britain's exports have been lagging behind those of other countries can be readily seen from the figures below taken from the Board of Trade Journal.

Exports of Manufactures

(% change over a year earlier in brackets)

(in million U S dollars)

	1960		1959	
United Kingdom	8,403	(6.9)	7,463	(-2.4)
Germany (Federal Republic)	10,134	(16.8)	8,680	(11.6)
Belgium-Luxembourg	3,132	(14.7)	2,730	(9.8)
France	5,077	(21.6)	4,176	(15.5)
Italy	2,696	(33.2)	2,024	(16.7)
Netherlands	2,113	(11.9)	1,888	(15.9)
Sweden	1,621	(17.1)	1,385	(8.0)
Switzerland	1,733	(12.2)	1,545	(8.6)
United States	11,293	(17.3)	9,630	(-1.5)
Canada	2,517	(5.3)	2,391	(7.2)
Japan	3,622	(19.5)	3,032	(20.8)
Total	52,342	(15.4)	45,344	(8.2)

An interesting section in the Review is the one which analyses the staggering rise of British imports. In 1960, imports stood at a level £ 512 m higher than in 1957. Fourth-fifths of the total increase between 1957 and 1960 was in manufactured goods competitive with home products, such as engineering goods, textiles, chemicals, steel and paper. The Institute affirms that only about one-tenth of this total increase is due to the liberalisation measures of 1958-59 and the rest is due to the decline in British competitive power between 1957 and 1960. There is an interesting analysis whereby exports and imports of a number of different industries are put together to see in what direction the trend of trade has gone. Those industries in which exports exceed imports is the smallest of the four groups, consisting mainly of commercial vehicles and chemical manufacturers. In the second group, imports, though smaller than exports, have risen a great deal faster. This covers mainly machinery items, chemicals, glass, paper, office machinery, scientific instruments. The third group consists of industries whose exports were constant or declining, while their imports increased rapidly — textile manufactures, non-machinery metal manufactures, heavy electrical equipment, railway vehicles, aircraft and ships. The fourth group consists of those where imports are rising and exports are constant or falling — consumer goods, cameras, motor cycles, toys, paper and cotton grey cloth.

The O E E C report on the *Problems of Rising Prices* is a particularly interesting and timely publication. The six economists who produced the report are Professors William Fellner, Ben Hansen, Richard Kahn, Friedrich Lutz and Pieter de Wolff. The authors emphasise their positive belief that stability of prices should be one of the basic objectives of economic policy. The most controversial part of the report is the recommendation of four of the six economists for a wages policy.

A chart in the report comparing the rise between 1953 and 1960 in consumer price indices in 13 countries, shows that Turkey and Spain have the worse record and Switzerland the best. In the U S A, Canada and Belgium, prices rose at the same rate — roughly 10 per cent. German prices rose 12 per cent, Italian 13 and U K prices 20.

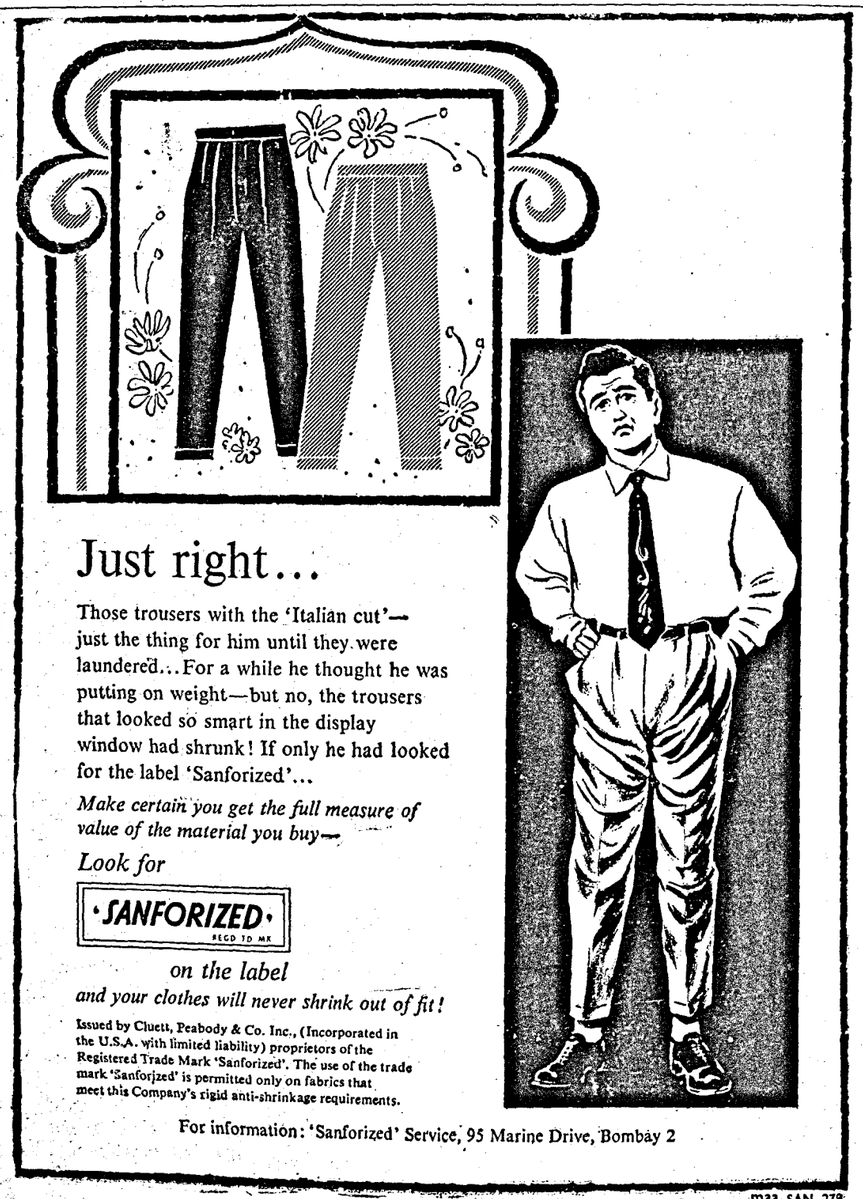
The dynamic factor in creating excess demand is, in most countries, increase in industrial investment. The report points out that between the first quarter of 1955 and that

of 1957, expenditure on new plant and equipment in the U S A rose by 60 per cent. Fluctuations of this magnitude are virtually impossible to reconcile with financial stability and a steady rate of growth. The report points out that the measures taken by the authorities during the 1955/57 boom were too inadequate.

While France is the principal example of inflation through excess demand in recent years, the authors of the report believe that excessive wage increases were a more important cause of rising prices in the U K and the U S A. The report insists that restraint of demand is no remedy for inflation caused by excessive wage increases.

Faced with the controversy between those who explain inflation wholly by demand pulls and those who diagnose exclusively the wage push, the authors have decided that both exercise an important influence and operate simultaneously.

The report attempts to show that excessive wage increases are a cause of inflation, separate and independent from excess demand, and that each requires a different remedy — a national wage policy for the first and a more flexible fiscal policy for the second. The report urges the U K in particular to adopt a national wages policy.



Book Review

The Jajmani System

M S A Rao

Thomas O Beidelman: A Comparative Analysis of the Jajmani System. Monographs of the Association for Asian Studies, VIII, 1959, pp 86. Price not mentioned.

MR Beidelman's problem is to determine the locus of power within the *jajmani* system in order that it may throw light on the controversial question of whether or not the *jajmani* system is exploitative. (p 1). Beidelman revises Wiser's definition of the *jajmani* system as "a feudalistic system of prescribed, hereditary obligations of payment and of occupational and ceremonial duties between two or more specific families of different castes in the same locality" (p 6). The two bases of this system are caste duties and land. But land tenure is the power-determinant within the *jajmani* system.

Beidelman first examines the influence of caste on the respective roles of *jajman* and *kamin*. 'Upper' castes tend to be *jajmans* while 'lower' castes tend to be *kamins*. Where Brahmins possess economic-numerical-political power, custom, dogma, superiority in numbers, political connection and control of land may be used to turn the *jajman-kamin* relationship in favour of the Brahmin. But instances are quoted where other castes are more powerful, economically, numerically and politically than the Brahmins.

How Jajmani Is Exploitative

The author shows how the concept of purity and pollution operates in determining hierarchical ordering of occupations such as hair-cutting, washing, leather work, scavenging, etc. Ceremonial duties reinforce caste roles. Etiquette pervades relations. The author, therefore, argues that *jajman-kamin* relations shape more than mere work relations. "They stress values in ritual and social life, each complementing the other and forming a complex matrix in which the economic relations are set" (p 30).

Discussing the determinants of the role of *jajman*, the author singles out numerical or political superiority and land tenure as the two factors which make a *jajman* effective. He shows how control over land enables him to coerce the *kamin* and to obtain for himself services and payments far beyond those required of the *kamin*. Hence *jajmani* system is an exploitative system although it does provide social security.

The role of *kamin* lies in providing necessary services — secular and ritual — for the *jajman* which the *jajman* cannot obtain elsewhere and which he cannot supply himself due to lack of skill or of sufficient numbers or due to caste restrictions. The solidarity of the *kamin* is also maintained by caste panchayat (trade union) and kinship. But kinship also disrupts *kamin* solidarity. Similarly, factionalism of the upper castes affects the *kamins* as economic dependence cuts across caste ties.

Land and Social Status

There are conflicts within the *jajmani* system. They are caused by the division of *jajmani* rights as a result of increase of population and the growth of the market economy with increased monetization. External political influences have shifted power to lower and numerically stronger castes in some areas. Among other causes of such a shift in power are: land reform laws, employment opportunities irrespective of caste, changes in caste values, education and the breakdown of the isolation of the caste system.

The author further discusses some cases of *jajman-kamin* disputes and points out that *kamin's* 'trade unionism' is becoming more and more meaningless, because of a disregard of traditional restrictions on performing certain activities previously assigned to the *kamin*. A *jajman* under an emergency undertakes to do a hitherto forbidden task.

The author therefore concludes that the power determinant in the *jajmani* system is land. The concentration of power in a landed group and the ordering of roles in relation to land seems essentially feudalistic. The superior position of the *jajman* enables him to get preferential payments, enjoy prestige, and other benefits and enables him to fix caste roles in such a manner as to stabilise his position despite the tensions within *jajman-kamin* relationships.

Beidelman uses the term *jajmani* system to cover the whole of rural social structure. But it should be noted that the term cannot be interpreted to cover all social relations. Firstly, *jajman-kamin* relationships are dyadic, and tend to be limited to the sphere of service relationships, whether economic or ritual. Secondly, *jajman-kamin* relations may develop into patron-client relationship when the bond becomes more personal, intimate and multi-faced. For instance, a carpenter who is a *kamin* to a cultivator may also be a debtor or a tenant enjoying the patronage of his jajman. In such a case *jajman-kamin* relationship acquires the nature of patron-client relationship.

This, however, does not always happen. Frequently, the relation between a cultivator *jajman* and a carpenter *kamin* stops at the level of service relationships. When a *jajman* is dissatisfied with the services of a smith, he may engage another. Similarly one smith may compete with another to get a rich *jajman*.

Not the Whole Feudal System

Further, *jajmani* system should be distinguished from the stratification based on land tenurial status into landlords, non-cultivating tenants, cultivating tenants and attached and free agricultural labourers. In Kerala, however, a tenant or an agricultural labourer purely in this capacity is not a *desavakazhi* (a person having hereditary rights of service in a village). It is, therefore, imperative to restrict the *jajmani* system to the economic and ritual service relationships. Other relationships such as, caste, kinship, patron-client, tenurial do overlap. But all these should not be subsumed under the *jajmani* system. To do this is unreal and

highly misleading. *Jajmani* system is not by itself the whole of the feudalistic system as the author thinks but is only a part of feudal and semi-feudal system.

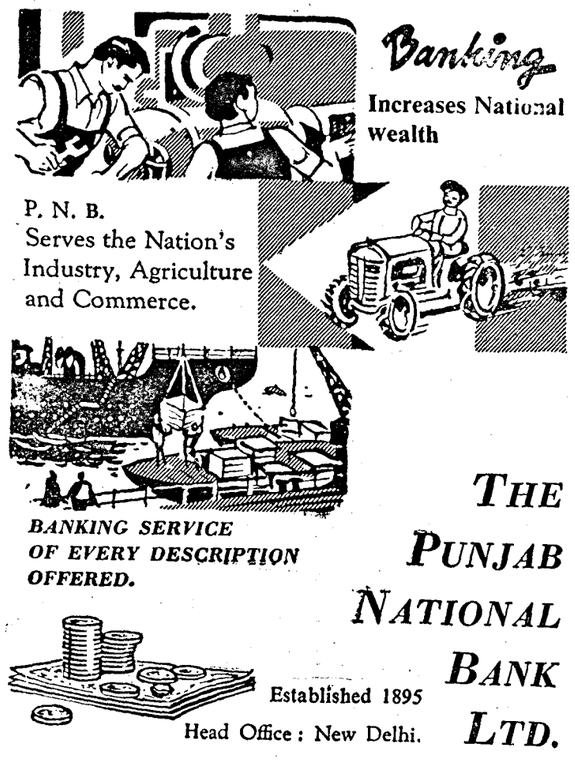
The use of the *jajman* and *kamin* as blanket terms is an over-simplification, as it ignores vast complexities and rich regional variations. The relationships between a Jat cultivator and his Brahmin priest, carpenter, potter, barber, washerman, *chamar* and *bhangi* have internal variations. All of them are not addressed as *kamins*. The Brahmin priest although he serves a ritually lower cultivating caste, is given due respect. He is never included in the list of *kamin* castes. The smiths occupy a higher status than *chamars* and *bhangis*. They are addressed as mistry. It is *chamars* and *bhangis* who are sometimes addressed as *kamins*. Therefore, in accordance with the ritual status and the distance between the service castes and *jajman* castes in the social structure, the latter exercise political and economic control over the former. Similarly, as in the case of the category of *kamins*, there is great internal variation within the category of *jajmans*. Land is owned by many castes and within each caste by many families in different proportions. Even landless households are *jajmans*. A shop-keeper or trader or a temple priest who receives grain payment may not possess any land. Still they command the services of *kamin* castes. In such a case, association of *jajman* with land is not wholly inevitable. Therefore, the terms *jajman* and *kamin* should be taken to represent categories within which differences should be expected. It is a distortion of reality to identify them as 'classes.'

A third point to which I would like to draw the attention is that the problem posed by Beidelman, viz whether or not the *jajmani* system is an exploitative system, has a misplaced emphasis. The author accuses writers such as M N Srinivas and K Gough for not looking at it from the point of view of subjection, asymmetry and conflict, and instead looking for interdependence and tranquility. But the question whether *jajmani* system is exploitative or not loses much of its significance when this system is seen in the light of the general principles of Indian social structure which impinge upon it. The differential basis of ritual ranking of castes in a scale of subordination and super-ordination is itself 'exploitative' and sets the pattern of subservience. The overlapping of the secular sources of power, land and political control, reinforce the hierarchy.

The crucial question is what happens when there is a discrepancy between the ritual and other elements of dominance? When a ritually higher caste comes into the category of *kamin*, the nature of exploitation is modified. The logic of economic exploitation does not run its full course. Exploitation is therefore a general aspect of the Indian caste structure which is sharpened by the distance between the *jajman* and *kamin* castes in the social structure. It is blurred when there is a discrepancy between different elements of dominance and when the gap between *jajman* and *kamin* castes in the caste hierarchy is not wide.

The author seems to have recognized the point that the *jajmani* relationships tend to reinforce the values of inequality inherent in the caste system (p 21); but he does not see the problem in this perspective. It should be said to the credit of the author that he also recognizes a situation where ritual superiority of Brahmins is accompanied by secular dependence. But he explains it away by making an absurd comparison of this situation with the position of a priest in western society who though nominally ranked high in society is yet treated as a functionary at a wedding and is only casually invited to the wedding reception. (p 19) The position of Brahmins is entirely different.

Jajmani system is undergoing changes. The intensity and form of these changes are not the same but vary with respective *jajmans* and *kamins* because they are dyadic relationships. The changing situation admits of vast variations and immense complexities. Sound generalizations can only be built upon a careful comparative study of and intensive research into *jajmani* systems over different regions. Beidelman's is a significant effort in this direction.



The Indian Census of 1961

Need for Checks and Follow-up

Vipra

The last Census was the second largest operation in terms of its size in the entire world. It was intended to be tailored to the varied needs of planning the development programmes of the country.

A brief review of some of the Census procedures has been attempted below, in the hope that the issues raised here will lead to some caution in the use and interpretation of the Census figures and that some intensive inquiries will be undertaken to establish benchmarks for an evaluation of the detailed Census reports.

In a country such as the United States, the Census Bureau itself investigates the extent of errors of content as well as of coverage.

In India, the Census department has so far been only a temporary organisation, and only recently has a decision been made to make it permanent.

A permanent Census office and the various centres for demographic research and training can legitimately be expected to undertake studies of the kind suggested below.

In view of the extensive use which many agencies and researchers will make of the 1961 Census reports, it is important to know the limitations and potentialities of these data and also to make such knowledge widely available.

ACCORDING to the provisional figures released by the Registrar General, Census, the 1961 Census has enumerated 436 million persons; when the counts for the remaining territories like Manipur NEFA and Sikkim are available, the India'n population is expected to number 438 million people, showing an increase of 21.5 per cent over the last decade. The geometric average annual rate of increase of 1.95 per cent is, of course, high enough to cause concern to the planning authorities and other policy-making bodies. The implications of this high rate of growth will demand careful analysis in the immediate future and again when detailed reports become available.

The present note, however, is confined to a brief review of some of the Census procedures. It is hoped that the various issues raised here will lead to some caution in the use and interpretation of the census figures and that some intensive inquiries will be undertaken to establish benchmarks for an evaluation of the detailed Census reports.

The last Census, the second since independence, and the tenth in the series of Censuses which began in 1871[1], was the second largest operation in terms of its size in the entire world. It was intended to be tailored to the varied needs of planning the development programmes of the country.

While the Indian Census could not possibly meet all the demands for collecting information, some new questions were added and others were modified to provide more useful and detailed data for analysis. The usual question on place of birth was supplemented by two queries about (1) the rural/urban character of the birth place and (2) the duration of residence at the place of enumeration. There was an important and useful innovation in the form of a household schedule which obtained information on the area of land cultivated under ownership and/or lease and the area leased out for cultivation, and also on the fact and extent of work in a household industry. The basis of various questions on the economic activity of the enumerated individuals was changed from one relying on the means of livelihood and the extent of self-support to one centred upon the nature of the actual work done by individuals. The Indian Census has thus accepted internationally recommended standards in this respect and would reflect the growing differentiation of economic activity which is bound to occur with the increasing industrialisation of the country. A unique feature of the last Census was a special enumeration of the technical and scientific personnel, intended to collect various details about the pattern of their employment.

Before we discuss some of these changes, it is pertinent to dwell for a while on the completeness of the Census coverage, which can be studied either by an analysis of the internal consistency of the data or by a re-census of a few sample areas.

Census Coverage

Following the recommendations of United Nations publications on population census methods and realising the importance of various uses of census data, the authorities responsible for the 1951 Census had conducted a sample verification check to estimate the completeness of enumeration. A similar sample check on the 1961 count has been carried out by the Census authorities.

It should be noted that the 1951 *design* for the sample check was not fully satisfactory. The verification officers were asked to check the enumeration of persons in households that were selected in a sample drawn from the National Register of Citizens which was itself prepared on the basis of Census work. Thus the post-enumeration check lacked the most important requirement: independence of the two operations. Also the instruction to verify whether any occupied house had escaped enu-

[1] Actually the Census operations were spread over the period 1867-72, but the figures are usually adjusted to date as of 1871. *Vide* Kingsley Davis, *The Population of India and Pakistan* (Princeton, 1951), pp 26-27.



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eration required the verification icer "to ascertain the house numr of three occupied houses which e nearest to the sample house and ake sure that they find a place in e relevant section of the National egister"[1]. Presumably the verifiition officers had with them the cords of the National Register d could, or rather would tend to, terpret the term 'nearest to the mple house' in a manner that ould not reflect adversely on the itial Census work. In any case, e houses or households that were issed in the initial count because f their inaccessibility or location generally deserted places, or beng on the move and failing to be aught in the Census net at some ther place, were left out of the erification. For these reasons, it s difficult to place much confidence n the overall results that showed net under-enumeration of the rder of only 1.1 per cent[2].

These results are, nevertheless, nteresting inasmuch as they compare favourably with the estimates of the U S post-enumeration survey of 1950 which indicated a gross under-enumeration of 2.3 per cent with a standard error of 0.2 per cent and a gross over-enumeration of 0.9 per cent with a standard error of 0.1 per cent — showing a net under-enumeration of 1.4 per cent[3]. It is impossible to judge how far the better showing of the Indian data was an arti-fact of the defective design of the post-Census verification count of 1951 [4].

[1] Census of India, Paper No 1, 1951, *"Sample Verification of the 1951 Census Count"*, p 22.

[2] Ibid, p 2.

[3] United Nations, "Handbook of Population Census Methods," Vol I, (New York, 1958), p 135. According to an independent estimate made by Prof Ansley Coale the net under-enumeration in the U S was over 3 per cent. *Vide* A J Coale, "The Population of the United States in 1951, Classified by Age, Sex and Colour — A Revision of Census Figures", *Journal of the American Statistical Association*, Vol 50, March 1955 pp 15-64.

[4] It may be noted that Prof Coale has estimated the undercount in 1951 to be of a higher order. He observes: "Our analysis of the age and sex distribution in 1951 indicates that there was a substantial undercount of children under 5 in the Indian Census and also indicates — less persuasively — an undercount of females. A rough estimate of the two deficiencies in the census count is 20 to 25 million, indicating that if the deficiencies are the result of omissions, the total population should be given as some 380 million rather than the 357 million of the Census". A J Coale, "Population Growth and Economic Development in Low-Income Countries" (Princeton, 1958), Appendix A, p 354. In fact, one might suggest a hypothesis that the 1961 census count has exceeded all projections or expectations because it has perhaps covered some of those who were missed in 1951 when the refugees from Pakistan had not been settled in India and the administration had yet to recover from the disorganization caused by the Second World War and the Partition of the country. It should be possible to check on this hypothesis when the detailed reports became available

[1] Ghost entries had been made in the verification check on the 1951 Census at least in Mysore and 31 such entries out of 34 effective entries were detected. See Census of India, 1951, Vol XIV, *Mysore*, Part I, pp 287-290.

Welcome Improvements

It is necessary to carry out well-designed independent checks rather than rely on a methodologically-inadequate verification which may induce an unwarranted sense of satisfaction with the Census operations. Fortunately, however, the post-enumeration check on the 1961 Census required a re-listing of the houses in selected blocks and the verification officer was not to be allowed to see the Census list of houses. Also, the performance of each verification officer was to be checked by making same deliberate additions to or deletions from the lists of members of households selected for the check[1]. These were all welcome improvements in the design of this important operation.

It is indeed encouraging that in the 1961 post-enumeration check details were to be collected about the age, sex and residential status of persons missed by the enumerators, and some light may thus be thrown on such points as the extent to which young children tend to be missed in the Census. In some countries, e.g. the United States,

[1] U S Department of Commerce, Bureau of the Census, "The 1950 Censuses — How They Were Taken," (Washington, D C, 1955), p 15.

the Census authorities and the agency concerned with the collection of vital statistics co-operate to match a sample of birth registration records with the Census enumeration slips reporting on infants. In India, the registration of births is, generally speaking, not accurate enough to allow us to follow such a procedure. Under these circumstances, the best procedure would be to undertake a re-canvass of a sample of registration areas, using intensively-trained interviewers, and matching the collected data both with the registration records of births and infant deaths and the enumeration slips. Such studies can and should be undertaken by the State Census Offices in collaboration with other institutions.

Incentive for Over-enumeration?

There is one controversial feature of the 1961 Census procedures which deserves some comments. In the State of Maharashtra, the enumerators were paid according to the number of persons they enumerated. This provision was presumably intended to induce the enumerators not to slacken on enumeration once they had counted the estimated number of 600 persons which every enumeration district was approximately designed to contain. The rate of payment was to be one rupee for every 40 persons enumerated, so that on the average, an enumerator would get about 15 rupees. It is not known if any other State adopted the piece-rate basis of payment, but a similar procedure was adopted in the U S Census of 1950 where piece-price rates to compensate an enumerator were fixed at 7 cents per person[1]. A question arises whether such a procedure would provide an incentive for over-enumeration or for counting and reporting on fictitious persons.

Against this possibility are the following considerations: (1) the enumerators were recruited from the ranks of government or municipal employees; (2) they were warned of the legal provisions for punishment of persons submitting false returns; (3) a reward of 2.5 naye paise per additional person enumerated was hardly a tempting

bait; and (4) the supervisors would immediately suspect some fabrication, if the returns diverged widely from the estimated number of 600 persons in each enumeration district; in any case they carried out a field check on the work of the enumerators under their charge. Quite possibly these checks upon over-enumeration are sufficient. Nevertheless, it would be advisable to compare the extent of over-enumeration between two or more areas where enumerators were differently compensated, provided that the data on over-enumerated persons are broken down into cases of (i) fictitious entry, and (ii) of those who were enumerated at two places [1].

Rural/Urban Place of Birth

As mentioned earlier, in the 1961 Census of India, the usual question on place of birth had been supplemented by two queries on the rural/urban character of that place and the Duration of Residence at the place of enumeration. These questions were added to enable a more detailed study of the internal migration of the rural population to urban areas which is taking place to a substantial extent with increasing industrialisation. Like the birth place information, however, these supplementary data are also inadequate for determining the total extent or the stages of migration and unless they are handled with care, the returns on the rural/urban character of the place of birth will be open to some doubt. The close contact maintained by most town dwellers with their native places may keep them informed about the State in which they were born, even after the reorganisation of States, but they can hardly be expected to know about changes in the definition of towns.

In the Census of 1951, the term 'town' had "a multiple and somewhat confusing definition. It included all municipalities, all cantonments, all civil lines, and all places with more than 5000 population which it was decided to treat as towns on the grounds that they possessed urban characteristics. The opinion of the District Collector on the urban character or otherwise of the place was accepted"[1]. In order to provide a uniform definition that leaves no scope for individual judgment and to permit greater comparability among the various States and regions of the country, in the 1961 Census an urban place was defined as (I) a place that is a municipality, a cantonment or civil lines; or (II) a place having (a) a population of 5,000 or over; and (b) 3/4 or more of the total male population dependent on non-agricultural professions. [2] The criteria suggested in (II) were to be applied on the basis of the information gathered in the 1951 census. The condition requiring at least ¾ of the total male population to be engaged in non-agricultural activities before a locality is considered as urban may be criticised as too stringent or it may be asked whether this proportion should not be applied to the population of working ages alone; but any such definition will almost inevitably be arbitrary.

Unfortunately, this attempt towards a uniform definition will make for some inaccuracies in the responses of persons on the rural or urban character of their birth place, and will introduce a spurious factor in the estimates of rural-urban migration. It has been calculated that had the 1961 definition been applied to the urban areas of Maharashtra in the 1951 Census, 9.43 per cent of the urban population would have been classified as rural and the percentage of urban population in the State would have been 26.2 instead of 28.9.

The preliminary tabulations of the latest Census indicate that the percentage of urban population has dropped in seven States out of the fourteen for which data are available; and that for the country as a whole it has increased from 17.38 to 17.84 per cent only over the last decade. Why the increase in the urban population has not been greater is obviously because the definition of an 'urban' place has been changed. It seems, therefore, that responses based on the 1951 information will contain a certain amount of error. This problem could be handled if the "rural/urban" character of the place of birth was judged by the Census authorities at the time of coding or if the returns were carefully edited, but failing an adoption of such procedures, the estimates of rural-urban migration will be affected by a spurious factor whose importance one cannot evaluate without getting more detailed information.

Literacy Status

A question may also be raised about the advisability of asking a question on literacy to all persons. According to the U N recommendations as well as the Indian Census, literacy is defined as the ability both to read and write "with understanding" and to write a short statement on everyday life in any language. It is obvious that young children who are in the primary schools and read elementary textbooks or write the assigned dictation are not literate in this sense. While it is both useful and necessary to find out, even by means of a specific question, whether these young children are going to school, to consider them as literate is to inflate the overall percentage of literacy. It would be much more sensible to abide by the international recommendations which suggest that only persons 15 years and

1 The failure of the enumerators to understand the "extended de facto" basis of the census count may account for such double enumeration.

1 *Census of India*, 1951, Volume IV, *Bombay, Saurashtra and Kutch*, Part I, p 31.

2 Census Circular No 6, issued by the Offices of the Superintendent of Census Operations, Bombay State, on the 4th April, 1960. In the report on the Provisional Census Totals, the Census Commissioner refers also to a third criterion of ' a density of not less than 1,000 per square mile ". It is not known what States have employed this test but Maharashtra certainly does not. Thus the degree of uniformity attained in the definition of an urban place seems to be restricted. Perhaps, the third criterion will be applied on the basis of the information collected in the 1961 Census; for the Census Commissioner states that the list of towns is only " provisional and subject to final adjustment, consequent on the tabulation of economic and other characteristics of the population of border areas ". See page XXIX of the report entitled " 1961 Census : Provisional Population Totals ". Nevertheless, since the criteria for the grant of a municipal status did, and continue to, vary in different areas of the country, the condition of existence of a municipality for defining an urban place will inevitably limit the comparability of urban populations in different States.

ver should be included in the opulation for which a report is nade on literacy. [1]

The extent to which enumerators ictually verified the literacy status of respondents by testing their ability to read and write was probably very limited because of the relatively short time within which the count had to be completed. This raises the possibility that persons who had attended short literacy classes but had not learnt or retained enough to be able to read and write may nevertheless report themselves as literate. Sometimes the officers concerned with literacy campaigns may also have an interest in reporting a higher percentage of literate persons in their respective areas. If interviewers employed in the 16th round of the National Sample Survey actually test the literacy status of persons in their sample, an independent estimate will be available. If they do not, a pilot inquiry into the accuracy of Census reports on literacy seems desirable because of the great importance attached to raising the literacy level of the Indian population and the need for accurate information.

Economic Activity

It has been mentioned above that the 1961 Census questions on economic activity broadly followed the U N recommendations and were designed to show the growing occupational and industrial differentiation of the employment pattern of our labour force. But the reliability of responses to questions relating to occupations is always somewhat doubtful. Sometimes there are very genuine difficulties of pinning down the exact occupation because of the non-specific nature of the educational training required for certain occupations and inter-occupational mobility. Sometimes the responses are not specific enough and the enumerator — instructed to take down information as supplied and not to probe further —writes down what he is told. A number of persons reporting their occupation as "business" may be brokers, wholesale traders or speculators. Sometimes there may be considerations of prestige and a person who moves the tools in a garage may report himself as a mechanic or a person who fixes electric wires in buildings may call himself an electrical engineer. These difficulties are, of course, common to all censuses and the Indian Census is no exception.

The 16th round of the National Sample Survey is designed particularly to check the 1961 Census reports on economic activity. Unfortunately, this check can test only the reliability or consistency of reporting. The question of validity — whether a question actually elicits the response which is intended — is always very difficult to test unless some independent report is available for comparison. Responses on economic activity can sometimes be checked by comparing them with the work descriptions as given in the employees' register maintained by employers. In other cases only an investigation at the place of work can provide a satisfactory check. Some intensive investigations in this area would be worth-while.

Information on Land Area

There are likely to be some more serious difficulties in getting useful information through the household schedules. Answers to the question on the land area owned, leased in and leased out cannot be assumed to be very accurate, because of the possibility that quite a few 'de facto' leases may be in contravention of the land reform laws passed in various States and the reported information may not reflect the actual situation. Even if this information were obtained from or compared with the land revenue records, one would not have enough assurance of the accuracy of the reports because, in many places, land revenue records are incomplete, out-of-date and inaccurate, needing a thorough revision. A matching of the reports by lessors and lessees would be useful but there is the possibility of mutual understandings and, in any case, the Census information does not include data on the names of lessors and lessees. Under the circumstances, figures of total area of land leased in and leased out can be tallied and a rough estimate of the extent of inaccuracies might be possible; but to obtain an estimate of the "validity" of the collected information, intensive inquiries in a sample of villages spread all over the country would seem to be necessary.

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Scientific and Technical Personnel

The special consideration of scientific and technical personnel was indeed a unique feature of the Census. By providing data on the age, sex, marital status, academic qualifications, and the nature, sector and tenure of employment of this vital human resource, this special census could make it possible to undertake a very detailed study of the present supply of technical and scientific personnel and the likely outflow from their ranks caused by deaths and retirements over the next five or ten years. Such a study, complemented by an estimate of the likely inflow into these categories of newly trained personnel, would shed light on the possibility of a scarcity or surplus of qualified persons in the various specific fields.

In fact, the Scientific Manpower Committee which reported in 1947, had recommended the compilation of a National Register of Scientific and Technical Personnel. This work was entrusted to the Council of Industrial and Scientific Research and three volumes containing information about engineers, medical personnel and scientists and technologists were published. [1] Unfortunately, however, the completeness and accuracy of the Register were known to be inadequate and one gathers that in early 1957, some action was under way "to completely reorganize" the register "in order to transform it into an authoritative source of comprehensive information of India's resources of scientific and technical manpower"[2]. It is not possible to know either the methods employed for this reorganisation or the success attained but the plan for a special enumeration linked with the 1961 Census was very worthwhile indeed. Unfortunately, however, the execution of this task does not seem to be free of shortcomings.

1 See United Nations, " Handbook of Population Census Methods," Vol III, pp 30-31. This suggestion can be adopted also at the tabulation stage.

1 The publications Division, Government of India "India 1956, a Reference Annual," (New Delhi, 1956), p 238.

2 The Ford Foundation Program Letter, India, Report, No 93 (mimeographed), May 18, 1957, " Manpower in India's Development Plans-II ", p 5.

Special Enumeration Defective

The decision to take this special census was made very late and instructions were issued only a few weeks before the actual Census. The special enumeration was limited to urban areas and centres where work on major irrigation or power projects was in progress. Thus medical practitioners or agricultural engineers and researchers in rural areas must have been left out altogether. Also, an enumerator cannot find out whether a person is eligible for inclusion in this special census unless he asks the persons holding degrees or diplomas about their fields of specialisation, and no such instruction seems to have been given. There would be no harm if ineligible persons are given the special cards because these can be rejected later, but omission of eligible persons can be quite serious. The supervisor can sometimes detect the omission by looking at the nature of the work done by the person, but it would hardly be possible for him to notice all the cases in which special cards were not given through an oversight of the enumerator.

There are also the well-known limitations of a mail-questionnaire. Instructions were issued to the enumerators to request the respondents either to mail the cards directly or to return them to the enumerator during his revisional round between the 1st and the 5th of March. It would have been better to prescribe only the second alternative which would have made the enumerator responsible for collecting all the cards he had distributed[1]. As it is, it will now be necessary to make a careful study of non-response, both about its extent and the special characteristics, if any, of the non-respondents, before the results of the special census can be utilised for its intended purposes. It will be most unfortunate if the collected information is assumed, without further study, to represent the entire universe of technical and scientific personnel or if it is left unutilised because of an inadequate return of the cards issued[2].

1 Needed secrecy could have been ensured by giving addressed envelopes in which the respondents could mail the cards.

2 The current appeal being made through newspapers and periodicals to persons trained in science or technology to fill in and mail the cards issued to them or to obtain cards from the Registrar-General of India, New Delhi, is to be welcomed if it helps to reduce the percentage of non-returned cards.

A comment on one of the questions included in the special enumeration card may be in order. The question on "monthly total income" asked of those employed on February 1, 1961 should have been more specific, inquiring about monthly total income from employment, and/or from all sources. In its present form, the question is ambiguous. One wonders also whether income is not too personal a matter to be reported on an open card which may easily fall into the hands of other persons while it is lying in the home, awaiting collection by the enumerator. Also, as a card for self-enumeration, the prescribed special card was deficient in informing the respondents about the purposes of the special census and thus in persuading them to reveal personal information on various intimate matters.

Conclusion

In the above discussion emphasis has been placed on some limitations of the Census operations and on the need for some intensive inquiries to check on the extent of the inaccuracies introduced. In a country such as the United States, the Census Bureau itself investigates the extent of errors of content as well as of coverage. In India, the Census department has so far been only a temporary organization, and only recently has a decision been made to make it permanent. A permanent Census office and the various centres for demographic research and training can legitimately be expected to undertake studies of the kind suggested above. In view of the extensive use which many agencies and researchers will make of the 1961 Census reports, it is important that knowledge concerning the limitations and potentialities of these data be obtained and made widely available.

References

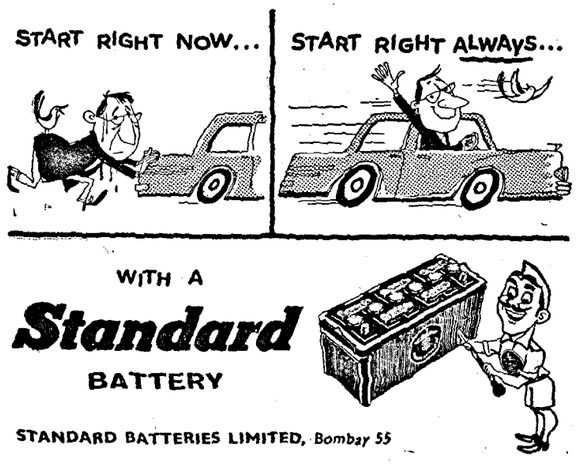
The 1961 Census materials available for preparing these notes were:

(i) Census Circulars Nos. 1 to 20, issued by the Superintendent of Census Operations, Maharashtra State;

(ii) "Instructions for Enumeration: Part I (General)" and "Part II (Technical)" and,

(iii) The Census Commissioner's report entitled "1961 Census: Provisional Population Totals".

In view of the fact that the 1961 Census was centrally co-ordinated by the Office of the Registrar General to a greater extent than the previous Censuses, it is assumed that the instructions and circulars issued in Maharashtra are broadly similar to those issued in other States.



Form and Substance in Indian Politics—VI

Prospects for Democracy

Rajni Kothari

The prospects for democracy in India depend on the quality of political leadership.

In the critical period immediately following independence we were fortunate to have men of exceptional ability at the helm of affairs. A more normal period will need not so much exceptionally gifted leaders as a well filled-in social and administrative hierarchy.

The sustenance of political institutions by such a hierarchy will lay a firm basis for democracy.

It is the function of statesmanship to make institutions the custodians of authority. The fate of democracy cannot be allowed to depend on the availability of exceptional leaders.

That is the principal test of Indian democracy.

WILL democracy survive in India? The question can be answered only after detailed analysis of the different political institutions and of the social and ideological conditions in which they function. Such analysis was attempted in the foregoing articles. The implications of our analysis for the functioning of the political system as a whole can now be examined in this concluding article. We have noticed the elements that further the development of democracy in India and those that retard it. We have also examined the gap between the formal character of institutions and their substantive working. The different threads of the argument may now be brought together.

The formal arguments advanced to show why Indian democracy will succeed are well-known. We have adopted a democratic Constitution under which the government is elected by the people, opposition parties are allowed to function, fundamental rights are guaranteed, there is a free press and an independent judiciary and the ministers are responsible to parliament. Authority, moreover, is diffused by the federal Constitution and the government has also taken steps to diffuse power down to the village level. The country has been reorganised on the basis of language and administration is carried on in the people's own language. Underprivileged sections of the community are protected and given special representation in the government and administration. Above all, economic planning and social reform ensure that political democracy will be buttressed by economic and social democracy.

Critics of Indian democracy counter these arguments by pointing to the unitary bias of Indian federalism, the centralised administration, the emergency powers of the President, the monopolisation of power by a single party which reduces the legislature to a body of "yes-men", the hierarchy within the council of ministers and the concentration of power in the "inner Cabinet", the continuous operation of the Preventive Detention Act in contravention of the spirit of the Constitution and the amendment of the Constitution to exclude the jurisdiction of the courts from the determination of compensation for private property acquired by the Government, thereby affecting the fundamental right to property. Economic planning, moreover, has given rise to the formation of an extra-constitutional super-cabinet in the form of the Planning Commission which, in effect, nullifies both federalism and 'democratic decentralisation'. Other criticisms which refer to the content, rather than the form, of political institutions, are also made. But they are based on a very superficial view of democracy. We are told that democracy in India is a mockery, that the government is everything and the individual nothing, that the Prime Minister acts dictatorially, that there are so many police firings, that the Punjabi Suba is not granted, that Vidarbha is denied the right of self-determination, and that the language of the majority is being imposed upon the minority in many States.

Complex Picture

The substantive picture of Indian politics as it really emerges is, however, far more complex. It is imperative to understand its true meaning and to assess its strength and weaknesses. From what has been said in the earlier articles, it is clear that most of the criticisms mentioned above are based on a too formal understanding of the political process. Thus we have seen that although the relation between the Union and the State Governments is not strictly federal, that is not the cause of the alleged centralisation and that territorial devolution of authority should not be confused with democratic diffusion of power. Again although it is true that the Congress Party dominates the political process, the existence of factions ensures that many points of view are accommodated and much flexibility is achieved as a result. Again, though the opposition is weak, it is allowed full scope to function and is often given an importance out of proportion to its numerical strength. Further, though the power is concentrated in the hands of a few national leaders, exercise of power by them is more conducive to individual freedom and stability than exercise of power by state or local politicians would have been. Finally, while economic planning has necessitated the creation of organs of Government not envisaged in the Constitution, it cannot be denied that beside fulfilling their main function of achieving planned economic development, the Planning Commission and its auxiliaries are slowly laying the basis of a national consciousness and a unified outlook among the people. If they succeed in this and if political education spread rapidly enough, a great drag on political development would be removed and a solid foundation for the growth of democratic institutions would be laid.

So much for the merits of the system. We can now turn to the

problems. Many of these problems have been noted in the earlier articles: the threat to national unity posed by divisive tendencies, the lack of a network of voluntary organisations representing specific interests, the concentration of decision-making power in the Government and the administration; the concentration of power within the ruling party in its charismatic leadership. To these may be added problems that are more intangible but no less real: absence of responsible attitudes, the tendency to view political office as a prize for individual services; the deterioration in the tenor of public life, and the increasing subordination of society to politics.

Superficial Approach

The question of unity has been briefly touched upon in an earlier article. Events have forced the national leadership to shed its earlier complacency and direct attention to the disintegrative forces in society. But there is little reason to believe that the problem is being tackled in the right manner. One approach to the problem is found in the repeated references to India's spiritual unity, in the belaboured "appeals" for emotional integration, in the vehement "calls" to fight linguism and communalism. Much of this has become ineffective with the passage of time. Another approach is to prescribe remedies that do not even touch the real malady, such as the creation of a "national service" or the University Grants Commission's "advice" to the universities to help foster emotional integration by adopting specific courses. Unity is confused with uniformity and it is assumed that standardised behaviour patterns will pave the way for national unity. The view that "unanimous elections" will lead to a unanimous society and that political competition disturbs unity is equally superficial. According to this view even drawing of lots is to be preferred to elections. (See, for instance, the suggestion contained in the *Report of a Study Team on the Democratic Decentralisation in Rajasthan*, published by the Association of Voluntary Agencies for Rural Development, New Delhi. J P is, of course, known to hold such views.) If it is granted that the real problem is to transfer people's loyalties from the sectional to the national and secular plane, it is clear that elections serve an educative purpose and open an avenue of participation, cutting across narrow allegiances.

Another mechanical approach to the problem of unity is found in the recent reaction to communalism. The question of national integration has now been narrowed down to one of communal integration, and the problem is conceived of in terms of providing "safeguards" to the minority communities. The Congress Party's resolutions on 'National Integration' convey a pathological concern for pacifying aggrieved sections of the people. A feeling of guilt seems to pervade the entire thinking on minorities. While, on the one hand, communalism is denounced with great vehemence, on the other hand, it is being fanned by the emphasis on providing special privileges for certain communities. The vacillating attitude to the question of the Muslim Convention, alternating between sharp condemnation and condescending approval, has given the entire problem of Muslim communalism an excessive significance. The best course was to ignore the whole thing. Special treatment for individual communities has been the bane of politics in this country. A unity based on communal privileges and safeguards is a fictitious unity. It prevents the channelising of loyalties to the larger community and accentuates the disintegrative forces in society.

Parochial Loyalties

A disorganised society gets poignantly reflected on the political plane. Lack of voluntary associations and other secular channels of participation in politics restricts loyalties to parochial units. Any one who has closely followed the events in Assam cannot fail to notice this process at work. Inquiries indicate that the administration was itself a party to the mischief. Communalism seems to have eaten into both the administration and the Congress Party. What is surprising is the casual manner in which those responsible for the events have been reprimanded by the leadership in New Delhi. Surely, here was a situation calling for use of the President's emergency powers. But nothing was done. The mischief was done and none of Shri Nehru's subsequent speeches and gestures could undo it. In this connection the plea forcefully made at a recent meeting in New Delhi of Central and State Ministers presided over by Shri Nehru, that 'care should be taken to ensure that officials with the right outlook were chosen, so that they may inspire confidence among all sections of the people is to be welcomed? This must be followed by determined action and not by half-hearted gestures.

The social, political and administrative organisation of a country is as important to its unity as an ideological consensus. An "infra-structure" of voluntary organisations cutting across narrow loyalties and providing a continuum between society and the state, a responsible and disciplined administration imbibed in secular values, and political parties whose allegiance to national interests is not undermined by opportunism are the minimum pre-requisites for political unity. The main point is that political development should counter the disintegrating forces inherent in society. If, instead, it gets conditioned by the latter, the survival of the nation becomes doubtful.

Communalism Not Only Danger

The forces of disintegration take many forms in this country. The Jabalpore riots and the revival of the Muslim League in some parts of the country have concentrated all attention on the evil of communalism. But there are greater evils than communalism. Similarly, while the danger from the so-called communal political parties must be guarded against, they do not pose as great a threat as is often imagined. The prevailing political climate is not conducive to their success. There are other factors which undermine the whole tenor of public life and retard political development. Among these, the most important are linguistic and regional loyalties. The formation of linguistic provinces has not solved the problem. Within each State, there are minority language groups, striving for recognition and majority groups resenting their demands. Official language policies are attacked, administrative autonomy for minority regions is demanded and even secession is threatened. Linguistic feelings are aggravated by the suspicion of economic exploitation and administrative monopoly by the majority community. The Assam riots of last year are a grim reminder of the lengths to which linguistic hatred can go.

The extent to which linguistic loyalties are reflected in politics

was shown in the last general election in Maharashtra and Gujarat. Not given to considering political questions in terms of the programmes of different parties, the masses understood and sympathised with the language agitation of the Parishad and the Samiti. Above all, linguism penetrates deep into the ruling party. It has been rightly pointed out that it is futile for the Congress Party to decry parochialism when it is itself afflicted by the disease. Banning of communal parties will only drive communalism underground. The strong Arya Samaj faction within the Congress, if its position is seriously threatened will go over *en block* to the Jan Sangh, which is becoming aware of its strength. Those in charge of the Congress organisation are however conscious of this and will prevent such a shift from taking place, even at the cost of its secular principles.

The influence of caste in Indian politics is no less important, though it does not always find expression so dramatically. Castes form the bases of party factions, parliamentary lobbies and administrative *esprit de corps*. They provide the substantive appeal of electioneering campaigns. Caste was always influential, only now it has reached the political plane and has, consequently, assumed national significance.

Consideration of the role of caste in Indian politics leads to the conclusion that to preserve national unity, the long-term problems must receive as much attention as the immediate ones. The short-term problem is to restrain all forms of sectionalism from taking dangerous forms by political and administrative sagacity, the long-term objective is to remove the most important cause of sectionalism by fostering new attitudes and values as well as by effecting new forms of organisation. Viewed in that light, it becomes clear that the principal task is to steer individual allegiances into wider channels. Political correctives must be provided to overcome the rigidities of a closed social order. The problem of unity has to be viewed afresh and given a proper perspective.

Institutional Prerequisites

Political unity in a society that lacks homogeneity depends on two factors, ideological and institutional. Shared ideals based, not on indoctrination, but on a vigorous exchange of opinions can lead to a unity founded on common consciousness. True unity cannot be imposed; it must evolve out of common strivings. It does not rule out political divisions, provided they are not too rigid.

The institutional pre-requisites of political unity consist of a well filled-in and mobile social hierarchy. A hierarchy made up of organised groups constantly interacting on one another makes for stability In India, there are wide gaps in the social hierarchy. Voluntary organisations that should fill-in the wide area between caste and communal organisations and the political state are not developed. The caste-organisations themselves have to be organised on new principles. Some castes are aware of this but, generally speaking, the hold of tradition and institutional inertia act as a deadweight on the process of secular development. The health of a democracy depends upon the extent to which a plural society has moved from heredity and status-based organisation to one based on voluntary associations. The weakness of the institutions which provide the link between the individual and the state accounts for much of our fragmentation and disunity. It has led to a situation where the entire organisational initiative has to come from the state and tasks that should have properly belonged to voluntary agencies have come to be politically performed. Even the "non-official" agencies tend to be officially sustained and in the process bureaucratised. (See the interesting *Study of the Lok Karya Kshetras of the Bharat Sevak Samaj* by the Planning Commission, which draws pointed attention to this tendency.)

The problem of achieving national unity is thus bound up with the proper distribution of power in society. And in a country where the exercise of social power is prescriptive and limited to a few, it becomes a question of the distribution of political power. The quest for power forms the basis of parochialism. Whole sections of people who had hitherto no chance of expressing themselves find their opportunity in the political arena. It is true that the methods they adopt to make use of the new opportunity are often dangerous. But they are also a reflection of the inequitous social order. Political violence, like corruption and factionalism, is a direct consequence of primitive awakening that has not found its fulfilment in proper channels.

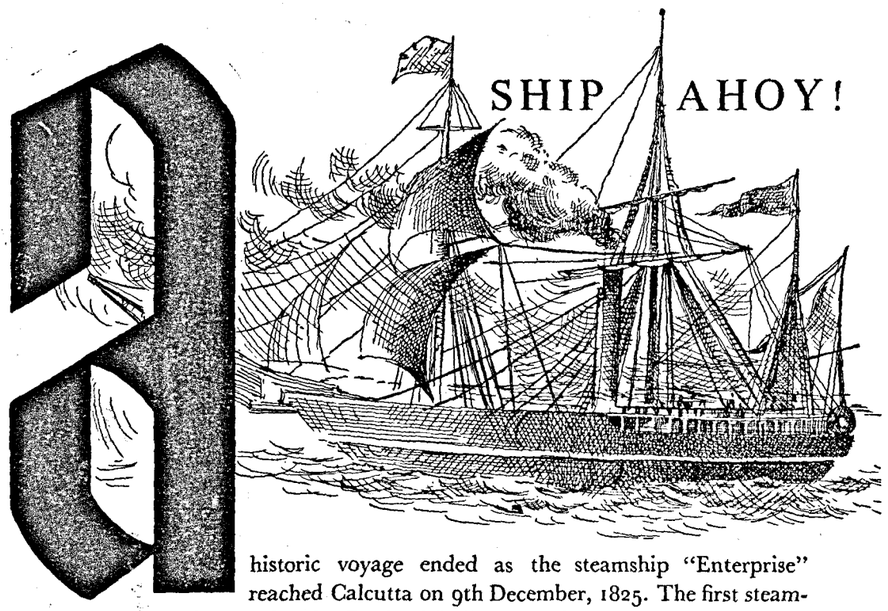
Parochialism in politics results from a combination of a growing sense of powerlessness and a growing awareness that the situation can be remedied, that there is a way out. The problem is to give order to such strivings and to prevent frustration from spreading too far. It is a problem of political participation.

Limited Participation in Politics

Such participation is severely limited in this country. Beyond casting votes, which also tends to be determined by group dictates for large sections of the people, participation in the political process is negligible. Lacking voluntary group effort, the individual's link with the political process is limited to the periodic poll. Political parties that should provide channels of communication do not perform this function except for already powerful interests. That the Congress Party and the factions within it provide some opportunities for interaction between organised groups is true. But such organised groups are very few, with the result that the factions find their basis in kin and caste groupings with little relationship to the needs of a large mass of the people.

In general, political parties in India have not felt the need to organise intelligence units corresponding to specific functions of government. The Conservative and Labour parties in England have elaborate research and fact-finding departmen's dealing with a number of questions facing the public and the government. The most important function of such organisations is to foster effective links between the politicians and the intellectuals. The Congress Party in this country has failed in this respect with the result that, while politicians assume the air of being intellectuals themselves, intellectuals continue to harbour a strong antipathy to politics and politicians and generally display cynical and irresponsible attitudes to public issues.

We have examined in an earlier article the role of political institutions and the substantive forms assumed by them in the political process. What was left out from the



historic voyage ended as the steamship "Enterprise" reached Calcutta on 9th December, 1825. The first steam-powered vessel to make the England-India run, the 500-ton "Enterprise" won a cash prize of Rs. 100,000 offered by Calcutta's trading community for this truly pioneering achievement. Her captain on the hazardous voyage round 'the Cape' was James Henry Johnson, Commander, Royal Navy, and a hero of Trafalgar.

Though the "Enterprise" was the first ocean-going, partly steam-propelled ship to arrive at any Indian port, small steam-powered craft were being built in Calcutta as early as 1823.

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analysis was the electorate, the pivot of the democratic process. The organisation of the electorate in this country is lacking in depth and is ineffective. Politically speaking, the electorate is an amorphous mass, unorganised and undifferentiated. The type of differentiation that does exist is on caste and regional lines. The curious result is that political consciousness, instead of arresting political backwardness accentuates it. In such a state, real authority continues to be monopolised by a few. A disunited society leads inevitably to concentration of power. So does a politically undifferentiated and sterile mass. Social fissures and political apathy together lead to a top-heavy structure of authority. It gives too much power to the Government, leaves society divided and impotent and transfers initiative to a small band of professional politicians.

These substantive characteristics of the political process, and not any formal division of authority as is often argued, are the cause of concentration of power. In a country where the tradition of self-help is lacking, initiative inevitably passes into the hands of the government. In itself, this would not be so bad if the government could be adequately controlled. The problem of modern government is not to limit its function but to control it. In India, however, the absence of voluntary groups organised around specific interests to influence policy and the division of society along non-secular lines leave the government out of reach for most men. The overwhelming strength of some political organisation like the Congress and the tendency to fix loyalties on personalities rather than on institutions or principles have turned the function of governing into a prescriptive right the exercise of which is limited to a few self-appointed individuals.

Politicians' Vast Influence

The centralisation of power that obtains in this country results from the peculiar position occupied by the party politician in society. The politician in India controls all avenues of power. Office-bearers in the Congress Party man all agencies devoted to developmental work, their nominees find representation on the governing bodies of educational institutions, most charitable trusts running schools and hospitals are in their hands, their women take charge of most social welfare organisations and are able to procure substantial grants, and they or their kin become the authorised dealers of government products, issue licences and fix quotas. The patronage of the Congress boss extends far and wide. He controls the most strategic positions in society. Anyone who wants a seat in a college or a licence to run a lorry or a permit for ten bags of cement is at his mercy. The co-operatives giving credit to the farmer, the development block distributing seeds and fertilisers, and the panchayat digging wells and constructing roads are all subject to the politician's influence. His power over the society in which he lives is all-pervading.

Other features of the party system reinforce this concentration of power. The public's identification of the party with the government and the impression that power is enjoyed by right help sustain the politician's sway over society. The movement for independence left a legacy in the popular belief that the politician is at the same time a social worker and counsellor of the whole community. It is true that the factions within the Congress open a way for changes within the party. For the society at large, however, he who controls the party at the moment wields supreme authority over the locality. Factions, at the same time, make far greater centralisation. Parochial divisions in the village or the small town are used by factions in the higher tiers of territorial organisation. The resulting combination of caste, regional and party factions is to the advantage of professional politicians.

The experience of panchayat elections reveals the pervading influence of politicians belonging to the ruling party who come from the nearby town and succeed in putting their nominees into saddle in the village panchayat. In turn these politicians are used by State party bosses on whom their prospects depend. The general result is that a small band of politicians continue to enjoy a monopoly of social, political and economic power. They cannot be easily removed from power. The mechanics of acquiring political power is so geared that it is not necessary to have the approval of the people. Indeed, the spectacle of an unpopular leader continuing in power unaffected by public opinion is not infrequent. Public apathy and a fatalistic attitude to authority sustain the mechanics of an authoritarian order.

The result is "personal government". Party politics in India centres on personalities. Factions within parties are based on personal rivalries, reinforced by kin and caste following. The social authority of the party boss is based on his personal influence. Continuance in power in the government or the party depends on connections with some important personage at the top. Political change consists in a change of personalities. The only proviso is that such change must be approved by personalities still higher up in the High Command.

The Political Entrepreneur

This pattern has given rise to a new type of political entrepreneur in India. The old leadership was drawn from men of means and leisure, belonging to respectable families and schooled in the liberal tradition. The rank and file was provided by middle class young men, more radical in ideas and prepared for any amount of sacrifice and suffering. With the coming of independence, these two categories assumed the reins of power at different places in the hierarchy. Shortly afterwards, the scramble for power began and there emerged a new kind of politician, resourceful but in a different manner, politically inclined indeed but with a different purpose, hand-working but with different motives.

Starting with a few "connections", the new entrepreneur brought with him a new approach to politics. He looked upon politics as a profitable enterprise to improve his status, better his prospects and acquire positions of power. He began by joining some faction, became an active follower of some important leader, was prepared to perform small chores for the leader to win his favour, helped him in organising his activities, canvassed for him during electoral campaigns, identified himself with the leader's group, built his own contacts, and waited for his chance. Slowly he picked up the art of 'management', began searching for short cuts, and fostered links with the "key men"—the social celebrity, the proud patron, the gullible among the rich, the weighty among the upper castes and the frustrated among the lower, men

good at collecting funds, news reporters, street vagrants to intimidate, ring leaders to supply mercenaries and student heroes to turn into political cannon-fodder.

With the emergence of this new type of career politician, Gresham's Law began to operate in Indian politics. With the exit of those who did not view politics as a means for personal gain but who at the same time had no capacity to withstand the coarseness of their juniors, the whole tenor of public life changed. This has been especially so in suburban India. The incidence of corruption has increased beyond bounds and its character has changed. Corruption has become a way of exploitation and a means of tightening one's hold over one's fellow-men in the struggle for political survival. Bribery as a medium of group persuasion has become normal in politics. "Goondaism" is on the increase and political intimidation has become a usual technique to win a majority.

Curiously, such vulgarisation of public life is, in a sense, a direct result of grass-root politics. It is an astonishing paradox of Indian democracy that the closer a politician (or a party unit) is to the people, the more reactionary he becomes. The purpose of his approach—winning votes—makes him emulate their methods, flatter their emotions and prejudices, and employ their language. He organises them around symbols they are used to, symbols of caste, language and religion. The more skilful he is in this art, the more successful he becomes. In the absence of political enlightenment, democratic politics inevitably turns into a scramble for power. The new-styled politician finds his haven in the mass democracy that has not been preceded by sustained political education.

Fortunately, the few survivors from the old order and a few others who have entered politics through a different system of partronage have controlled the destinies of the nation till now. If they manage to hold on for a time, the dynamics of a democratic polity will oblige the field worker to satisfy new demands and conform to a minimum code of political behaviour. Meanwhile, perhaps the social hierarchy will be effectively filled in by organised interest groups, thus making for a general diffusion of power. Democracy in India is a race against time. Much will depend on the ability of the national leadership to direct the course of events. Much will also depend on a smooth changeover from the system of factions to a genuine party system which can effectively channelise popular initiative and make the larger public interested in politics.

The present leadership poses a real problem. While it has provided stability and given a sense of purpose to political development, it has at the same time dominated the whole process. It has stopped political development from taking its natural course. It has patched up differences times without number, compelled factions to close their ranks and generally hampered the growth of political divisions. This has created a stalemate in Indian politics: change is in the offing all the time, but it does not take place.

Nehru's Role

The dominating personality of Shri Nehru has often been blamed for this, and rightly to a great extent. Shri Nehru wields such authority and has done so much for India's political development that the impression is sometimes created that Indian democracy and unity cannot survive his withdrawal or removal from politics. It is essential that a change in political mentorship or at least in the scope of Shri Nehru's authority is affected before long. It is nevertheless, wrong to think that Shri Nehru's hold over the Congress is total. Facts do not warrant such a view. What is true is that while Nehru continues to be the national hero in the public eyes, his hold over the Congress organisation has considerably weakened. While he has been largely occupied with economic development of the country the organisation of the Congress has passed over to others. These are not simply State or city "managers" like Kamraj Nadar or Prafulla Ghosh or Sadoba Patil. Some of these have risen to national eminence, not in the sense of occupying a position at the Centre but by devoting themselves to strengthening the national organisation of the Congress Party. These men have in fact taken up the mantle that was once worn by Sardar Patel. Dhebar of Saurashtra, Sanjiva Reddy of Andhra, Subramaniam of Tamilnad and Morarji Desai of bilingual Bombay are not only growing in national importance but are determined to build themselves up in the party organisation.

New Leadership Is Rising

It is also wrong to believe that only Nehru enjoys popularity. The most remarkable rise in popular esteem in recent years is recorded by Shri Dhebar. He has achieved this in two ways. He has succeeded in building up a public image of his as a practical and moderate leader, a consummate negotiator and a fair arbiter. He has even managed to create the impression that he is not terribly interested in political office! All this has made him immensely popular in the Congress organisation in most States (with the exception perhaps of his own Saurashtra). Secondly, he has applied himself assiduously to actual problems of organisation, in the process marshalling all the most important details and gaining an unrivalled knowledge of men and institutions. He has personal charm, an arresting manner and a knack of dealing with diverse personalities. Of course, the reputation he has built has not yet spread in the general public. But even in this respect he has been gaining ground, especially in the south and the east.

It is true that Morarji Desai does not enjoy great popularity in any part of the country. In fact, that is his greatest political weakness. But he has recently taken a different route to fame. He has sought popularity abroad. He has taken advantage of his foreign visits as Finance Minister to boost up his image as the likely successor to Nehru. A Prime Minister of India must enjoy the confidence of world statesmen. Morarji has taken the hint.

Others are coming up. Sanjiva Reddy and Indira Gandhi are helping Dhebar build up the prestige of the Congress organisation. Chavan of Bombay has made a dramatic debut on the national scene. He is immensely popular, has great drive and, with time on his side, may well pose a threat to his seniors. C Subramaniam has proved his capacities both as a thinker and an organiser. Krishna Menon can challenge Morarji Desai in popularity abroad. The old guard led by Jagjivan Ram is, of course, on its guard. Shri Nehru must contend with all these forces although he does not

appear to be fully aware of the material that is developing under his mentorship. He gives the impression of enjoying his isolated eminence.

But he has not been free from challenge. His word is no longer law. Twice in recent months he has suffered serious reverses. Congress Party's participation in the direct action in Kerala and the Central intervention that followed were forced on him much against his will. The whole thing was skilfully managed by Dhebar with the connivance of Indira Gandhi. (This is not to say that the communists were not to be blamed for what happened). The other incident was at Poona when a move was made to change the system of constituting the Congress Working Committee to include some elected members. The delegates then openly supported Dhebar against Nehru. Of course, ultimately Nehru's wish was accepted. But the temper of the delegates was clear.

Nehru's Indecisiveness

Nehru has not always been successful in carrying out his ideas. For instance, the Congress governments in the States and the party organisation have successfully blocked the implementation of co-operative farming. On the whole, the socialist content of Congress policies has been considerably watered down by powerful Swatantrite elements within the party. Although Nehru is known to be obstinate in some of his ideas, it is also clear that he lacks the firmness of a strong leader. He is indecisive and vacillating when crucial decisions have to be taken. Others have to decide for him on such occasions, often against his known inclinations.

So long as men whom Nehru respected and regarded with affection were present, this was not difficult: Kidwai or Azad or Pant could make up Nehru's mind for him and yet the decision remained Nehru's. With their departure, the problem has become more serious. Shri Nehru's supporters are becoming increasingly aware of his weaknesses and is yet incapable of asserting themselves. The result is a sense of frustration. There have been exceptions. Dhebar's role has been discussed. Chavan forced Nehru, with great finesse, to change his decision regarding bilingual Bombay. (In fact, Nehru changed his position three times on this issue, in the process alienating the sympathies of many.) But such instances are rare. The isolation of Nehru from the rest of the leadership is preventing a genuine clash of opinions: others are obliged to fall in line with his ideas at least in what they say.

A more noticeable trend in recent months is the success with which the rank and file of the party has forced the leaders of the party to take crucial decisions. This was the case in the ministerial crisis in the U P. The decision to withdraw from the coalition ministry in Orissa was also taken in spite of Chief Minister Mahatab's known wishes. While Nehru's vacillating mind was reflected in each of these decisions (his earlier stand being reversed later). They have also revealed the increasing ability of the second-rank leadership to assert itself and force decisions on a reluctant leader. Finally, they show the weight carried by some other leaders who have achieved a "national" reputation and whose hold over the Congress organisation has been growing. These are signs of hope.

Together these developments indicate that time is ripe for a change. A smooth change can only follow a natural process of bifurcation of an organisation torn by mounting antagonisms. Such a clear split is better than total disintegration. The latter will only hand over the country to some adventurer. Paradoxically enough, the disintegrative forces in Indian society and politics calls not for a closing of ranks but precisely for their frank division. The unusual demand, so often made, that the Indian Prime Minister should withdraw from politics must be viewed against this background. The demand is made for two reasons: it is realised that the time for a change has arrived but it is admitted that the rest of the leadership is incapable of showing the initiative in making this change. The task must be performed by Nehru himself.

Nehru has given to the country a long period of stability and strength. In this he could count upon a devoted band of followers. Other factors that have made this important period of consolidation and conscious direction possible are the huge Congress Party organisation and the administrative bureaucracy. These very forces have, however, made for an excessive centralisation of power inimical to the growth of democracy. Centralisation is most cramping, the nearer we go to the base where one would expect it to be least evident. The continuation of a political stalemate for a long time has accentuated the process. The spell cast by Nehru, old loyalties within the Congress and lack of courage and foresight among the leaders—including those of the Opposition—have contributed to the stalemate. A general election cannot break the ice; it must be preceded by a pronounced political rift. The electorate must be faced by a divided and not a united leadership. On the other hand, the division must be organised, not random and bitterly expressed, not a mere result of frustration, (as in the recent elections to the Orissa legislature or the Bombay Municipal Corporation). What is imperative is that change should be smoothly affected and the minds of men should be prepared for it.

No Place for Charismatic Leaders

The substantive political process as it has emerged in India is very intricate. It has been discussed in some detail in this series. Tentative observations about the substantive character of institutional behaviour have been made. The deeper bases of politics have also been examined. Finally, an attempt has been made in this concluding article to indicate the broad contours of development and the directions towards which they point, from the point of view of the prospects for democracy in this country. Emphasis has largely been laid on the problems that have arisen from the functioning of democratic institutions in this country. Many of these problems are peculiar to India.

On the whole, a number of unique features have been revealed. The relations between various authorities, in the horizontal and vertical political organisation, the dynamics of the party system and the place of administration in the scheme of government reveal unusual traits. These have been discussed.

It has been stressed repeatedly that the substantive functioning of these institutions diverges considerably from their formal positions. The stability of a political system depends on the stability of its forms,

on regularity of their behaviour, on their predictability. A government run by "charisma" is inherently unstable apart from being inimical to democracy. Institutions cannot be allowed to remain in a state of flux for ever. The forms of politics may differ widely from the original pattern. And this need not be regretted. They must, however, be clearly discernible. Much will depend on the extent to which the conventions established in the last fifteen years will strike roots. These conventions have been discussed in an earlier article. They seem admirably suited to Indian conditions. They need to be consolidated and made part of an agreed code. Any departure from them ought to be closely examined.

The political process in an underdeveloped society ought to perform two functions. It must secularise collective behaviour and it must prepare men for change that is purposive and consciously planned, not a result of chance or fortuitous circumstances, not a matter of fate. On the other hand, there is always the danger in such a society of the area of politics extending beyond its legitimate field. The absence of an institutional structure built around voluntary organisations tends to make politics totalitarian. In India negative aspects of both trends are observable: politics is not sufficiently secular but it is more than sufficiently pervasive. The consequence is that traditional institutions and attitudes get reinforced by the exercise of total power.

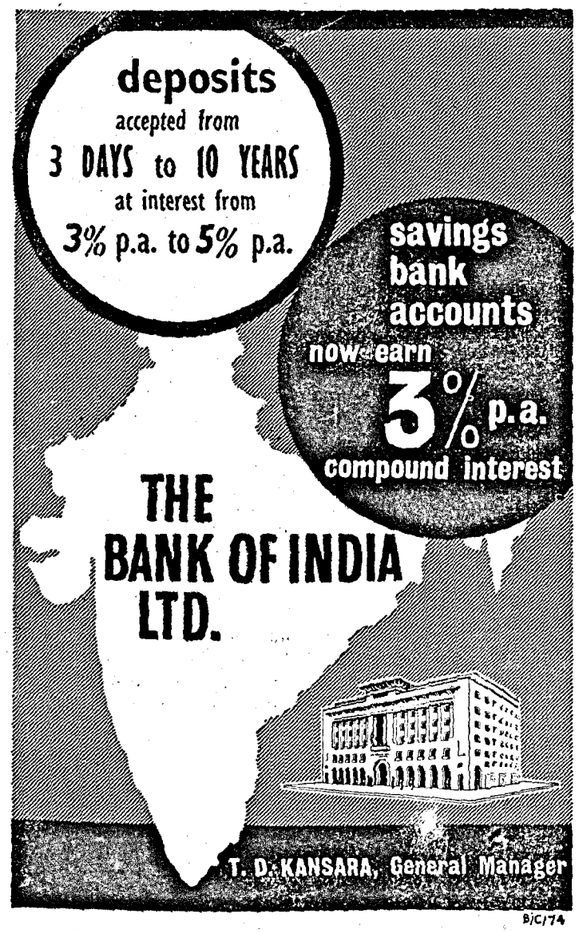
Filled-in Social Hierarchy

Only a change in values imbibed by the traditional institutions themselves can remedy the situation. It is not enough to reject these institutions (though it is fashionable to do so); they need to be changed. This must by nature be a slow process. It is this process which is variously termed 'political education', 'cultural enlightenment' and so on. Side by side with the functioning of institutions, or rather, through their functioning, the value process must proceed. Meanwhile what is needed is stability.

That points to the pivotal importance of the party system in the development of Indian politics. This has been discussed at length in this series. The party system as it actually operates shows two features. The democratic process operates through it. There is continuous interaction between contending groups, accommodation of diverse interests, and competition for power. On the other hand, the functioning of the party system reveals totalitarian tendencies as shown in this article. The emergence of the new-style politician and the monopolisation of power by small groups organised around charismatic leaders tend to turn politics into an exclusive game and prevent authority from being diffused among wider and wider sections of the people. In an immature polity, the democratic process paves the way for reaction.

Much will depend on the leadership. India has been fortunate in starting off with extraordinary men at the helm of affairs. A more normal period will not need such extraordinary men. Instead, a well filled-in social and administrative hierarchy and the sustenance of political institutions by such a hierarchy will lay the firm basis for democracy. It is the function of statesmanship to make institutions the custodians of social power. The fate of a democracy cannot be allowed to hang on the availability of exceptional men. That is the principal test of Indian democracy.

[*Concluded*]



Agricultural Prices and the Plans

G Parthasarathy

Agricultural prices did not play any functional role in the First and Second Plans. Their influence on production and private investment in agriculture was secondary to that of public investment in overheads.

The shift in the terms of trade in favour of the agricultural sector has not helped to change the pattern of distribution of incomes in the rural areas or to accelerate the process of growth.

Price behaviour in the two Plans shows that slight shortfalls in production push up prices while increases in production do not have the reverse effect to the same extent.

The Third Plan has targetted for a substantial increase in agricultural production but the investment proposed is too inadequate. Unless, therefore, necessary measures are taken well in time, it might not be possible to hold the price line.

THE rise in the prices of agricultural commodities, particularly foodgrains, during the Second Five Year Plan period has caused much understandable concern. In a poor country expenditure on foodgrains forms the major part of total consumer expenditure. If 60 per cent of household income is spent on foodgrains, a rise of 10 per cent in foodgrain prices will bring about a fall of 6 per cent in real income. Salaried income groups are hit hardest in this respect.

The experience of the two Plans shows that the general price level follows very closely the level of foodgrains prices. The index of wholesale prices of all commodities and the cost of living index for 1954-55 and 1955-56 were the lowest for the 10 years, 1950-51 to 1959-60. These were also the years when the price level of cereals and pulses registered a fall. The fall in foodgrain prices was so steep that it caused much anxiety. On the contrary, a rise in prices of foodgrains may induce a cost induced inflation. The Plan targets may then be achieved in money terms, but the physical targets are unlikely to be achieved. This has been our experience in the Second Plan. The impact of rising foodgrain prices on the attitudes of the people towards the Plans is no less important. But what about the producer? The functional role of prices must be considered. Prices provide the incentive to producers. It is true that in India the majority of agricultural producers are small holders. The total area held by small holders and their output are small compared to total area cultivated and total production. If we take the marketed quantity, which is more relevant for our purpose, the share of the small cultivator becomes even less significant. The argument that a rise in agricultural prices improves the incomes of small cultivators therefore needs to be examined in this light. It is most probable that the gains have gone mostly to the big cultivators.

Functional Role of Prices

In the context of the structure of agricultural production this assumes importance since most of the marketed quantity of foodgrains comes from a few big producers who should be price conscious. The price that he receives should influence the big farmer's decision as to what to produce. The trend of agricultural production, particularly that of cereals and pulses, do not however give the impression that prices have in fact influenced production. The wholesale price index of cereals rose from 76 in 1955-56 to 96 in 1956-57, a rise of nearly 20 per cent, with surprisingly little influence on the 1957-58 crop. The index of cereal production actually fell from 118.2 in 1956-57 to 106.8 in 1957-58. The case of pulses is even more significant. The index of prices of pulses rose from 82 in 1957-58 to 104 in 1958-59, a rise of 25 per cent. But production of pulses in the following year actually fell. 1954-55 and 1955-56, when prices hit the rock-bottom, also happened to be years of high foodgrains production.

These figures illustrate the high degree of inelasticity of the supply of foodgrains. Indian agriculture is still subject to the vagaries of monsoon. Considerable public expenditure on irrigation, electricity, drainage, pesticides and soil conservation is necessary if the risk and uncertainty surrounding agricultural production are to be reduced. Substantial private investment in agriculture can be expected only in a climate of reduced risk and uncertainty. It needs to be emphasised that increases in agricultural production have been achieved in areas where the climate for private investment in agriculture has been created through considerable build-up of social overheads. The role of prices in stepping up agricultural production has been either negligible or, at best, subsidiary to that of public investment in agriculture.

Changes in Terms of Trade

Taking the two Plan periods as a whole the terms of trade appear to have shifted in favour of agriculture. Has this shift in terms of trade stimulated agricultural growth? Economic growth is facilitated if the changes in distribution of income are such that they strengthen the position of the investor class or, again, if the changes are such that the tax machinery can siphon off for purposes of investment at least a part of the additional incomes generated. Judged by either of these criteria, the favourable terms of trade to agriculture in recent years cannot be said to have stimulated growth. Incomes have been transferred to a class which is either not very conscious of investment opportunities or is unable to invest due to the continuing uncertainty surrounding agricultural production. Nor can the tax mechanism be made sufficiently elastic in the agricultural sector to absorb the additional incomes generated.

It is clear that prices have not played a functional role in agriculture. Nor have they brought about a change in the distribution of agricultural incomes favourable to the small producers. Further, it is doubtful whether the favourable terms of trade to agriculture has stimulated economic development. It

is against this background that the price policy for agricultural commodities during the Third Plan must be shaped.

Though a general upward trend is not noticeable in agricultural output, the year to year variations have been considerable. The production of rice reveals this quite clearly. In 1956-57 production of rice exceeded that of the preceding year by 2 million tons but in the following year, there was a fall of about 4 million tons. In 1958-59, there was a rise of about 6 million tons but in 1959-60 production again fell by 1 million tons. The same ebb and tide can be seen in the production of all foodgrains as well as in agricultural output as a whole. In per capita terms there has been hardly any increase in production over the levels of 1953-55. The per capita production of foodgrains was around 0.18 tons in 1954-55 and in 1959-60. Only in 1958-59 was per capita production of foodgrains 0.19 tons.

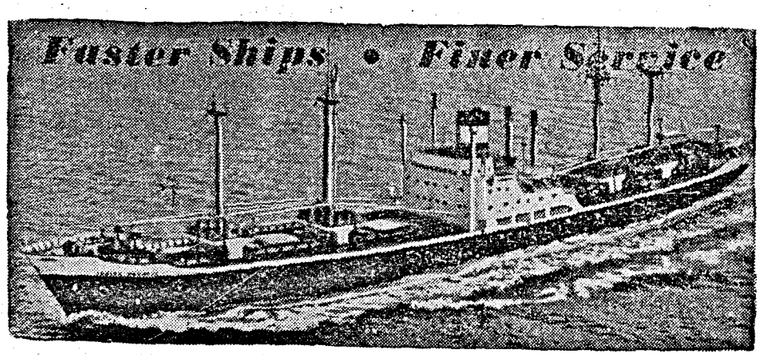
The rise in prices is therefore due not to reduced availability of foodgrains but to the growing tempo of investment and the increased demand as a consequence of growing urbanisation and monetisation. These two pressures are likely to be even more acute during the Third Plan and unless production is increased appreciably, agricultural prices are bound to increase.

Price Behaviour

The experience of the two Plans points to another relationship between production and prices. Particularly during the Second Plan, considerable increases in production had little impact on prices, while slight shortfalls pushed up prices considerably. During the First Plan a 15 per cent increase in the production of foodgrains between 1952-53 and 1953-54 sent down the index of prices of cereals by 18 points and that of pulses by 32 points. This was not repeated in the Second Plan. The reason was that tempo of investment during the Second Plan was much higher. An increase in production similar to that between 1952-53 and 1953-54 took place during 1957-58 and 1958-59, but the price index of cereals in 1959-60 fell by only 3 points and that of pulses by 10 points. But a small shortfall in foodgrains production of 6 million tons, i e, of about 9 per cent, between 1956-57 and 1957-58 pushed up the cereal price index by 6 points and pulses price index by 22 points. This indicates a low price elasticity and a high income elasticity of demand for foodgrains. We may expect this type of price behaviour to continue in the Third Plan.

The expenditure on agriculture is expected to increase from Rs 980 crores in the Second Plan to Rs 1,675 crores in the Third Plan. But in real terms the planned expenditure on agriculture will be only around Rs 1,340 crores, i e, less than 1½ times the Second Plan investment. But the marginal increase expected in agricultural production during the Third Plan is roughly more than two times that achieved during the Second Plan.

Two factors are of special significance: (a) administrative efficiency, particularly of the extension wing, which should be considerably improved; and, (b) the output-capital ratio in agriculture, which should be raised by technical improvements. There is yet another factor. The private sector is expected to invest in agriculture to the tune of Rs 800 crores. If this expectation is not realised, the plan for agriculture may be frustrated and our efforts to hold the price line may not be successful.



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Around Bombay Markets

Dalal Street Scales New Peak

DALAL STREET had quite an exciting time last week. It pushed its way into new high ground for the year with considerable ease. On 7th June, Vyapar's equity share index touched a high of 150.83 which takes it well above its previous top of 148.11 recorded on 20th March. At its Wednesday's closing of 149.31 the index showed a net gain of 2.57 over the week. Last week's rise was not confined to a few market leaders; nor was it restricted to the speculative counters. Interest broadened appreciably and cash shares also received fair attention. Vyapar's index for new issues rose from 91.64 to 94.14 over the week.

Gains recorded last week were substantial and widespread. And even more significant than the rise in prices was the increase in turnover on account of outside participation. The continued uptrend in equities with occasional technical setbacks has begun to exercise its pull on the outside public. The boom in equities has reached a stage where it can easily feed on itself for quite a long while. But last week's buoyancy was due not a little to the encouraging news about foreign assistance from the Aid-India Club. The foreign exchange requirements of the first two years of the Third Plan have been virtually underwritten. The stock market has every reason to feel happy about it because the tempo of industrial development is intimately linked with the country's success in securing sufficient foreign aid because India's foreign exchange reserves have declined to an extremely low level.

There is a tendency on the part of the authorities administering the affairs of the stock exchanges to view the recent rise in equity prices with concern which is quite unwarranted and betrays a lack of proper perspective. The rise in equities since the turn of the year has only brought the market back to where it had reached in July last year. There is no reason why the market should not rise much above its last year's high in view of the all-round increase in industrial activity. Since the market is standing on a high plateau it is quite likely that the market may have to encounter rough weather in its upward journey.

Cotton

Additional Quota

THE Textile Commissioner announced last week a further quota to mills of Indian cotton equivalent to 20 per cent of their consumption of such cotton during the last season. Mills can make their purchases straightaway without waiting for a quota letter from the Commissioner's office. This concession is only available to those mills which have sent in their bank guarantees and have entered into firm contracts with American shippers in respect of allocation of cotton stapling 1" and below made under P L 480. The Textile Commissioner has emphasised that this concession is temporary and is likely to be withdrawn at any time without notice. The press note announcing the quota adds that due to the failure of the mills to effect purchases, stocks of unsold cotton are accumulating with the farmers and cooperative societies and prices of some of the qualities have fallen to levels which do not provide a sufficient incentive for the next season's sowing operations. The approach of the monsoon and the lack of godown facilities with the farmers and cooperative societies also create a serious problem. Mills, therefore, have been advised to make their purchases without further delay.

Important Issues

The press note raises important questions. Had the mills really failed to effect their purchases? If so, why? Or was it that the mills did not have enough of indigenous cotton quotas? Have prices fallen to levels which do not provide a sufficient incentive for the next season's sowing operations? Considering that even at their lowest prices were generally nearer to the ceiling rates than to the floor levels, there would seem to be a strong case for an upward revision of the floor rates if it is conceded that prices had fallen to uneconomic levels. If the accumulation of stocks and the resulting fall in prices have become a problem, as is being generally made out, why does the Textile Commissioner call the additional quota a "concession", a temporary concession at that, which might be withdrawn without notice.

It bears repetition that the 'crisis' of accumulation has been due less to increased production than to the mishandling of the cotton situation by the authorities. The quota system of mill buying, compulsory survey, large imports of costly short staple cotton, linking of mill quotas for indigenous cotton with imports and an unimaginative export policy—all these factors combined to produce a difficult situation even though the 1960-61 crop was just a normal one and far short of the target set for the Second Plan. The quota system and compulsory survey could have been easily dispensed with when it became known that the 1960-61 crop was quite normal. And, instead of forcing the mills to import very costly short staple cotton from the U S by linking it with indigenous cotton quotas the Government should have thought of giving a concrete shape to its much-talked-about idea of building a buffer stock.

Implications

What are the implications of the additional quota now sanctioned? The new quota — 20 per cent of last year's consumption of 44.19 lakh bales — works out to around 8.80 lakh bales, raising the total quota of indigenous cotton for the current season to around 47 lakh bales. But considering the trend of consumption during the first seven months of the season it is doubtful whether actual consumption of cotton this season will reach last season's figure, let alone exceed it. A larger quota therefore will mean a bigger carryover of Indian cotton with the mills assuming that they do lift all the cotton they have been allowed to purchase. But mills might not like to carry, very heavy stocks, particularly if the progress of the monsoon is satisfactory. The Textile Commissioner's advice to mills to expedite their purchases against the new quota goes ill with his threat that the "concession" is only temporary and it may be withdrawn at any time.

Anyway, the announcement of the additional quota of Indian cotton has caused a welcome break in the prolonged spell of agonising dullness in the market. Spot dealers reported a marked revival of mill buying in almost all the popular varieties and prices recorded a rise of Rs 15 to Rs 25 per candy in a matter of days. The futures market which had been flat like a pancake for quite a long while pulsated with life once again even though activity was predominantly professional. The August contract recorded a handsome rise from Rs 569 to Rs 585.25 on brisk short covering and renewed professional support. The closing rate on Wednesday was slightly lower at Rs 583. Increased spinner inquiry should help spot prices to hold firm which in turn should have a steadying effect on futures. Whether the market will be able to sustain a further marked rise is difficult to say because that depends mainly on the trend of monsoon which is quite unpredictable.

Bullion

Linseed at New High

OILSEEDS prices last week recorded an all-round recovery under the lead of linseed which touched a new high for the season on nervous short covering, scarcity of offerings and some fresh bull support induced mainly by the marked strength in rapeseed prices in north Indian markets. Linseed September rose from Rs 37.56 to Rs 38.94 per 50 kilos, castor September from Rs 176 to Rs 178.78 (per 250 kilos) and cottonseed September from Rs 93.75 to Rs 95.75. Wednesday's closing prices were slightly shaded by corrective profit-taking with linseed easing to Rs 38.62, castor to Rs 177.50 and cottonseed to Rs 95. Improvement was not confined to futures; spot prices too showed fair gains which were due more to scarcity of offerings than to any important buying except perhaps in oilcakes.

Market sentiment was guided mainly by the mood of professional speculators. For there was very little in the overseas news to excite the market. Export business put through during the week was said to consist of about 300 to 400 tons of castor oil BSS sold to Czechoslovakia and some small parcels to the U K and some oilcakes, mostly linseed cake and groundnut extractions, sold to certain communist countries. The U K appeared to be in a bargaining mood and the prices offered for groundnut extractions and linseed cake were said to be below Indian parity. Linseed cake was quoted at around £29-10 against the Indian parity of £30-10 and groundnut extraction June shipment was sought at around £27-10 while the Indian parity works out to £28-15. Locally oilcake prices displayed a distinctly firm tendency due to the emergence of seasonal demand for manures. Shipper buying against previous sales abroad also helped the rising trend in prices.

Exports Poor

While export houses expect overseas demand for oilcakes to revive in coming weeks, they seem less hopeful about selling castor oil which alone is saleable at present. Linseed oil and groundnut oil have long been out of world parity. The U S continues to keep off the Indian market for castor oil, being well-supplied by Brazil which is offering first pressure. June-July shipment around 15.125 cents a pound. Even the U K buyers have restricted their purchases to the bare minimum even though the stocks of castor oil in the U K are said to be limited. The latest quotations for castor oil BSS and Commercial are placed around £ 134 and £ 127 per ton respectively.

Shipments of oilseeds, oils and oilcakes from Bombay from 1st January to 25th May with the corresponding figures for 1960 in brackets are: groundnut 9,010 tons (11,627 ton), sesame 6 (467), cottonseed 99 (nil), groundnut oil 153 (1,920), linseed oil 575 (3,119), castor oil 9,761 (23,104), rapeseed oil 3 (6), groundnut expellers 9,512 (14,387), groundnut extractions 50,535 (52,451), linseed cake 4,940 (25,503), cottonseed cake 13,038 (181), mowrah cake 430 (79) and nigercake nil (2,913).

Oilseeds

Active and Firm

BULLION prices recorded handsome gains last week and there was an appreciable increase in turnover as well though activity continued to be predominantly professional. Interest centred mostly round silver which scored an impressive rise from 198.50 to Rs 203.75 per kilo. Gold Jeth was marked up from Rs 118.05 to Rs 119.50 per 10 grams. Wednesday's closing prices of Rs 203.20 and Rs 119.15 were only slightly below the week's best levels.

Prices rose despite the continued excess of arrivals over off-take which has led to a further decline in the spot premium in the case of gold and the emergence of a substantial discount in silver. In gold, the spot premium declined from 75 nP to 65 nP; a fortnight ago the premium stood as high as Rs 1.75 per 10 grams. Silver ready which was quoted at par with the Jeth contract rate at the end of the previous week was available at a discount of 45 nP last week-end.

The rise in prices was attributed mainly to heavy short covering. Calcutta figured as a persistent buyer in silver and the buying was said to be in the nature of short covering. Traders also reported revival of bull support mostly from north Indian centres. Short covering and fresh bull support are perhaps based on prospects of a decline in arrivals with the onset of monsoon. Floating stocks of gold and silver during the current slack season are said to be considerably less than in the last season.

U S Investment in Latin America

THE flow of private U S investment into Latin America since the war has been almost wholly in the form of direct investment. Purchases of portfolio securities have been insignificant. U S direct investment in Latin America has risen steadily from about $ 2.7 billion in 1943 to $ 9 billion in 1959. By comparison, direct investment in Canada has risen from $ 2.4 billion in 1943 to $ 10 billion, while that in Europe has reached $ 5.3 billion. With Europe showing a small percentage increase in the total and investment in Canada rising fast relative to investment in other areas, the share of Latin America in the total U S has declined from its pre-war average of about 50 per cent of total direct investments abroad to 30 per cent. The increase in investments in the Middle East and other areas have also contributed in the relative decline of U S investment in Latin America.

Company Notes

PHILIPS INDIA

ANOTHER phase in the rehabilitation of enterprises taken over by Mundhra has been completed with the acquisition of Osler's electric lamp factory in Bombay by Philips India at a cost of Rs 51 lakhs. Its take-over by Philips as well as the amount paid justify the confidence which the former Chairman of the Life Insurance Corporation had in the prospects of this factory even in the dark days that followed the deal in Mundhra scrips. The factory has been idle since 1958 and will require considerable repair and renovation before production can be resumed some time this year. It has a licensed capacity of 5 million lamps which when fully utilised will help relieve the present shortage of lamps. Apart from lamps, this factory will also produce burners for gas discharge lamps, photoflash bulbs and glow switches for fluorescent lamp starters.

Philips is also planning further expansion of the manufacture of radio components at the Loni factory near Poona to include new items like carbon tracks, loudspeaker cones, electrolytic and polyester condensers and air trimmers. Government has issued the necessary manufacturing licenses for these products. When the scheme is fully implemented, the Loni factory will become one of the main suppliers for the growing electronic components industry. The company has made it clear, however, that components manufactured locally to cater to the present small-sized market cannot compare favourably in price with imported ones which are manufactured on a large scale under fully mechanised methods of production. It also fears that the recent imposition of an excise duty on raw materials will tend to raise the cost of radio receivers further.

Sales of Philips in 1960 rose by 13 per cent to Rs 5.55 crores but net profit after tax as a percentage of sales declined from 6.26 to 5.31 per cent. Earning on net worth also came down from 11.34 to 10.65 per cent. Dividend has been maintained at Rs 1.20 per share. Out of the net profit of Rs 29 lakhs, dividends absorb Rs 26 lakhs and only Rs 3 lakhs has been retained. Total free reserves now amount to Rs 57 lakhs while share capital is Rs 220 lakhs.

ESCORTS

THE manufacture of pistons at Escorts has made considerable progress and its factory will make castings before the end of the current year. Permission of Government has been sought to expand capacity. Manufacture of Westinghouse x-ray equipment is proceeding satisfactorily and the first machine is expected to be produced within a few months. The company has obtained licenses for the manufacture of railway shock-absorbers, heating elements and 6,000 motor cycles per annum in collaboration with Rheinmetall, Eltra and CEKOP, respectively. The first two collaborators are West German and the third is Polish.

The motor cycle factory will be located at Faridabad where 23 acres of land have already been allotted by Government; it shoud go into production early next year. CEKOP will supply plant, machinery, jigs and tools up to a value of Rs 1 crore on deferred payment terms, to be repaid in 8 yearly instalments with interest at 4 per cent. CEKOP will receive all payments in rupees and will not charge any royalty on the manufacture of motor cycles, scooters, magnetos, piston pins and other allied components and accessories. The company has applied for a license to manufacture 6,000 scooters, in addition.

While industrial operations expanded in 1960, operating income declined from Rs 332 lakhs to Rs 271 lakhs owing to paucity of foreign exchange. Net profit, however, increased substantially from Rs 7 lakhs to Rs 13 lakhs. The latter represents about 5 per cent on sales and capital invested, 17 per cent on net worth, and Rs 3.17 per equity share after allowing for preference dividend and part employment of new share capital. Dividend is Rs. 1.60 which exceeds the distribution required under section 23 A of the Income-Tax Act. About 25 per cent of the dividend qualifies for the tax holiday allowed to new industrial undertakings. One of the net profit, Rs 7 lakhs has been distributed and the remaining Rs 6 lakhs retained.

Goetze, a subsidiary manufacturing piston rings, has got over its teething troubles and is now completely out of the red. Its sales rose during the year from Rs 27 lakhs to Rs 30 lakhs. The other subsidiary, Sharpedge which manufactures razor blades, is still in the red but expects to wipe out its accumulated losses by the end of the current year. The capacity of this factory is proposed to be doubled shortly. Every effort is being made to improve and standardise the quality of blades. A regular distribution agreement is being made with Spencers to enable the factory to work at full capacity by receiving regular orders. The stock and license position of raw materials and spare-parts is reported to be satisfactory.

An associate company, Inter-Continent Travancore, is establishing another razor blade factory in Bombay.

ELPHINSTONE MILLS

THE Elphinstone Mills of the Jalan group will shortly acquire the entire property of Moon Mills for Rs 35 lakhs and modernise it partly with its own funds and partly with the assistance of NIDC. Among its achievements were exports in 1960 to the extent of 27 per cent of sales. Considerable new machinery has been installed or ordered. This includes Barbar Colman winding and warping, 48 automatic looms, a mercerising plant, Hartford combers, a slasher sizing machine, a shearing and cropping machine, a back filling machine, and an embossing calender.

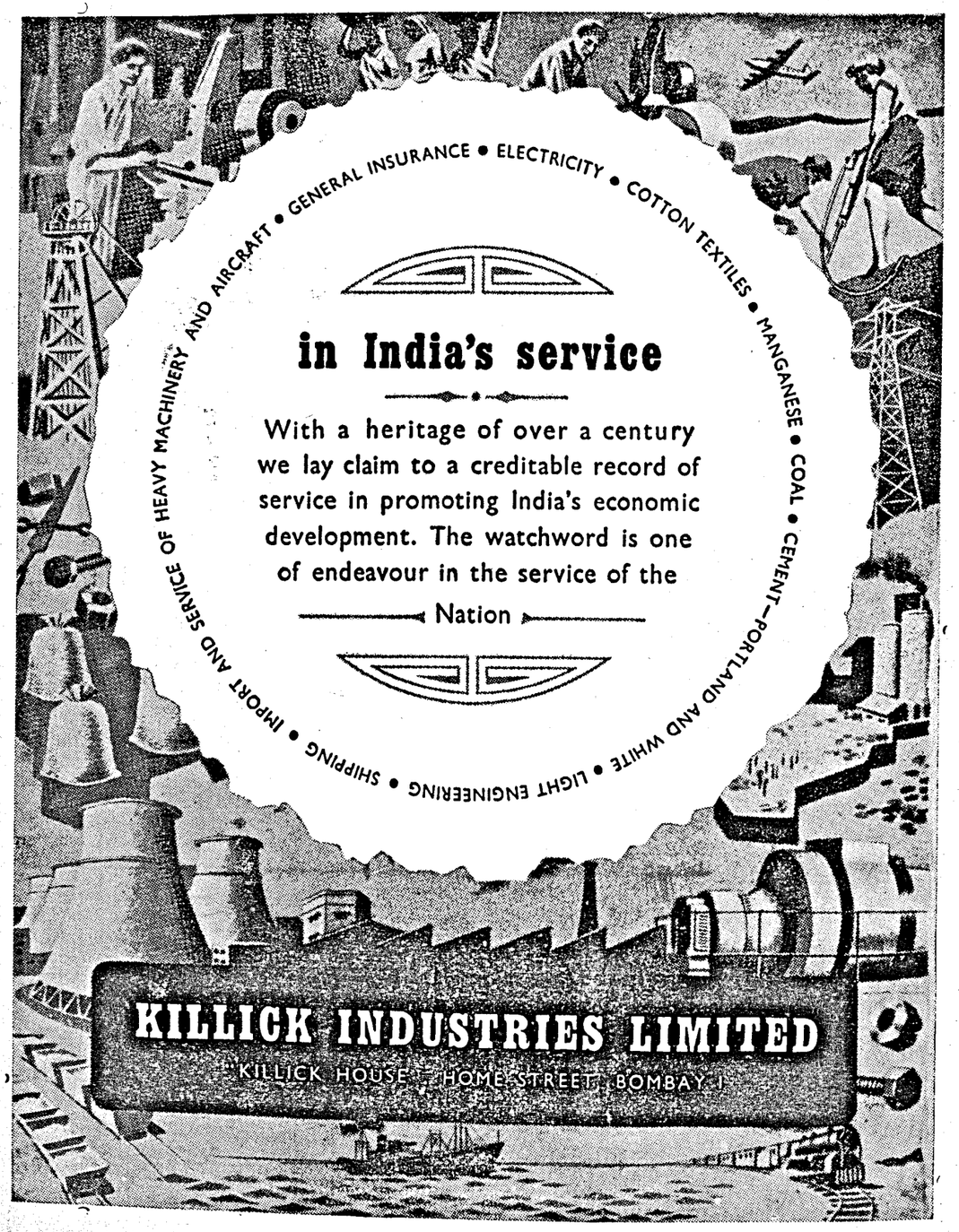
Sales in 1960 fetched Rs 227 lakhs and net profit after tax came to Rs 22 lakhs. The latter comes to 15 per cent on capital invested, 25 per cent on net worth and 68 per cent on equity capital. Dividends absorb Rs 7 lakhs and the balance of Rs 15 lakhs has been retained.

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CURRENT STATISTICS

BANKING RETURNS
(Rs Crores)

Reserve Bank	June 2	May 26	May 5	June 3, '60
1 Note circulation	1962.52	1963.24	2002.38	1867.88
2 Rupee coin	118.05	118.85	119.02	124.58
3 Deposits	277.00	289.35	264.15	279.26
(a) Central Govt	52.24	68.75	53.13	66.70
(b) Other Govts	21.40	20.35	15.07	8.75
(c) Banks	78.69	77.02	81.80	97.68
(d) Others	124.67	123.24	114.16	98.09
4 Foreign securities	113.01	113.01	113.01	158.01
5 Balances abroad	15.76	23.11	17.68	10.51
6 Rupee securities	1641.94	1641.94	1661.97	1491.40
7 Investments	210.02	213.42	177.58	240.59
8 Loans and advances to Govts	73.09	80.72	86.30	44.42
9 Other loans and advances	123.84	116.81	128.49	120.23
Scheduled Banks	**May 26**	**May 19**	**Apr 28**	**May 27, '60**
1 Aggregate liabilities	1837.04	1835.61	1846.60	1944.04
2 Aggregate deposits (net)	1761.45	1758.18	1767.85	..
(a) Demand (net)	702.50	704.05	725.61	769.28*
(b) Time (net)	1058.95	1054.13	1042.24	1174.76†
3 Cash in hand	47.25	48.00	47.69	47.15
4 Balances with Reserve Bank	73.94	71.08	73.89	95.63
5 (3)+(4) as % of (1)	6.60	6.49	6.58	7.34
6 Borrowings from Reserve Bank	24.20	30.12	38.16	36.53
(a) Against usance bills and/or promissory notes	12.65	16.27	21.09	12.40
(b) Others	11.55	13.85	17.07	24.13
7 Advances	1091.88	1095.98	1100.00	961.61
(a) State Bank	248.24	251.06	258.77	202.06
(b) Others	843.64	844.92	841.23	759.55
8 Bills discounted				
(a) Inland	141.61	143.76	153.57	116.90
(b) Foreign	46.57	46.46	47.54	45 25
(c) Total	188.18	190.22	201.11	162.15
(i) State Bank	15.14	15.76	17.34	13.87
(ii) Others	173.04	174.46	183.77	148.28
9 (7)+(8c) as % of (1)	69.68	70.07	70.46	57.81
10 Investments in Govt securities	549.83	543.31	562.46	744.86
11 (10) as % of (1)	29.93	29.60	30.46	38.31
Cheque clearance	**152.44**	**203.12**	**222.04**	**207.57**

* Corresponds to total of demand deposits 'from banks' and 'from others' and 'other demand liabilities'.
† Corresponds to total of time deposits 'from banks' and 'from others' and 'other time liabilities'.

Bombay Money Rates
(% per annum)

(Selected Schedule Banks other than State Bank)

	May 26	May 19	Apr 28	May 27, '60
Call money from banks	4.78	5.00	5.03	3.51
Deposits :				
Seven days	3.00	3.00	3.00	3.37
Three months	3.50	3.50	—	3.50
Six months	3.75	3.75	3.75	3.49

Bombay Bullion
(Rs and nP)

	June 8	June 1	May 11	June 10, '60
Gold (per ten grams)				
Spot	119.10	119.55	119.50	126.50
Forward	—	118.65	117.40	126.16
Silver (per kilogram)				
Spot	202.85	199.85	198.50	212.16
Forward	—	200.05	195.80	212.91

IBRD LOANS BY CURRENCY LENT
(Million U S Dollars)

	1947-1959	1960	1961 (First Quarter)	Total
Australian pounds	24.0	8.4	0.4	32.8
Austrian schillings	9.7	0.9	0.3	10.9
Belgian francs	46.1	8.3	8.1	62.5
Burmese Kyats	0.7	0.2	—	0.9
Canadian dollars	111.2	9.7	1.3	122.2
Ceylon rupees	0.5	—	—	0.5
Danish Kroner	8.4	2.1	1.8	12.3
Deutsch mark	171.0	87.4	25.2	283.6
Finnish markkas	1.4	1.0	1.1	3.5
French francs	51.8	14.3	12.6	78.7
Ghana pounds	0.6	0.5	—	1.1
Indian rupees	14.5	7.8	0.3	22.6
Iranian rials	4.9	1.3	—	6.2
Iraqui dinars	0.4	0.2	—	0.6
Irish pounds	1.5	0.8	0.7	3.0
Israel pounds	0.9	0.3	0.2	1.4
Italian lire	37.8	4.8	0.6	43.2
Japanese yen	40.8	18.0	3.9	62.7
Luxembourg francs	1.6	0.5	—	2.1
Malayan dollars	0.8	1.0	1.0	2.8
Mexican pesos	9.1	2.8	4.3	16.2
Netherlands guilders	58.8	17.4	15.7	91.9
Norwegian kroner	4.6	1.8	2.4	8.8
Pakistan rupees	0.2	—	—	0.2
South African rand	13.5	3.7	0.4	17.6
Sudanese pounds	1.2	0.6	—	1.8
Swedish Kronor	21.0	1.4	1.1	23.5
Swiss francs	162.8	45.8	7.6	216.2
Pounds Sterling	242.8	57.7	1.0	301.5
United States dollars	2,544.8	211.1	8.8	2,764.7
Venezuelan bolivares	2.1	0.3	0.1	2.5
Yugoslav dinars	1.7	0.1	—	1.8
Total	3,591.2	510.2	98.9	4,200.3

Source : International Monetary Fund

INDEX NUMBER OF WHOLESALE PRICES
(Base : 1952–53 = 100)

	Week Ended 13-5-61	6-5-61	15-4-61	14-5-60
Food Articles	**117.6**	**117.4**	**118.1**	**120.7**
Cereals	99.5	98.4	99.6	105.2
Pulses	87.1	86.1	87.6	89.2
Fruits & Vegetables	119.8	120.8	114.7	132.4
Milk & Ghee	116.5	117.4	119.7	121.2
Edible Oils	160.3	158.2	160.3	138.4
Fish, Eggs & Meat	127.2	128.6	126.3	119.8
Sugar & Gur	121.1	120.3	117.0	138.1
Others	167.0	170.3	172.3	167.8
Liquor & Tobacco	**108.4**	**110.3**	**112.2**	**106.9**
Tobacco	105.4	107.4	109.5	105.3
Fuel, Power, Light & Lubricants	**122.3**	**122.3**	**122.4**	**119.3**
Industrial Raw Materials	**153.8**	**152.7**	**152.2**	**141.9**
Fibres	166.1	165.1	162.8	152.5
Oilseeds	157.4	155.6	156.8	139.2
Minerals	95.2	95.2	95.2	98.2
Others	127.3	127.3	126.9	129.5
Manufactures	**126.4**	**126.2**	**126.6**	**120.4**
Intermediate Products	136.9	136.7	136.1	125.5
Finished Products	124.7	124.4	125.0	119.5
Textiles	128.2	127.7	128.6	121.1
Cotton	126.6	126.6	126.6	124.4
Jute	139.2	137.3	140.7	121.3
Woollen	110.1	110.1	110.1	101.2
Silk & Rayon	115.6	115.6	116.1	105.5
Metal Products	146.9	146.9	146.9	148.3
Chemicals	105.5	105.5	105.3	104.4
Oil Cakes	142.7	142.7	144.3	134.6
Machinery & Transport Equipment	112.6	112.6	112.6	111.0
Others	118.8	118.6	118.6	114.7
All Commodities	**125.7**	**125.4**	**125.9**	**123.6**

FOREIGN TRADE OF INDIA

PRINCIPAL EXPORTS AND IMPORTS

(*Rs Millions*)

	Exports				Imports			
	1960	1959	1958	1957	1960	1959	1958	1957
Food	**1931.6**	**1937.4**	**1926.2**	**1793.4**	**1562.4**	**1815.4**	**1786.1**	**958.7**
of which								
Milk and cream: evaporated condensed or dried	—	—	—	—	35.5	74.5	58.6	79.9
Fish: fresh or simply preserved	40.6	58.5	56.7	44.1	36.8	29.7	20.4	21.6
Wheat	—	—	—	—	1035.1	1349.3	1026.5	347.5
Rice	—	—	—	—	186.6	114.2	440.3	169.0
Maize	—	—	—	—	30.5	30.2	5.2	14.3
Fruits and nuts: fresh	205.3	165.8	174.5	161.2	132.1	111.9	123.1	158.4
Dried fruits	—	—	—	—	54.6	50.3	47.5	49.7
Vegetables, fresh and dry, roots and tubers	34.1	32.0	32.4	19.8	—	—	—	—
Sugar	16.7	25.4	36.8	128.9	—	—	—	—
Coffee	67.0	62.5	71.8	77.3	—	—	—	—
Tea	1200.4	1260.5	1365.4	1235.8	—	—	—	—
Spices	176.5	101.5	89.5	85.2	21.9	25.2	28.4	29.3
Feeding stuff for animals	165.3	199.0	75.9	23.0	—	—	—	—
Beverages and Tobacco	**156.7**	**138.6**	**163.1**	**128.6**	**8.2**	**19.5**	**19.6**	**22.8**
of which								
Tobacco unmanufactured	146.3	128.5	147.0	117.2	2.3	13.8	13.6	12.6
Tobacco manufactures	10.3	10.0	15.9	12.6	—	—	—	—
Crude Materials, Inedible, except Fuels	**1112.8**	**1169.5**	**1021.9**	**1246.4**	**1502.1**	**949.3**	**800.9**	**1121.7**
of which								
Hides and skins	101.3	107.0	71.7	69.4	25.6	17.3	13.1	11.7
Oil seeds, oil nuts and oil kernels	43.7	26.2	3.6	1.7	120.2	112.2	104.8	121.4
Crude rubber, including synthetic and reclaimed	—	—	—	—	110.0	67.2	42.2	42.0
Wood	23.8	21.3	17.1	18.3	53.5	52.8	24.6	29.3
Pulp and waste paper	—	—	—	—	68.6	69.4	38.2	41.6
Wool and other animal hair	86.7	122.3	93.5	129.5	107.0	91.7	110.8	129.8
Cotton	107.2	163.7	212.0	186.6	751.7	347.7	306.6	486.2
Jute, including jute cuttings and waste	2.6	31.1	—	—	79.4	14.7	33.9	72.0
Vegetable fibres, except cotton and jute	18.7	21.0	21.4	26.7	—	—	—	—
Fertilisers, crude	—	—	—	—	25.7	25.4	14.1	20.3
Crude minerals, excluding coal, petroleum, fertiliser materials and precious stones	123.8	124.5	117.4	113.0	70.1	63.8	52.5	66.9
Iron ore and concentrates	162.7	127.7	99.9	117.6	—	—	—	—
Iron and steel scrap	53.6	46.1	16.3	24.6	7.8	12.9	2.1	5.8
Ores of non-ferrous base metals and concentrates	165.4	165.3	186.3	353.8	—	—	—	—
Non-ferrous metal scrap	—	—	—	—	23.0	15.4	9.9	22.5
Crude vegetable materials, not edible	162.5	157.8	134.5	144.4	29.3	30.2	27.4	28.0
Mineral Fuels, Lubricants and Related Materials	**87.8**	**78.0**	**96.9**	**120.2**	**784.4**	**783.3**	**759.3**	**1075.8**
of which								
Coal, coke and briquettes	40.9	47.5	55.8	53.4	—	—	—	—
Petroleum, crude and partly refined	—	—	—	—	229.1	93.3	155.4	297.5
Petroleum products	46.9	30.4	41.1	66.8	554.8	689.3	603.0	777.6
Animal and Vegetable Oils and Fats	**110.9**	**147.7**	**82.4**	**126.9**	**53.7**	**46.7**	**43.9**	**59.2**
of which								
Vegetable oils	99.2	138.5	74.5	114.2	42.6	38.6	38.4	52.1
Chemicals	**69.7**	**50.2**	**44.9**	**56.0**	**860.9**	**883.2**	**652.8**	**767.7**
of which								
Inorganic chemicals	—	—	—	—	160.6	240.9	130.2	147.8
Organic chemicals	—	—	—	—	233.1	181.6	154.2	143.7
Coal tar dyestuffs and natural indigo	—	—	—	—	91.7	71.4	67.0	108.9
Dyeing and tanning extracts and synthetic tanning materials	—	—	—	—	12.6	12.9	10.0	12.3
Pigments, paints, varnishes and related materials	—	—	—	—	17.7	11.6	10.6	17.5
Medical and pharmaceutical products	10.2	8.4	9.0	10.3	109.5	89.1	102.1	163.9
Essential oils, perfume and flavour materials	38.2	21.6	21.9	29.4	12.7	10.1	9.8	13.5
Fertilisers, manufactured	—	—	—	—	106.4	158.3	82.1	42.2
Explosives	—	—	—	—	20.3	26.9	29.8	27.7
Manufactured Goods	**2571.9**	**2401.0**	**2221.8**	**2724.3**	**2184.5**	**1867.9**	**1863.7**	**2865.4**
of which								
Leather	256.3	285.7	182.7	215.8	—	—	—	—
Rubber manufactures	—	—	—	—	28.2	11.7	19.1	33.3
Paper and paper-board	—	—	—	—	114.5	98.5	80.2	125.9
Textile yarn and thread	110.2	110.9	120.3	97.8	143.8	148.3	139.1	191.5
Cotton fabrics of standard type	584.2	615.5	464.6	651.9	—	—	—	—
Textile fabrics of standard type other than cotton fabrics	765.0	709.9	597.0	600.4	10.3	22.9	12.9	25.0
Special textile fabrics and related products	14.9	11.2	13.3	13.9	12.0	8.3	6.9	10.9
Made-up articles wholly or chiefly of textile materials	576.4	464.5	461.6	582.9	—	—	—	—
Clay construction materials and refractory construction materials	—	—	—	—	27.1	41.2	33.3	37.9
Mineral manufactures, not including clay and glass	—	—	—	—	24.1	22.1	16.4	23.3
Jewellery and goldsmiths' and silversmiths' wares	16.0	12.2	9.2	20.3	—	—	—	—
Iron and steel	81.2	20.5	9.0	3.7	1108.3	851.1	978.0	1469.8
Copper	—	—	—	—	228.7	164.4	135.3	179.4
Nickel	—	—	—	—	12.5	8.1	6.1	6.5
Aluminium	—	—	—	—	72.6	59.9	60.0	80.1
Lead	—	—	—	—	26.0	24.1	22.9	22.0
Zinc	—	—	—	—	88.8	52.8	61.2	72.3
Tin	—	—	—	—	41.0	47.7	47.9	48.4
Ordnance	—	—	—	—	11.5	19.3	40.2	185.3
Manufactures of metals	22.3	18.7	15.7	19.7	177.2	234.1	152.1	225.4
Machinery and Transport Equipment	**96.2**	**65.7**	**35.7**	**37.1**	**2930.1**	**2834.7**	**2484.0**	**3087.8**
of which								
Power generating (except electric) machinery	35.9	39.6	2.3	2.5	242.5	286.0	250.8	260.6
Office machinery	—	—	—	—	16.4	8.3	9.0	26.0
Metal-working machinery	—	—	—	—	335.9	277.1	264.7	211.5
Mining, construction and other industrial machinery	17.4	12.5	9.0	12.2	1136.4	912.3	829.3	1158.5
Electric machinery, apparatus and appliances	—	—	—	—	536.2	541.6	590.4	611.4
Railway vehicles	—	—	—	—	179.9	302.2	295.7	307.4
Road motor vehicles	—	—	—	—	315.2	306.8	216.2	373.5
Road vehicles other than motor vehicles	—	—	—	—	14.9	10.9	13.4	32.6
Aircraft	19.7	3.3	17.7	13.0	85.8	147.5	62.1	39.0
Miscellaneous Manufactured Articles	**115.0**	**114.0**	**86.6**	**99.5**	**159.4**	**156.9**	**169.6**	**225.5**
of which								
Footwear	31.5	29.4	21.4	27.6	—	—	—	—
Scientific, medical, optical, measuring and controlling instruments and apparatus	—	—	—	—	53.2	54.1	51.6	61.9
Photographic and cinematographic supplies	—	—	—	—	40.4	45.7	27.1	37.5
Exposed cinematographic films whether developed or not	19.7	16.7	9.9	12.1	—	—	—	—
Printed matter	—	—	—	—	24.9	20.1	19.1	16.6
Miscellaneous Transactions and Commodities	**95.2**	**105.2**	**109.9**	**95.8**	**68.0**	**47.1**	**61.8**	**73.6**
GRAND TOTAL	**6352.7**	**6207.3**	**5789.6**	**6428.5**	**10116.1**	**9403.9**	**8641.8**	**10258.2**

Source: Department of Commercial Intelligence and Statistics, Government of India, Calcutta.

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K's Notes To K

THE merits of Mr Khrushchev's memoranda on Berlin and nuclear tests lie, like beauty, in the eyes of the beholder. It all depends on how you look at them. They have points which make it appear that Russia is clinging to its old positions, has no intention of abandoning them in the interests of a genuine accommodation with the United States, and is prepared to back its policies with threats and ultimatums. They also have points which make it permissible to take a kindlier view of Soviet intentions. The interpretations will vary in accordance with whether or not one is willing to trust Mr Khrushchev's bona fides.

On the debit side, it can be pointed out that the Russian Premier's notes to Mr Kennedy contain little that is new. His proposal about a Free City of Berlin guaranteed by the United Nations has not been made for the first time; and his insistence on a three-man commission on nuclear tests, with each man commanding a veto, seems distressingly familiar. What is worse, there is more than a hint of an ultimatum at the back of these proposals : if they are not accepted, Mr Khrushchev suggests, he might go ahead and sign a separate treaty with East Germany.

But there is a credit side as well; the ability to see it, however, requires that account should be taken of two important factors, one of which was peculiar to Vienna. The two-man summit in this ancient and waltzing city was unique in the sense that it was unhampered by a false display of assumed heartiness and by even, indeed, excessive optimism. The theatrical atmosphere of last year's Paris summit, against the luckless backdrop of the U-2 affair, was absent. And there was no naive effusiveness about the Vienna meeting which might have recalled the so-called spirit of Camp David. It was a straight, business-like affair, marked by civility rather than cordiality. The two men came to size up each other, and to give each other their own measure of themselves. In such conditions, there was no call for making concessions to appearance. What was said was meant.

If this is conceded, then it must follow that if there was nothing new in what Mr Khrushchev proposed on the occasion, the spirit in which he proposed it was new. One K got the correct measure of the other — and came to the realisation that neither could push the other into a corner and get away with it. So there were no bluff moves on the chess-board. The Russian Mr K spoke his mind in his memoranda; but in doing so he created the definite impression that his proposals were, at the present stage at any rate, no more than a basis for discussion. The West had up to six months to think them over; and in this interval, there would be no Soviet pressure on Berlin.

This spirit, certainly, is very new. The West would be foolish not to see this difference. In fact this difference is so vital in the context of the present world scene that Mr Khrushchev may be said to have poured new wine in an old bottle. The West, as a result, is faced with something infinitely more difficult than an ultimatum : it is faced with a challenge to which it must respond constructively.

And that brings us to the second of the two new factors mentioned above. Since the West has never until now given any positive response to these admittedly old Russian proposals, Russia may be said to be perfectly justified in making them anew. A proposal which has not been seriously examined by the opposite party at any stage, retains its right to be advanced again.

The restriction of veto placed by Mr Khrushchev on the anti-test commission is certainly serious. It gives advantages to the Soviet Union which, in spite of the veto being enjoyed by the West and the Neutrals, the others will not possess to quite the same extent. Moreover, if the principle of partial non-inspection of test sites, inherent in Moscow's plan, is accepted, effective nuclear disarmament would become impossible. But since this is a proposal, it must, one assumes, be open to a counter-proposal. That surely is the spirit in which Mr Kennedy should approach it. Only then would Vienna have had some meaning.

On Berlin, besides, the Khrushchev plan has the look of fairness. To suggest its conversion into a Free City is to renounce the ambition to incorporate the Western all into the Eastern one. A Unec Nations guarantee for the cy would make Russian adventuris against it morally difficult. Militar ly, the West would be in no wor position than at present to come the aid of Bonn; indeed, it woul be able to do so with the fu moral authority of the U N at i back. The plan, to say the leas is worth serious examination b Mr Kennedy.

On balance, thus, the Sovic leader may have rolled a promisin ball. It is now in Mr Kennedy' court to play.

The Agony of Angola

IT is most remarkable that though United States supported the Security Council resolution sponsored by Afro-Asian countries condemning Portugal's atrocities in Angola, Britain and France abstained from voting on it. One can understand this move on the part of France. But how to explain the British attitude to Angola and to Dr Salazar? Is it all explained by Britain's membership of the NATO? America, hitherto guilty of a dirty alliance for the measly air-base in Azores, has at last cut away; but, not Britain. Is it then British investments in Portugal? Are they so precious that Britain is prepared to risk her interests elsewhere, especially in Africa? The General Assembly of the United Nations had earlier decided to set up a five member commission to enquire into the situation in Portuguese Angola, endorsing the resolution submitted by 36 Afro-Asian delegations. The resolution has, of course, remained a dead letter. The five-member commission, however, has now been instructed by the Security Council "to implement its mandate without delay."

Meanwhile, what has been going on in Angola is a brutal reign of terror the extent of which is limited only by the ability of Portugal to send enough reinforcement. Shiploads of troops are being sent out and, with the end of the rainy season, Salazar has promised, pillage and butchery will be intensified to the maximum. Portugal still maintains the deception that there is nothing the matter with the people of Angola: that it is only agitators from outside who are fomenting trouble.

Britain maintains that, any way, it is a domestic affair of Portugal which is not within the competence of Britain or the United Nations to interfere with. While all this has been going on, Lord Home, the British Foreign Minister, paid a friendly visit to Dr Salazar and exchanged cordial compliments, while British troops have been sent to Portugal to take part in NATO exercises ostensibly, but, in reality, to replace Portuguese troops which are being shipped out to Angola. Britain stands by her faithful ally even to the extent of refusing a visa to Senor Galvao, whose *Santa Maria* exploit so dramatically drew world attention to Angola and to the despotic regime in his own homeland. The explanation given by the Home Office for refusal of a visa to Galvao was that Portugal was a member of the NATO!

The nature of the revolt in Angola defies description in that it cannot be called a national revolt or a national upsurge. Portuguese colonialism did not allow the awakening of political consciousness which could crystallise into a national movement. What fired off the revolt, which has now taken the shape of a war of liberation, were the happenings in the neighbouring Congo, for, Angola has not been immune from the general awakening which has swept over the whole of Africa. Such awakening may be vague and inchoate; but, it is no less potent because of that, and the neighbouring countries of Africa have jumped into the fray and hav been helping the Angolans fa beyond their capacity, one shoul say, considering the manner i which Congo has been taking i floods of refugees. Arms hav also been flowing in, and the re surgent African States make n secret of their support and activ assistance to the Angolans.

The movement has by now become fairly well-organised and is being ably led by Angolan refugees in Leopoldville who have no illusion about the price that they have to pay to force Portugal to quit. For every Portuguese soldier killed, how many Angolans have to pay with their lives, one shudders to think or to count. But they are prepared to pay that price, for there are so many more Angolans than Portuguese in Angola!

Where is there an end to it, to this senseless massacre and the mad fury which it has been calling forth among the African people? The Indian representative at the U N warned the Security Council of the explosive situation which was being created in Africa by Portuguese action in Angola. He told the Council that some African nations, understandably enough, had given notice that they would aid the Angolans, even with arms, if the slaughter continued, and that this could, thanks to Portuguese intransigence, develop into a threat to international peace; that it was the Council's duty to prevent this trend of events and urge Portuguese to call off the war which it had launched on the Angolan people.

It was to the big powers that Shri C S Jha appealed, the big powers which were linked with Portugal in military alliance. He pointed out that some of the western powers had already realised that colonialism could not be identified with NATO and he hoped that others too would realise it. Violently denying the myth that Angola was Portugal's overseas province, Shri Jha urged Portugal's friends and allies to curb that nation. Portuguese colonial rule sought sustenance from Portugal's allies, who, under the cover of NATO membership, put up a front of support for Portugal even in the U N.

On the other side, there are the African States led by Congo and Ghana which are not prepared to wait for gentle pressure to be put on Portugal to make this mad country desist from exterminating their fellow-Africans. The Afro-Asian members of the U N today are a force to contend with; but, they are not yet strong enough to make their intervention effective.

There is no question about India's sympathy in this or any other colonial conflict. But the path of moderation that she has followed, sometimes, makes her position in the Afro-Asian camp less effective than it could be. The United Nations has not finished with Portugal yet. Angola will soon be back before both the Council and the Assembly, when the Commission reports back to both. But one wonders what will it mean in effect, for, Portugal has no intention of recognising or honouring the United Nations' directives and the U N has not yet got an answer to such open defiance of its authority.

Oil Strikes and Sick Wells

TO Ankleshwar and Cambay, Kalol is now added as a third oil field in Gujarat. The small town of Kalol, which has become famous overnight, following the strike of oil, is 15 miles north of Ahmedabad. The proposed capital of Gujarat, Gandhinagar, lies in an adjacent area and, following the successful strike of oil in Kalol, the Oil and Natural Gas Commission has pinned two more drilling points right in Gandhinagar. The recent finds, in short, more than substantiate the claim of Shri K D Malaviya, Minister for Mines and Oil, that the speed of discovery has definitely proved faster than the resources that have been available to the Oil and Natural Gas Commission for the prospecting and development of oil.

The entire area, several hundred square miles on the proposed site of the new capital of Gujarat, seems honey-combed by small or big structures where oil can very hopefully be searched and Gujarat will have to look for another location for its capital. The Oil and Natural Gas Commission intends to carry out intensive search for oil in about 400 square miles round about Kalol. There are so many other areas to be explored.

Indeed, the inadequacy of resources for prospecting and development of oil has been increasingly becoming evident. It is, therefore, gratifying to learn that the Ministry has successfully negotiated an agreement with the E N I for prospecting and development in Kutch, another promising area, which the Oil and Natural Gas Commission has not been able to touch yet. In fact, the Commission has its hands more than full. Even the test wells near Baroda which have been found to be promising remain to be drilled. Now that the expert committee has selected the site for the Gujarat refinery at Koyle, 8 miles from Baroda, a more intensive and energetic development of this area has gained immediate importance. Proximity to the Mahi river which is only 5 miles away and its location about mid-way between Cambay and Ankleshwar favoured its selection as site of the refinery.

There are some striking features about oil exploration in Ankleshwar, and probably of the other oil fields in Gujarat also, which have not been adequately publicised. Nowhere else, except in areas of proven reserves, have such a large proportion of drills proved successful; nowhere else perhaps has the incidence of sickness among the oil wells sunk been greater. Nearly every well sunk has yielded oil; and nearly every one of the wells is 'sick', for one reason or another. The Oil Mission which Shri Malaviyaji is leading to Europe is not, therefore, going too soon. Something has to be done pretty quickly to reduce the incidence of sickness among the oil wells and to put the whole thing on a smoothly-functioning and efficient basis. The problem is difficult and complex. It is not easy to ensure team work with Russian and Rumanian technicians — each used to their own ways and habit noted to working with equipment and materials which are not readily available here.

These immediate problems apart, now that the prospects of finding oil in adequate quantities have been so well established, no time should be lost in working out satisfactory arrangements for surveying the different fields in the country. The need for explorations is now being felt in the other States also. West Bengal has proposed to the Oil and Natural Gas Commission to take up explorations in areas not covered by the Stanvac project which had proved a failure. It is only by farming out all the areas which hold any promise for oil to a number of different agencies that exploration of all likely areas can be ensured. If the Government is careful to farm out such contracts on satisfactory terms, keeping final control in its own hands, it can gain from the experience of others, find out for itself, with little or no cost, which type of exploitation offers the maximum advantage.

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BACK ISSUES

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Weekly Notes

Target for Tea

THE target set for tea in the Third Plan has come in for attack, from export interests, among others. In his annual statement to the shareholders Sir James Jones, Chairman of James Finlay & Co, said in London that such a big increase would not be desirable either in India's or the industry's best interests, "unless consumption can be very appreciably increased during the same period by intensive propaganda." On the strength of a study by the F A O on world tea supplies in 1965, Sir James urged the need for renewing — or reviving — the International Tea Agreement, so that machinery might be available in the event of need to bring about some measure of control.

The target under attack was that of 900 million lbs production by the Indian tea industry by 1965-66. At the Draft Outline stage, this target was a little lower, viz 850 million lbs. There may be a valid criticism against the export component of this target, if the latter is fixed unduly high, for, what the F A O has done is merely to confirm the long-run trend of very slow increase in world exports of tea, at a rate lower than that of the growth of world population and much lower than that of the growth of per capita incomes. There is no reason to be pessimistic, however, if internal demand and the certain prospects of its growth are given their due weight.

The Indian tea industry produced 637 million lbs in 1955. The target for the Second Plan was 750 million lbs in 1960. Despite unfavourable weather in North India which affected the crop by no less than 35 million lbs as compared with the — no doubt record — crop in 1959, this target has been reached. In the Second Plan, therefore, the industry — for all its just and unjust complaints of taxes, expensive amenities for labour, including housing, etc — increased output by almost 20 per cent. Indian exports in the Second Plan have remained stagnant — an average of Rs 623 crores a year, ranging between Rs 573 crores and Rs 648 crores. Of this stagnant total, however, as much as almost a fifth has been steadily contributed by tea. This is doubtless commendable. Tea share prices have not done badly either — their index number, with 1952-53 as base, was at 139 in 1957-58 and over 175 in 1960-61.

In the next five years, the country expects the tea industry to repeat the Second Plan performance — no more, though some industries have to better their performance. Tea is to secure a 20 per cent increase in production — from 750 to 900 million lbs. With an annual increase of well over 2 per cent in the population — a certainty, and the anticipated increase of 5 per cent a year in national income — a sincerely cherished hope, a 4 per cent rise in production a year should not present difficulties either physically, in working up to it, or of marketing, even if there is no appreciable expansion of exports from India, which of course is taking a pessimistic view.

It is known now that last year tea auctions in Calcutta and Cochin derived very considerable support from buyers for the internal market. In the overseas markets, Indian tea will face competition from established producers as also such sporadic entrants as China; but if the industry has shown in the past a commendable ability to stand up to such competition, there is no reason for undue pessimism for the future, particularly after all the replantings and extensions on modern principles, and the adoption of the C T C method of manufacture.

Despite very long-drawn out discussions going back to the early 'fifties, little has been achieved yet to consolidate the position of the growing Indian sector of the tea industry. Not that many of them are not prospering. But there is a sizable number among them which are anachronisms in the nineteen-sixties. The Indian share in the tea auction business in India, and in tea exports as a whole are other matters which claim effective action on the part of the Tea Board.

How to Get the US Investor

HOW to get the American private investor interested in India? This is more often asked than the other question, which is no less relevant, viz how wide is the scope for private American investments in the pattern of development which the Planning Commission has in mind? American private investments have not flowed in the past into thickly populated underdeveloped countries except in some selected fields. Even so, the attempt to get the foreign investor interested in India has not been inconsiderable and it goes on. Transfer of profits and of capital, including appreciation in the value of such capital investment after July 1, 1950 in projects approved by the Government of India are guaranteed, and so is the convertibility into foreign currency. There is also a guarantee against expropriation. Taxation, which is always a vexed question, has been modified by stages so as to remove or lessen the handicaps for the foreign investor. Agreements on the avoidance of double taxation have been concluded with several countries, the one with U S is under negotiation and should soon be concluded. At one time, a Treaty of Friendship, Commerce, Navigation and Investment was considered important for this purpose. But it is no longer of much importance, in view of India's membership of the I M F and adherance to the G A T T.

That the investment climate in India is generally favourable and that the attitude of the Government of India to private foreign investments, especially American investments, is sympathetic, has been recognised for quite some time and this has been made known to the prospective investors fairly widely by the U S Department of Commerce through its publications. The Department has brought out a fresh issue of its 'Handbook of Investments in India—Basic Information for U S Businessmen', which serves this purpose remarkably well.

Now the stage has been set for tackling the problem from the American end. The next move has obviously to come from the executives of the U S corporations, who have hitherto shown a distinct and stereotyped preference, which is not too favourable for underdeveloped countries. And this matters a lot, for all American private investment in India is direct, and not portfolio investment, for which the preference and attitude of the ordinary investors would be the determining factor. Many authoritative studies have shown that the top executives of the big American corporations are just not interested, except in a few select lines of investment, such as petroleum, extractive industries and large-scale manufacture of certain types. And it is largely the bigger U S corporations well established in the foreign field which do most of the direct investment. Hence, among other things, the high proportion of ploughed back profits or reinvestments in American foreign private investment in any year. If new companies have to enter the field, it would probably require large initial investment and U S companies do not usually start their operations abroad, if large initial investment is necessary. A study carried out some years ago by the Harvard Law School—it was not just a collection of journalistic impressions—came to the conclusion that "lack of interest or knowledge on the part of top executives is the chief reason why companies do not invest abroad", even when there are profitable investment opportunities. And it is the attitude of the top executives which plays the biggest part in decisions about foreign investments.

Business International Inc of New York, which supplies its clients a weekly report on management and business abroad, has been trying to influence the top executives and make them more foreign-investment-conscious. It does not approve of the attitudes of 'Dillon-bound' Washington in such matters, admires all that Britain has been doing to encourage foreign investment and deplores the U S Administration's indifference to or even discouragement of U S private investments abroad. The Business International Inc has decided to launch a frontal attack on unresponsive top U S executives by exposing them to the investment climate in India—which is quite favourable, presumably, in its view — by sponsoring a conference in New Delhi of the business executives of leading American Corporations, so that they may have a better understanding of the business opportunities and problems in India.

Various suggestions have been made from time to time how to make the American corporations more foreign-investment-minded. One is that nothing short of a dramatic announcement of incentives to U S capital by the borrowing countries and the U S Government would make them change. Taiwan is held as a model in this respect. Taiwan does not tax the foreigner at all and its general rate of taxation is half that of India. But since India is not going the Taiwan way, other methods have to be tried. The other suggestion is to present tht U S corporations with a readymade, fully-worked out investment programme. The latter appears to be the more sensible policy, if U S investments are not to create more problems than they solve . . . .

Surprise in Orissa

THE clear verdict of the people of Orissa in favour of the Congress at the mid-term elections is to be welcomed, unexpected as it was. Both the Prime Minister and the State Congress President, Shri Bijoyananda Patnaik, it is true, were optimistic of the party's chances of winning an absolute majority, but other Congressmen — Dr Harekrushna Mahatab, Chief Minister in the coalition Ministry and a veteran politician, was one of them — had written off the decision to hold mid-term elections as a tactical mistake. They argued that the Congress Party would have done better if it had continued to support the coalition and used the time thus gained to build up the party organisation in parts of the State considered to be strongholds of the Ganatantra Parishad in time for the General Elections next year.

Two factors particularly pointed against the Congress Party emerging from the elections with an absolute majority. In the first place, the party was disunited on the eve of the elections. Dr Mahatab had decided to take no part in the election campaign and remained critical and aloof throughout because of his differences with Patnaik. Many of Dr Mahatab's followers also refused their support to the party and some even decided to oppose official Congress candidates as independents. In the second place, the three elections since independence had made it clear that the State was divided into more or less well-defined spheres of influence, with the coastal districts voting for the Congress and the hinterland, consisting of erstwhile feudal states, supporting the Ganatantra Parishad. Voting in the 1952 and 1957 elections had conformed to this pattern. Even the bye-elections since the 1957 election had shown no significant deviation.

As the results of the recent elections became known, it was clear that dissident Congressmen contesting as independents had not succeeded in splitting the Congress vote to any appreciable extent. Even more important, the voting pattern revealed a complete break with the past in many constituencies which were earlier considered to be pocket boroughs of either the Congress or the Parishad. The Congress, in particular, had succeeded in making serious inroads into Parishad strongholds. Thus

MID-YEAR SPECIAL NUMBER JULY 1961

The Mid-Year Special Number of *The Economic Weekly* will be out on July 15, 1961. It will be a 200-page issue bound in art cover and will be priced at Rs 3/- per copy. Registration and Postage Charges will be Re 1/-.

The focus of interest of this Special Number will be the Third Five Year Plan—its objectives, its structure, its problems. We hope to be able to present a comprehensive critique of the Draft Plan now that it has been approved by the National Development Council. In addition, there will be a number of contributions on current economic and political affairs from some of the leading experts in their fields.

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 Parishad lost no less than 20 seats held by it, 19 of them to the Congress. The Congress won 42 new seats, but it also lost 16 seats it had won in 1957, some of which were considered 'safe' this time. The performance of the other parties also conformed to this pattern. Thus the Communists lost all the nine seats which they had won in the last elections but they captured four new seats. The Praja Socialists had the mortification of seeing all their leaders defeated in constituencies where their position was supposed to be impregnable, but by winning new seats elsewhere they have managed to more or less maintain their strength in the Assembly.

How far the trends revealed in the recent elections indicate a definite and permanent change in the regional pattern of political influence of different parties, particularly the Congress and the Ganatantra Parishad, and the disappearance of traditional pocket boroughs remains to be seen. It would not do to draw hasty conclusions particularly as the proportion of voters who exercised their franchise was so low, considering the keen interest in the elections in the State as well as all over the country. Taking the State as a whole, only 34 per cent of the electorate actually voted and in some pockets the percentage was as low as 15. Whether the remarkably small vote had anything to do with the reversal of established voting patterns is difficult to say.

Going by the results, however, Shri Bijoyananda Patnaik's crucial decisions to press for dissolution of the coalition Ministry and to hold mid-term elections have been vindicated by the sweeping victory of the Congress. For the first time since independence, Orissa faces the happy prospect of a stable, one-party government. If political stability is the *sine qua non* for economic development, the results of the recent elections should augur well for the State's Third Plan.

Higher Target for Aluminium

AN upward revision of the Plan target for aluminium production has been the subject of some speculation for a long time. Laying the foundation stone of the Madras Aluminium Company's plant at Mettur, Shri Lal Bahadur Shastri disclosed that the Planning Commission was considering raising the target from 82,000 tons as in the Draft Outline to 1,15,000 tons. Subsequent reports in the press have indicated that the revised target may be placed still higher at about 120,000 tons.

A higher target for aluminium thus appears certain. What is lacking, however, is a reliable estimate of demand in the Third Plan. Neither the Ministry concerned nor the Planning Commission has indicated whether the higher production is intended solely to meet internal demand or to create an exportable surplus also. The estimate of demand made by the Planning Commission earlier was as follows:

Use	Present consumption	Demand in 1965-66
Building and construction	2,000	3,000
Household and commercial supplies	10,500	12,500
Transportation	6,000	13,000
Electrical industry	18,600	40,000
Food and farming	900	1,500
Canning and packaging	3,500	7,500
Miscellaneous	2,500	4,000
Total	44,000	81,500

If demand is expected to be only 82,000 tons then production of 120,000 tons will leave a large exportable surplus. But it is well known that with our scattered deposits of bauxite, expensive power and comparatively high costs of installation, we cannot hope to export aluminium on such a scale. Surely, the Planning Commission is not unaware of this.

It would appear, therefore, that the Planning Commission has revised its earlier estimate of demand. This was, indeed, expected, for it was obvious that the Planning Commission had substantially underestimated demand, particularly as steel will continue to be in short supply even at the end of the Third Plan. Besides, the Government now appears to be considering a systematic policy of encouraging the substitution of other non-ferrous metals by aluminium. In fact, in his speech at Mettur Shri Lal Bahadur Shastri hinted at the possibility of the Government imposing "a ban on the use of copper for industrial purposes". While restrictions imposed on the use of copper—or lead and zinc—will naturally have to take into consideration the technological problems of shifting from these metals to aluminiuum, such restrictions would appear to be inevitable. Take, for instance, copper. Our dependence on imported copper is staggering. Out of a total consumption of 55,000 tons last year, domestic production accounted for only 9,000 tons. In the case of zinc, production will begin for the first time in India sometime towards the middle of the Plan. By 1965-66, the demand for copper is estimated at 170,000, for zinc at 150,000 and for lead at 55,000 tons.

The target of 82,000 tons of aluminium production was expected to be achieved as follows:

Expansion of Indian Aluminium Company's plant at Hirakud by 10,000 tons.

Establishment of a smelter at Rihand of 20,000 tons capacity.

Establishment of a smelter at Koyna of 20,000 tons capacity.

Expansion of the plant of the Aluminium Corporation of India by 5,000 tons.

Establishment of a smelter near Salem of 10,000 tons capacity.

Will the additional production of 40,000 tons now proposed be achieved through expansion of existing units or through establishment of new units? The decision must rest on which of the two courses will be more economical and give quicker results. There have been no pointers in either direction from the Government. All that is known is that the Government is toying with the idea of a plant in the public sector, possibly in collaboration with a Communist country. The American firm of Reynolds is also understood to be keen to secure a licence for a smelter in Mysore. The Government has hinted that in selecting offers from private parties one important consideration will be the ability of the party concerned to arrange for the necessary foreign exchange.

In the case of the Madras Aluminium Company, its foreign collaborators, Montecatini of Italy, have accepted payment for their technical services in the form of fully paid-up shares of the value of Rs 120 lakhs in the new company. The foreign exchange costs of machinery and equipment are to be met by the issue by the Indian company of lira bonds in Italy. Montecatini have guaranteed the issue and have arranged for it to be taken up by their bankers. It is true that this method of financing the necessary imports precludes control of the collaborator over the Indian company, but it is doubtful whether many foreign collaborators would be prepared to extend to Indian firms the facilities which Montecatini have extended to Madras Aluminium. And in the absence of special arrangements, a public issue of bonds by any Indian firm in a foreign country can hardly be expected to succeed.

Too Late, Once Again

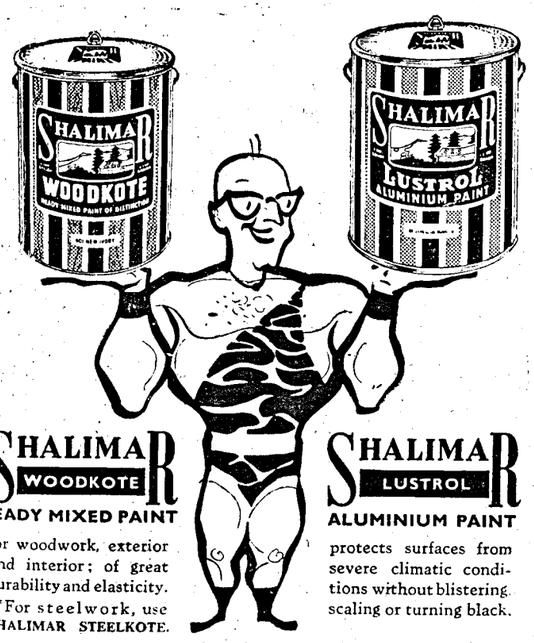
Our Assam Correspondent writes :

SHRI Lal Bahadur Shastri seems to have succeeded where his predecessor the late Pandit Govind Ballav Pant had failed. Not that the Shastri formula will be accepted by the Bengalis of Cachar. Nor is the Shastri formula going to bring permanent peace. But Shastriji has been able to convince the Chaliha Cabinet and the Assam Pradesh Congress Committee that the Language Act, particularly its Mahakuma Parishad clause, was mischievous and unduly provocative.

Had the Chaliha Cabinet and the A P C C displayed even an iota of the tact and spirit of accommodation which they have shown now, had Panditji and Shastriji taken the initiative before the Gana Sangram Parishad started its movement, the compromise formula found after the event would have been acceptable to all. The Congress representatives of Cachar met Panditji at Delhi before the language agitation started but Panditji could not form a correct estimate of the seriousness of the situation and administered his usual homilies to them. The demand for Nagaland has been accepted but had it been accepted in time! After the entire population of the whole district has organised itself into a fighting force and the firing and police excesses have made the ill-organised and inadequately equipped Sangram Parishad conscious of its own strength, the situation has gone beyond control. It will be difficult for the Cachar Congress leaders at this stage to ask the people of Cachar to stop before the goal is reached.

The President of the Assam Provincial Congress, Shri Siddhinath Sarma and the President of the Indian National Congress, Shri Sanjeeva Reddy, had ordered the Cachar Congress not to participate in the language agitation. They had thought that the local Congress leaders could be silenced. But they are mistaken. The language agitation has the support of all and the Congress leaders of Silchar had previously expressed in unmistakable terms their opposition to the language policy of the Chaliha Government. When the language bill was move in the A P C C, all the Cachar members opposed it. In the Congress Legislative Assembly Party meeting the Congress members from Cachar voted against it. Finally in the Assembly, all members from Cachar including Moinul

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Huque Choudhury, a Muslim member of the Chaliha Cabinet from Cachar abstained from voting. Were these not sufficient indication that the Cachar Congress leaders were staunchly behind the language agitation? Pandit Nehru should have sent Shastriji earlier. The Central intervention and solution have come too late.

The Shastri formula aims more at satisfying the hill people than satisfying the Bengalis and this is wise. Dissatisfied Bengalis of Cachar cannot be a source of so much danger as the dissatisfied hill people can be. The retention of English and its eventual replacement by Hindi will be welcomed by the hill people.

The hill people have other grievances against the Assamese Government and these are no less serious. Recent events and the language controversy have obscured the issues. Now they will come on the surface.

Letter to the Editor

Manganese Exports

THERE is little to disagree with the remarks on the above subject in the "Weekly Notes" of June 3 and it is generally appreciated that some of the main causes for the decline in the exports of Indian manganese in recent years were beyond our control. For this very reason, it seems all the more necessary to focus attention on factors which were entirely of our own making. In this connection, the report of the Economist Intelligence Unit (London) referred to in the "Weekly Notes" makes it quite clear that, since 1956, Government's intervention and policies have been major adverse factors. With regard to the contribution of the State Trading Corporation, it would be pertinent to quote two extracts from that report :

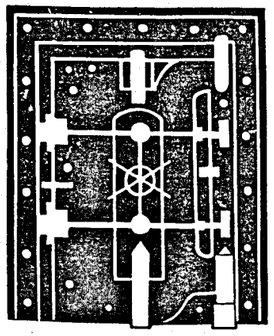
" US importers of manganese ore are generally agreed that India was, because of the factors outlined above, bound to lose ground in the American market. They are equally unanimous in their view that the STC has, since its inception, made bad worse. The dissatisfaction felt by US purchasers with the Corporation's practices is definitely a contributory factor in the decline in US imports of Indian manganese ore during recent years."

" The Corporation is almost invariably bureaucratic and dilatory, waiting for trade to come to it instead of seeking it out, and has on occasions been both arrogant and apparently suspicious and resentful of its customers. But there is more to it than this. The STC has been strikingly unreliable in its deliveries, failing to ship ore as promised, shipping it where and when it pleased, holding up loading for no adequate reason. It has insisted on terms in excess of normal commercial terms in such matters as credits, port charges, etc. It is suspected of attempting to play off one firm against another, dealers against users, and has been known to treat its contractual obligations lightly if an opportunity arose to squeeze an extra advantage out of a deal already negotiated."

It is generally conceded that Indian ore has certain inherent advantages arising from its physical properties. Although cost and quality are obviously important considerations in this highly competitive market, it is not often realised that these are not the only considerations. The mutual confidence between traditional Indian exporters and foreign buyers which existed before has largely been destroyed, and the extent to which this is restored may well be another crucial factor in helping exports. In the view of many exporters, the recognition and rectification of past mistakes is a condition precedent for this purpose. The pessimism felt by the trade gives weight to your concluding para that even after reduction of railway freights, etc, there seems little likelihood of "significant" increases in the level of Indian manganese exports to the traditional markets.

Bombay AN EXPORTER
June 13.

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From the London End

Western Strategy of Aid

DESPITE the sealed lips of Mr Macmillan about his recent discussions with President Kennedy, it appears that apart from urging Britain to join the Common Market, one of the subjects discussed was the strategy of the West in regard to aid to the under-developed countries. In the communique issued after the talks, it was mentioned that Kennedy and Macmillan had reviewed the need for economic co-operation and expansion in the interests of developed and under-developed countries alike. It is also known that the under-developed countries of Latin America and Africa loomed large in the discussions between Kennedy and de Gaulle. The Americans appear to feel that if they undertake military aid to Europe, their allies can best repay them by helping them with economic aid to Latin America. This is a marked departure from the Monroe doctrine. A problem that remains is that aid from Western Europe to Latin America may well be nullified by Common Market discrimination against Latin American tropical foodstuffs.

In his speech on his return to America, one of the things on which Kennedy dwelt was the need to increase aid in order to win over the under-developed and uncommitted nations. Taking up the point raised by Kruschev about peaceful competition between the communist and capitalist countries, the President said:

"If we are not prepared to assist them (the under-developed countries) in making a better life for their people, then I believe that the prospects for freedom in those areas are uncertain..... It was fitting that Congress opened its hearings on our new foreign military and economic aid programmes in Washington at the very time that Mr Kruschev's words in Vienna were demonstrating, as nothing else could, the need for that very programme. ..... There is no use talking against the communist advance unless we are willing to meet our responsibilities, however burdensome they may be. I do not justify this aid merely on the grounds of anti-communism, it is a recognition of our opportunity and obligation to help these people to be free and we are not alone ..... I know that foreign aid is a burden that is keenly felt and I can only say that we have no more crucial obligation now".

It appears that aid to under-developed countries is going to be one of the key economic issues of the 1960's.

Soviet loans to the under-developed countries has given a new edge to the question of aid. Most Soviet assistance is in the form of credits, usually for 7 to 12 years, at an extremely low rate of interest of 2½ per cent and a substantial proportion of the credits is made up of capital goods and technical assistance. Indeed, the terms on which the Russians offer aid are of much greater assistance to the under-developed countries. Apart from the low rates of interest, the Russians are always willing to take repayment in the form of surplus commodities which the under-developed countries cannot sell in the world market. They take payment in local currencies, and the longer terms of repayment are particularly helpful. For some years now, the Americans have been baffled and hurt that, although in quantity the aid they have given is higher than that provided by the Soviet Union, Russian aid has earned them more gratitude from the receiving countries, and has, in general, proved more effective. This is leading to a reappraisal of the whole question of the most effective means of providing foreign aid.

In order to simplify the multiplicity of organisations which administer aid, the U K Government has set up a Department of Technical Co-operation. A new Government department is to be set up under a Minister to deal with all technical aid to overseas countries, and the House of Lords was urged last week to go rapidly through all the stages of the Bill for setting up this new department. President Kennedy is creating a single Government Department Agency in the State Department to handle all Foreign Aid Programmes.

The Score Board

It is now being realised by the West, that economic aid that takes the form of mere distribution of largesse to pro-Western Governments, does not succeed in its object. One of the outstanding examples is the case of Laos where hundreds of millions of dollars have been poured to no purpose. In these circumstances it is interesting to examine how the score actually stands. Two fairly recent publications, "International Economic Assistance to the Less Developed Countries", published by the United Nations, and "The Flow of Financial Resources to Countries in the Course of Economic Development", published by O E E C provide some very interesting figures. (See table below).

Between 1956 and 1959, under-developed countries received on average $ 6½ billion a year, compared with about $2 billion a year in the post-war years up to 1952. Between 1956 and 1959, private capital provided 38 per cent of the total. Government grants accounted for 38 per cent and the rest consisted of Government and World Bank loans. At the present time, most of the U S aid goes to the under-developed countries, whereas

Capital Exports : 1956-59
($ million)

	Official grants	Official lending	Other official†	Private Export Credits	Other Private Investment	Multi-lateral agencies	Total including others
France	2,665	815	79	112	1,250	90	4,921
Germany	320*	187	381	790	296	556	2,328..
Italy	114	128	203	152	110	103	552
Netherlands	86	25	61	26	562	144	850
U K	555	525	200	243	1,755	255	3,149
U S A	5,326	2,971	2,146	—26	4,665	794	14,062

†Mainly trade consolidation credits. *Of which 290 reparations.

Public and Private Aid to Underdeveloped Countries, 1956-59

From :	Billion $	% of national income (a)	To :	Billion $
United States	13½	0.9	Latin America	6½
Canada	½	0.4	Western Europe	2
United Kingdom	2½	1.3..	Africa and Middle East	8½
France	4½	2.7	India	2
West Germany	1	0.6	Formosa, South Korea and Indo-China	3½
Other Western Europe	2	0.7	Other Asia and Pacific	2½
Japan	½	0.7	Other	1
Sino-Soviet bloc	½	....		
IBRD	½	....		
Total	26			26

(a) Gross national product less capital consumption.

before the war it went to Europe. The World Bank has also changed its lending from Europe to underdeveloped areas and another feature of the post-war years has been that Europe has again become a substantial lender. (See table above).

France's contribution went almost entirely to her own overseas countries. German private investment in under-developed countries was mainly in Latin America, especially Brazil. Candian Government aid has gone mainly to South and South East Asia under the Colombo Plan.

As far as the Western countries are concerned, the U S A has provided more than half the total resources given bilaterally in the period under review and 40 per cent of the multilateral funds. Of the resources made available by European countries, more than 80 per cent has come from Britain, France and Germany taken together.

Aid from Communist Countries

A recent estimate made by Barclays Bank of Soviet, Eastern European and Chinese aid, gives interesting figures. (See table on right).

Loans from these countries started in 1953 and the equivalent of more than $ 1,000 m had been promised by June, 1960. Since that date, Communist countries have been increasing the volume of their economic assistance very rapidly and are now collectively running second only to the U S A in the annual amount of aid offered. In 1959, against U S disbursements of £ 1,000 m, the Communist countries offered £ 350 m worth of assistance.

The importance that the Kennedy administration attaches to foreign aid can also be seen from the great pressure put on the other member countries of the Aid to India Consortium which met early in June. It was mainly as a result of American insistence that both Germany and U K increased their commitments to India, making it possible for a total of $ 2,250 m to be promised over the first two years of the Plan. Not content with this, the Aid to India Consortium converted itself into an Aid to Pakistan Club and on June 7th, it announced that its members would commit themselves to aid totalling $ 550 m for the first two years of Pakistan's Second Five Year Plan.

Linked with the question of aid, are two other key questions which relate to the whole problem of development — the question of commodity prices and the need for markets in the West to take in the manufactured products of the developing countries. Financial aid alone is not sufficient to help solve the problems of the developing countries, particularly since declining commodity prices can wipe out the benefits of such financial aid. Equally important is the need for Western countries to take in manufactured goods from the under-developed countries so as to increase their export earnings and therefore their import potential. Although in recent months there have been numerous discussions on the problem of aid to the underdeveloped countries and although "trade not aid" has occasionally been discussed, the main emphasis has been on the provision of loans, as it is being realised that at present the under-developed countries will be unable to provide a market for the exports of the West because of their declining export earnings, unless finance is provided for this purpose. Indeed, industrial countries prefer to lend dear money rather than import cheap goods.

Soviet, Eastern European and Chinese Aid

Country	*Recipient*	*Date*	*Amount*	*Remarks*
USSR	Argentina	1958	36	
USSR	Cuba	1960	36	
Hungary	Cuba		3	
Czechoslovakia	Cuba	October, 1960	7	
China	Cuba		21	To be repaid over the next 5 years.
USSR	Guinea	1958	13	
China	Guinea		9	Interest-free loan.
USSR	Ghana	1966	14	
USSR	Egypt		100	Towards cost of Aswan high dam.
USSR	Morocco		12	
USSR	Ethiopia	July, 1960	36	
USSR	Syria	1957	70	Available over 7 years
USSR	Iraq	May, 1959	49	
USSR	Iraq	August, 1960	16	
Czechoslovakia	Iraq	October, 1960	12	
USSR	India		47	For Bhilai Steel Works.
USSR	India	1961	190	For 3rd Five Year Plan
Poland	India		11	ditto
Czechoslovakia	India		17	ditto
USSR	Ceylon	February, 1958	11	
USSR	Somali Republic	June, 1961	14.5 Plus 7	Rouble trade credit for 5 years
China	Burma	October, 1961	30	Interest-free loan
USSR	Indonesia	1958	36	
China	Indonesia		4	
Poland	Indonesia		14	
Czechoslovakia	Indonesia		12	
USSR	Indonesia	1960	36	For building steel plant.
USSR	Indonesia	1960	90	To finance several industrial undertakings.

Letter from Moscow

Old Sores

Samar Sen

THAT the two epicentres of world power will maintain contact is good news. But a note of anxiety persists, over W Berlin. Reports have appeared of Western preparations to meet any crisis over the city. It is said that at the slightest hint of conflict, they will take over control posts in the G D R. It is a mad plan, any way, and hard to believe. But such reports in the Soviet press indicate that the Russians are inclined to believe them. May be, they want negotiations to open; and once negotiations begin, chances of a conflict recede. Atom talks have been going on for a pretty long time and despite occasional signs of a final breakdown no Power has renewed the tests. A similar sequence can be predicted for Laos. Negotiations are useful that way. And that is why the promise of maintaining contacts contained in the Vienna communique has been hailed as a good beginning.

No one knows how the talks progressed in Vienna. The Soviet correspondents, even if they know something, can be tightlipped. They looked for signs—the duration of the hand clasp, the expression the leaders wore after each session, the words they exchanged when they met and when they parted. Nature was not ignored either: clouds made hearts heavy, the sun cheered them up. In the background, suspicious characters, messengers of the cold war, moved about: they were reported to have been sent from Bonn, where the 'aged vulture' seems keen on an international bonfire.

The distrust of West Germany is deep rooted. For that the Germans are to blame. But there is one curious fact: The Eichman trial is not hot news for the Soviet press. The beginning of the trial was reported, but then silence descended. The details of the wartime fascist horrors are not reported. Perhaps the Russians know them too well to repeat them. And then, the East German is now a fellow traveller. Why stir evil memories?

The distrust of West Germany is deep-rooted. For that the Germans mentary about his restless, energetic life. It goes back to pre-war days. Stalin is shown once or twice. In one sequence, he is smiling to Khruschev. Parts of the documentary are quite good, others are indifferent. A documentary about K does not mean that the cult of personality has been revived. That cult may reappear in Germany but never again in the Soviet Union. The Soviet people may think that they never had it so good, but for that they will pat themselves on the back It is their labour that has laid the foundation of an affluent society. And the role of their labour is never underestimated. They are always told and they know that they are the builders of the country which sent a man into cosmos.

Talking about pictures, another film by the talented young director, Chukhrai, who made 'The Ballad of a Soldier', has made quite an impact on the cinema-goers. Entitled "A Clear Sky', it is the story of a young girl goes through the regours of the war makes friends with a pilot who is later reported killed in action. The girl goes through the rigorous of the war, and with her child, waits for the pilot, unable to believe that he is dead. The pilot comes back; it turns out that as a prisoner of war, he worked at a German airfield. Coming under a cloud, he takes to Vodka. Finally, he decides to have it out with the authorities in Moscow. At that moment it is announced that Stalin is dead. After a pause, the camera moves beyond the window. A lyrical sequence shows the sky clearing up and the ground snow melting. Spring breaks. The pilot goes to Moscow, is cleared, and takes to flying again.

The Russians like the film because, as they say, it gives a subtle picture of a time of which the world outside knows very little. Maybe, the outside world knows more than the Russians are ready to believe. But outsiders were not involved emotionally and did not suffer physically. And that makes all the difference.

Perhaps one of the reasons why Stalin is seldom mentioned is that he revives old sores.

* *

Soviet Russia is becoming a large exporter of oil. According to an Arab commentator, in a few years she will be in a position to challenge Arab monopoly and a serious situation will arise. By 1965 oil extraction here will be up sharply. But it is pointed out that most of the oil will be needed for internal consumption, thanks to the rapid development of the Soviet economy. The general volume of production during the Seven Year Plan is expected to increase by 80 per cent. The share of oil and gas in the power balance will grow from 31 per cent to 51 per cent. By 1965, Russia will build four to five million automobiles and over one million tractors. There will be more locomotives, ships and planes.

Between 1956 and 1960 Russia exported more than 100 million tons of oil and oil products. In the recent trade talks with Great Britain she wanted to export oil. And in the latest four-year trade pact with Italy, one of the Russian export items is oil.

With the growth of her economy, the structure of Russian exports and imports is changing. She has entered the world market as a big exporter of industrial equipment. She sends out 3,500 types of machinery and equipment. The value of such exports in the past five years was nearly 4 milliard roubles. Soviet machinery is used in over 40 countries. They include tractors and motor cars, road builders and oil extraction equipment, lathes and precision instruments. She has also started to export planes and helicopters, diamonds, radio-active isotopes, clocks, etc.

In the Seven Year Plan period, Russia wants to double her foreign trade. In the first two years of the Plan such trade, compared to 1958, increased over 30 per cent. Three-fourths of her foreign trade is with socialist countries. Most of her imports come from them.

Trade with countries that have ceased to be colonies has increased 8 times since 1955. With capitalist countries, it was up by more than 25 per cent in 1960 alone.

Official Paper

Soviet Trade Unions

F F Clairmonte

The Trade Union Situation in the USSR: Report of a Mission from the International Labour Office. Geneva, 1960, pp 136.

THE history of Soviet trade unions has not yet been written but this serious monograph fills a greatly felt need until a more definitive and comparably objective work comes to the fore.

Despite their divergent approaches to unionism in both the capitalist bloc and the USSR, there are common denominators stemming directly from the nature of our industrial complex — work methods, systems of remuneration, financial inducements for new inventions and the system of productivity. Yet these similarities must not be over stressed since the STUs have been conditioned and their direction determined by the exigencies of a planned economic and socialist order.

The evolution of the STUs (Soviet Trade Unions) is inseparable from the legacy of Czarism. The take-off occurred late; and the fortunes of the trade union movement were indissolubly linked to cyclical forces and the rapacity of police crackdowns. More crucial was that the leaders of the movement saw the impasse into which Czarism had run, and the bulk of its militant leadership departing from the canons of German revisionism, British Fabianism and American Gomperism glimpsed no alternative to a further consolidated advance of the working class other than by the overthrow of the Romanov autocracy. Political demands partnered economic demands.

Background of Revolution

The Soviet economy is an integrally planned one — industry and agriculture — and although there may be minor administrative differences between the various republics, the same fundamental socialist objectives are pursued in every nook and cranny of the Union. Hence the all-Union uniformity of the trade union structure.

It is precisely this revolutionary trade union spirit and unity of purpose before October 1917 that constitutes the essential background for understanding the shifts and strategies after that historic landmark. It moulded the character of the unions, for it was this vigorous and politically conscious elite in the trade union leadership that ultimately gave political leadership; and this also accounts for the close relationship between the Communist Party and the trade unions. The authors note: "Consultation and co-ordination of policy are facilitated by the interlocking memberships which exist in the organs of Government, the Party and the trade unions. There are former trade union leaders who occupy positions in the Council of Ministers or in the State Committees of this Council ..... Some of the prominent positions in the trade union movement are held by leading members of the Communist Party.... Whatever positions these leaders occupy they will always be concerned in establishing and promoting policies which will be carried out by the Government, the Party and the trade unions for the same common ends."

In his pamphlet *What Is to be Done* (1902) Lenin had blueprinted the functions of trade unionism in the new society, but the aftermath of October engendered a rich crop of conflicting doctrinal views. Unfortunately the doctrinal debates between the various factions of the trade union movement are inadequately treated. These debates possess great historic value to the less developed countries where the trade union movement is called upon to be a powerful and mobilising social force. The reader will find a more adequate treatment of these theoretical debates in the monumental work of E H Carr. In the trade union movement the doctrine that the unions should, in Lenin's phrase, be "a school of communism" triumphed over the Trotskyite thesis of the militarization of the trade unions.

Role of the Party

The directional flow of the STUs has not been as unruffled as the authors would like us to believe. And it is inaccurate to assert that "from 1930 ownwards there was no fundamental disagreement concerning the respective roles of the Party and the unions." Several trade union leaders were imprisoned, others executed. Economic ascendancy in that decisive first decade of Soviet growth witnessed the eclipse in practice, though not in theory, of the STUs. They were not consulted in matters of planning and in specific cases where they were consulted, consultation was of a perfunctory nature. Their attributes had ceased to be creative in the Leninist sense of the term.

Affiliated to a Central Body

It is interesting to speculate whether it would have been possible to achieve that breakneck speed of development that ultimately beat back the Fascist onslaught without the constraints of Stalinism. We need no reminder that Stalinism, both in its larger setting and in its effects on the STUs, was a product of certain specific historical forces and not inherent within a socialist order. The authors note that the USSR and its institutions are rapidly evolving. In summarizing these changes they declare:

"The mission had long and searching discussions with factory and trade union officials. It was struck by their knowledge and ability and it noted their confidence in the future of their country. It learned that the aim of equalling the production of the United States is not merely a Moscow slogan but is regarded as a realistic programme upon which the whole people is confidently engaged."

A unifying factor is that the STUs are industry-wide and affiliated to a single central body. This conjuncture has been generated by historical forces rather than by dictation from above. Indeed, the Mensheviks were inclined toward craft unionism, the Bolsheviks towards industrial unionism in order to mobilise trade union strength for revolutionary aims and hence were led to centralise and unify control over the movement.

Strike Can Yet Be Effective

Central to the STUs is their interdependence with the Communist Party of the USSR. The Preamble to the Rules of the Trade Unions state: "The Soviet trade unions, which are mass non-party public organisations unite, on a voluntary basis, workers and other employees of all occupations, irrespective of race, nationality, sex or religious beliefs. The Soviet trade unions conduct all their activities under the guidance of the CP USSR. The trade unions of the USSR rally the masses around the Party and mobilise them for the struggle in the building of a communist society."

The classic Soviet retort to the denial of the right to strike is that there is no contradiction between the State and the workers and that the productive class relations are in harmony. This statement though logical within a socialist framework ignores the conditions under which a strike can be an effective counterforce against bureaucratic torpor as the 1956 Polish strikes dramatized. Of more recent vintage has been the vast unpublicized (but successful) strike of the Komsomols against intolerable working conditions in the virgin lands: these are indicators that even within a socialist society the strike weapon can be a cuttingly effective and creative force.

In discussing the right to strike it should be remembered that in Czarist Russia the trade union movement was largely illegal, its activities clandestine and with the advent of October 1917, more specifically after the first five year plan, new tasks were posed — tasks which had no precedent in history. Several agonising years were to pass before a well-structured organisation was created to meet the claims of a new order.

The present STU formation is the outcome of years of experimentation — and equally a direct reflection of the changes within Soviet society since 1956. Today there are 22 trade union organisations with a membership of 53 million and this is the largest mass organisation. The STUs are constructed on two fundamental principles:

A. That all persons employed in any one factory, state farm or other institution belong to the same union.

B. That each union embraces the employees of one segment of the national economy. The upshot of this is that the STU possesses a cohesiveness which is remarkable for a multi-national state like the USSR. Besides the vertical structure which remains the dominant feature, trade union activity is also co-ordinated horizontally at the republican, territorial, regional and city levels via corresponding inter-union organisations.

Phenomenal Growth of Unions

The quantitative growth of the STUs is nothing short of staggering. From 1,450 in 1917, the total number of trade unions in Russia rose to 16,995 in 1928, 25,000 in 1940 and 52,780 in 1959. A significant characteristic of trade union membership is the high percentage of students (4 million) belonging to higher and vocational schools. The report notes that the high percentage of membership in the STUs cannot be ascribed to the use of pressure, because membership carries with it certain benefits. And it is reported that there are a "number of trade union prerogatives such as the allotment of new apartments, allocation of places in rest homes and sanatoria, and grants in case of emergency; even though non-members are not excluded from consideration in these matters it is doubtful whether they would receive indentical treatment."

Yet those who are still outside the scope of the trade union movement are enormous: the bulk of collective farmers (save those workers in the maintenance and repair stations, and technicians of the former MTS), members of the armed forces and priests. Under present Soviet legislation collective farmers are members of co-operatives (as distinct from operatives on State farms) and hence are part-owners of a farm and are not hired workers.

Another differentiating factor underlined by the Report between the STUs and their counterparts in capitalist countries is that there are no weak links in the trade union movement. Racial discrimination does not exist; and there is no discrimination on the basis of sex where the principle of equal pay for equal work is applicable. Women constitute 45 per cent of the labour force in the USSR. Further, the alienation of the white collar worker is not in evidence. Trade union membership of 'workers' in educational establishments are higher than the average and 97 per cent of them are unionised.

Accounting also for the high membership is that craft unionism does not exist with its conflicting claims and differing jurisdictional affiliations. Another feature of the STUs is that 'management' does not stand opposed to them, and several of the STU functions may be regarded in non-socialist countries as managerial prerogatives.

The fact is that management are also members of unions. This paradox, however, vanishes when the aims of the movement are seen in perspective. For indeed it is precisely with the director of the plant — who is the head of the plant hierarchy — that the local trade union negotiates. Both 'management' and the trade unions focus their attention on raising production and hence conflicts which arise are considered non-antagonistic.

The Rules of Trade Unions

Various levels of trade union structure are governed by 'The Rules of the Trade Unions' based on the principle of democratic centralism. According to Article 13 of the Rules, we note that :

a) All trade union bodies from the bottom up are elected by the membership and are accountable to them;

b) Trade union organisations decide all matters of union activity in conformity with the Rules of the Trade Unions of the USSR and the decisions of higher union bodies;

c) Trade union organisations pass their decisions by a majority vote of the membership; and

d) Lower trade union bodies are subordinate to higher ones.

The post-Stalin period has witnessed a tremendous encroachment

on managerial prerogatives by the STUs. This participation, however, did not have its historical roots in the period of war communism when several factories were taken over and managed by the workers themselves. This close linkage makes it possible, as stressed by the Central Committee of the C P in 1957 to "combine observance of the principle that management must remain in the hands of a single chief with effective supervision of management by the personnel."

The Mission dismisses the view widely held in the West, viz that the STUs are not trade unions in the proper sense of the word, that they do not defend the interests of the workers of the USSR. The truth is that the STUs perform a wide range of functions (and are not mere transmission belts of State power) cooperating with state bodies as well as performing functions which in other capitalist countries are governmental prerogatives.

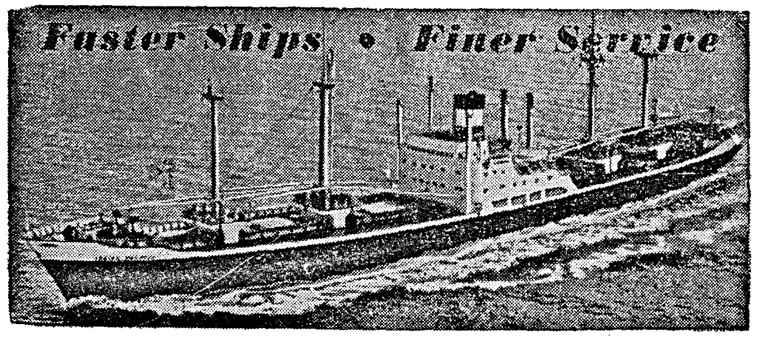
On the strike question, the Mission reported that "provision is made for the unions to be associated with management in the running of the plants, in solving the problems of production and in ensuring that due attention is paid to the welfare of the workers. Provision is also made for the unions and the managements to be continually in touch with each other, to have every opportunity of discussing points of disagreement and to appeal, if necessary, to higher authorities."

In Post-Stalin Era

What of the social significance of trade union ascendancy since the end of the Stalin era? It is apparent that the STUs have increased their powers tremendously and that they are now associated with "planning activities in the individual plants, at the republic level and through the State Planning Commission." In an economy operating at open throttle the unions are now "being consulted on matters affecting production and labour protection and are being given greater responsibility for the provision and administration of the services necessary for the workers' welfare. Within the trade unions increasing use is being made of the practices of consultation, discussion and election."

As to whether this recent conspicuous process of integration between the organs of State power and the trade unions will lead to the disappearance of the unions at a higher stage of Soviet economic evolution, the authors objecively note that this is an issue "on which the reader must form his own judgement." They hasten to add, however, that "while the trade unions carry out their function in regard to the planning and organising of production, and while continuing their efforts for the protection and welfare of the workers, the unions remain one of the pillars of the Soviet system."

It is unfortunate that this monograph does not contain organisational charts of the STUs; and the absence of a bibliography and an index are serious lacunae. Nonetheless this short work is a pioneer contribution and indispensable reading for the labour economist and trade unionist.



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The Labour Party Candidate for Parliament

Hugh Gray

This is a first-hand account of the ordeal of a Labour Party candidate for Parliament, facing the contest for the first time, and unsuccessfully.

A prospective Labour candidate must possess many qualifications and cross many hurdles before he is finally selected as the Party's nominee.

The Labour Party is a coalition of opinions, and differences are more marked in it than in the Conservative Party.

Even so, the prospective Party candidate must hold moderate views to be acceptable.

He must seem conciliatory as at the time of the Election he must be able to unite all members of the local party, irrespective of their ideological differences.

Forcefulness, articulateness, personality and humour are also supposed to win votes at the selection conferences, if not at the time of the Election, when people vote for the party rather than the individual.

LABOUR Constituency Parties are, in most respects, self governing, and subject to the approval of the National Executive Committee of the Party, they select their own candidates.

The Labour candidate cannot put forward his own name for consideration. He must be nominated by the Executive Committee of the Constituency Party, or by a local body within the Constituency Party organisation, or by an outside organisation affiliated to it. Organisations which may be affiliated to constituency parties include trade unions, branches of the Co-operative Party, and branches of socialist societies and professional organisations which are affiliated to the Labour Party nationally, and trades councils. Members of affiliated organisations are not allowed to take an active part in the affairs of the local constituency party, unless they are enrolled as individual members.

A person who is properly nominated must give his consent. If his name appears on the official panel of available parliamentary candidates of an affiliated organisation, he must also provide the consent in writing of the Executive Committee of the affiliated organisation, with the form of nomination. This provision ensures that the affiliated organisation is currently prepared to provide financial assistance for the particular nominee in that particular constituency. The financial circumstances of different local Labour Parties vary widely, and they may, or may need money from outside to ;e the candidature.

Choice by Local Party

The Executive Committee of the local party considers the nominations it has received, and before making its own nominations, may invite the party head office to propose names from the lists of available candidates. The National Executive Committee may also propose names to the Executive of the Constituency Party.

From all the names regularly placed before it the Executive Committee prepares a short list of candidates, which must be presented for approval before the larger General Management Committee, which is the governing body of the local party, and consists of delegates from local bodies within the party and affiliated organisations. The Executive Committee is elected from among its members. The General Management Committee can, if it so wishes, refuse to approve and change the short list, as the Ebbe Vale General Management Committee did, last year, in the case of Michael Foot. His name was not put on the short list by the Executive Committee, but was then placed on it by the General Management Committee, which subsequently chose him to contest for the Labour Party the vacant seat in Parliament, created by the death of one of its foremost figures Aneurin Bevan.

The first step I took towards becoming a Parliamentary Candidate was to get the local branch of the Labour Party, of which I am a member, to recommend my name to the National Executive of the Party as suitable, in their view, for the list of possible parliamentary candidates. I was then asked to supply personal autobiographical details, together with the names of two people, well known in the Labour Movement, as referees. Subsequently I was informed that the National Executive Committee had accepted my name for inclusion on the list. The only direct advantage I derived from this was that it enabled me to inform local parties that my name was on this list, which meant that if I was chosen as a candidate the National Executive Committee would almost certainly endorse my candidature.

Looking for a Constituency

The chief difficulty which one has to cope with next, apart from getting chosen as a prospective parliamentary candidate by a local party, is getting information as to which constituencies are without selected candidates. This is one of the advantages to be derived from having powerful friends in the Party, or being widely known throughout the Labour Movement. Labour Party paid Agents are not allowed to stand as parliamentary candidates, but officials employed at Transport House, the headquarters of the Party administrative machine, working under the direction of the National Executive Committee may, and many politically ambitious young people do accept such jobs which are poorly paid, because of the personal contacts they are then able to make, and the information which becomes unofficially available to them.

I had no powerful friends, and no official backing, but knowing my party to be democratic, I was convinced that I could secure a candi-

dature by my own efforts. One day, I was told by an acquaintance, who was a member of the Youth Section of the Constituency Party concerned, that owing to the retirement of their prospective parliamentary candidate, they were looking for a new one. The constituency concerned was quite near London, so I went to see the full time paid agent of the local party concerned. I knew that I stood no chance of being nominated by an affiliated organisation, or of getting my name suggested to the Executive Committee by the Regional Organiser of the party, so I found out from the agent which parties within the constituency party were to have meetings before the expiry date for the receipt of nominations.

I then called on the secretaries of the local groups concerned, and asked whether I could address party members at their next meeting, and seek nomination by them, which would be decided, positively or negatively, after I had addressed them, by majority vote.

Local Candidate at a Disadvantage

I first spoke to the members of a small village party in the north of the constituency, and secured from them my first nomination. I was also nominated by the Youth Section of the party. At another local party meeting in the constituency's principal town, I was refused permission to speak, possibly through the influence of friends of other candidates, but this was said to have been helpful ultimately to the Executive Committee in getting my name short listed.

Local candidates are at a considerable disadvantage, in that they have little hope of commanding an ad hoc majority at the selection conference. Their views are too well known on every topic, and they are enmeshed in local rivalries. The local candidate's best chance is in a constituency in which he has bloc support from his trades union, particularly if his fellow trades union members are in a majority on the General Management Committee, and will vote for him because he is a miner or railwayman, irrespective of his performance before the selection conference.

After the Executive Committee's short list has received the confirmation and approval of the General Management Committee, the short list candidates appear before a special meeting of the General Management Committee, called for the selection of a prospective parliamentary candidate. This meeting is attended by a representative of the party head office, who is frequently the Regional Organiser, and he supervises the procedure of the selection meeting to ensure that it conforms to the regulations laid down by the National Executive Committee for such occasions.

In my own case there were six candidates, including a trades union candidate nominated by an affiliated trades union, and a local candidate (also a trades unionist), mayor of the largest town in the constituency. Each candidate was allowed ten minutes for a speech, followed by questions. We drew lots for the order in which we spoke; I spoke fifth, and sat awaiting my turn in a small room, adjacent to the hall in which the selection conference was held. We could not hear each other speak, and thus estimate our chances. Before the ordeal we all had lunch together, as guests of the local agent and the Regional Organiser.

Extremists Have No Chance

To be chosen, if this is going to happen on the basis of an *ad hoc* majority, a candidate must be a good speaker, and hold opinions which are not opposed to those of a majority of those present at the selection conference. A very left wing candidate has little chance of being chosen in a right wing constituency, and vice versa. The candidate must seem conciliatory, as it is realised that a parliamentary candidate at election time must unite the members of the local party, whatever its members' ideological differences, so that the campaign can be fought. Like all political parties, the Labour Party is a coalition of opinions, and the differences in it always seem more marked than in the Conservative Party. Forcefulness, articulateness, personality, sincerity and humour are also said to win votes at selection conferences, if not at the Election, when people tend to vote for party, rather than the individual, the programme rather than its exponent.

At the selection conference which chose me I was given a clear majority over all the other candidates at the first ballot. Then the regional organiser came outside, told us the result, congratulated me, and we all filed back into the hall where the selection had taken place. I spoke, my opponents made congratulatory speeches, and the regional organiser reminded the audience that I was not the official prospective parliamentary candidate until the National Executive Committee of the Party had approved my candidature. This the National Executive Committee did, and a campaign started to make me known in the constituency.

The constituency party's principal strength was in a town, with some light industry, in which the Labour Party had a small majority on the Town Council. Next came a much smaller town in which the Labour Party had an even smaller majority on the Urban District Council. On the County Council, the Conservatives had a large majority, and they were much stronger in most of the villages. The Labour Party had more backing in the villages to the north of the constituency, which may have been due to agricultural workers coming into contact with car owning industrial workers employed in factories outside the constituency, whereas in the south they were influenced by black coated office workers travelling daily into London by rail, and biased against public ownership.

Intra-Party Rivalry

The village Labour parties tended to cluster round the two town Labour parties, making two opposed groups, whereas at a lower level the villages were opposed to each other. At a higher level the two town parties with their satellite villages came together to fight the Conservative and Liberal parties. Cross-cutting loyalties were provided by town-country antagonisms, and ideological groupings deriving from differences on national policies, which were reflected in delegates from the local parties who were voted on to the General Management Committee of the whole party. Whether there is any kind of local party organisation in a village depends on a few activists, and whether they can work together. Clashes take place on personal, as well as ideological grounds, and in some places irreconcilable, dominant personalities make any permanent kind of association impossible. However such personalities may be persuaded to work temporarily on election committees, for the duration of the campaign. Some may even come into being only a few days before Election day itself, their formation stimulated by the activities of Conservative Party rivals.

I was chosen as a prospective parliamentary candidate in the spring of 1959, before it was known that a General Election would take place in the autumn. Soon after the selection conference, the local party agent called a press conference, and in a short time local journalists found out more about my views and personal past, than had been elicited at the selection conference.

Nursing the Constituency

I then started the process which is known here as nursing a constituency, which in my case did not last long. This involves meeting all the active members of the party, canvassing by knocking on people's doors to introduce myself, speaking at local party meetings, and attending social functions like dances, whist drives and bingo sessions. The aim, in which one inevitably falls short, is to make oneself known personally to everyone of the 54,089 people on the electoral register of the constituency. At the end of the summer, a public meeting was organised in the principal town of the constituency, at which Anthony Greenwood, M P, a member of the National Executive Committee, spoke with me. Soon after this Parliament was dissolved, and the General Election campaign launched by all the political parties.

This, unfortunately, coincided with the promotion of the local paid agent of the Constituency Party to a more senior post in the Labour Party administrative hierarchy, and left an inexperienced candidate and agent to fight their first general election together.

In most constituencies the election result can be foreseen with fair certainty on the basis of past results, and this leads national party organisations to concentrate their energies on marginal constituencies, where elections are won or lost by a majority of about 2,000 votes. In canvassing an effort is made to identify the small number of uncommitted voters, who switch their votes from one party to another: the "floating voters", and convert them into supporters, but the major objective in canvassing is to ensure that all your supporters vote on the day. In a General Election about 75 per cent to 80 per cent of the population vote, but in local elections for local governing bodies, when the mass communications of television, radio and newspapers are not continually stirring up interest in the issues involved, this percentage may drop to 25 to 30 per cent and the party wins which can get most of its supporters to vote.

Canvassing cards are prepared by party workers on the results of canvassing, knocking on peoples' doors, interviewing them, and on the basis of what they say, recording their names as being for, against or doubtful. As voters come out of the polling booths on election day an effort is made by party representatives to find out who they are, so that their names can be crossed off the canvassing cards. Information is even exchanged by the rival Conservative and Labour Party representatives on this point, as it is to their mutual advantage to check on whether their supporters, whose names are recorded on the canvassing cards, have voted. If these supporters have not voted, in the evening of polling day they will be repeatedly called on, and urged to do their duty by their party and vote. The compiling of canvassing cards is complicated by the fact that the ballot is secret, and no voter is obliged to tell party members how he intends to vote, or has voted.

	Electorate	Conservative	Labour	Liberal
1945	73,737	24,537	16,445	10,302
1950	(After Constituency boundaries were redrawn). 47,261	17,623	14,262	7,547
1951	48,000	22,435	17,605	
1955	54,089	20,330	14,569	5,869

Ceiling on Expenses

The amount of money a candidate can spend on an election is limited by Act of Parliament, and in the constituency where I stood was just under £ 1,000. The local constituency party provided all expenses in my case, and this money was spent on such items as leaflets, my election address sent to every voter, advertisements of meetings, the booking of halls for meetings, transport, and general administrative expenses. All expenses connected with the election have to be carefully recorded and accounted for. Infringement of the regulations regarding the amount which can be spent can lead to an election being declared null and void.

Papers nominating the candidate, signed by the requisite number of registered electors, have to be prepared and left with the Town Clerk, by a stipulated date, together with a deposit of £ 150 which will be lost if the candidate does not secure a given percentage of the vote.

At the election I contested there were three candidates: the Conservative candidate, who had previously held the seat, the Liberal candidate, and myself for the Labour party. Figures at past elections had been :

It will be noted that the combined Liberal and Labour vote had been generally larger than the Conservative vote, but that on the only occasion a Liberal candidate had not stood, these votes had been divided between the two candidates. Since the last general election 4,000 new residents had moved into the area, and the question was how they would cast their votes.

The constituency was unusual in that the Liberal Party had always been active there, even during its darkest years; they employed a professional agent like the Labour and Conservative parties, and had received much support from the influential Rothschild family in the nineteenth century.

The three candidates took up residence at the three largest hotels in the principal town of the constituency for the campaign, and I was appropriately lodged at the King's Head, where Cromwell had slept.

All the candidates had cars with loud speakers, decorated with flags, posters and party colours. When we passed each other in country lanes I and the Conservative candidate would bow distantly to each other, whereas I and the Liberal candidate would wave cheerily, as we were on more friendly terms.

Tea from Political Opponents

Each day I drove out to a different village, or town, in the constituency, and would spend the time knocking on people's doors, introducing myself, and asking them to vote for me. In the country people are friendlier than in cities, and I would often get asked in for tea and talk, even by political opponents.

During the early part of the campaign, I would spend the evenings meeting and talking to local party workers, accompanied by my agent who was arranging for the distribution of posters, pamphlets, and organising groups of active party workers for canvassing, writing the addresses of voters on the envelopes which were to contain my election address, booking halls for meetings. Later in the campaign there were meetings nearly every night. These were poorly attended, but necessary and expected by the electors, and unless the same number were held in each village, and my efforts distributed equally, village rivalries were aroused. Indeed, after the election I was accused of having canvassed in one village more than in another.

Journalists from local newspapers were present at all my poorly attended meetings, and my speeches were reported in local papers. Meanwhile the Party leaders were making their impact on the electors by television, radio and front page coverage in the popular national press.

Promises, Optimism

As the campaign progresses all the candidates become more optimistic. One meets thousands of people who promise their votes, and it seems impossible not to win, despite the statistics.

Tension mounts nationally and locally. Suddenly it is only a few days before election day, and the election address has to be sent out. This had been hurriedly written, and was to be sent to every elector, by post. My election address was late from the printers, and a rescue operation had to be mounted, with dozens of voluntary party workers, pushing the election address into envelopes, in order to get them posted in time.

Most election addresses are restatements of party policy by the candidate, accompanied by photographs of the candidate, and perhaps his wife, children or dog. In a letter accompanying the address I said "I have tried to describe the ideas and policies we in the Labour Party stand for, and to give you some notion of what to expect from the next Labour Government. If you feel that I am talking about the kind of future society you would like to live in, even if you may not agree with every single point of our programme, I ask for your Vote". The candidates did not attack each other personally during the campaign, only showed incredulity that votes could be cast other than for themselves.

On the eve before poll, large public meetings were held by all the candidates, attended by many of their opponents, and much rowdier than previous ones, but it is rare in England for political opponents to come to blows.

Election Day

Thursday, October 8th, 1959, was Election Day, and the polling booths were open from 7 a m in the morning to 9 p m in the evening. The candidates traditionally visit as many polling stations as possible during the day, to see that there are no irregularities.

The count took place on the same evening in the town hall of the constituency's principal town. The votes are brought in from the different polling stations, in sealed boxes, and poured out in front of the tellers, bank employees and others, who were being specially paid for the occasion. Opposite the tellers sit the representatives of the political parties, to control the counting, and see no mistakes are made. Doubtful votes, those not marked correctly with a X against the name of the candidate chosen, are put on one side. These are generally allowed, when the intention of the voter is clear, and the mistake merely a technical one; the others are disallowed.

Very soon it became apparent that the Conservative candidate was going to win with an increased majority. The figures were:

Electorate	54,089
Conservative	22,504
Labour	13,549
Liberal	7,897

At the time I did not know that the result was part of a general swing against the Labour Party throughout the country, and felt unutterably depressed, as did those who had worked with me throughout the campaign. One grows very close to people one has worked with in emotionally charged circumstances, and defeat is bitter

Winners and Losers

Outside on the Town Hall steps photographers were waiting, and a crowd was gathered to hear the results. These were announced by the Town Clerk. The Conservative, now the constituency's Parliamentary representative, made a short speech, thanking all his party helpers, and emphasizing that he now represented in the House of Commons all his constituents, and would serve them, no matter what their political views. I, and the Liberal candidate, made shorter speeches, congratulating the victor, thanking our party workers, and looking forward to the chance of a revenge.

During the campaign candidates are subject to pressure from their own supporters, and outside pressure groups, to advance and campaign for particular policies if they are elected. Wise candidates evade such commitments. The official Conservative party pamphlet on the adoption of candidates quoted Burke's words: "Your representative owes you not his industry only, but his judgement: and he betrays instead of serving you if he sacrifices it to your opinion".

The British Member of Parliament has no patronage to confer, but any constituent of his will expect him to take up his individual case, if he is involved with the authorities, and needs help. The Member's job is not an easy one, but I would have liked it.

The campaign was over, the count was over, the election made. It was after midnight, as we walked across the town square to the Labour Party car. We found it had a flat tyre. An appropriate ending to an election, which proved such a sad shock to socialists, everywhere!

Curbs on Wheat Movement and Crop Pattern

C Muthiah and R N Tiwari

The price of wheat declined sharply in Madhya Pradesh in 1957 following the formation of the wheat zone comprising Bombay, Rajasthan and Madhya Pradesh.

Along with the decline in prices, the acreage under wheat also fell, reversing the trend towards steady increase noticeable in the earlier years.

An attempt is made below to examine the extent to which the fall in acreage under wheat was caused by a shift to other crops as a result of the fall in wheat prices.

IT is commonly believed that our farmers are not price conscious and do not change their pattern of cultivation to grow crops other than those already being grown by them. This note examines the impact of various restrictions on the marketing of wheat on the crop pattern in Madhya Pradesh. After decontrol, restrictions were imposed for the first time in Madhya Pradesh on 13th June, 1957 when it was included in a wheat zone comprising of Bombay and Rajasthan. The wheat crop in these States was good and the zone was formed to prevent large quantities of wheat from flowing out of the States, causing local scarcity and consequent rise in prices. But due to unfavourable weather conditions in 1957-58, wheat crops in M P suffered heavily, resulting in lower yield per acre. To make wheat available to the people of the State at reasonable prices, the Government imposed a ban on exports of wheat from the State in February, 1959. (This arrangement of single-state-zone continued till November 1960 when the State, after prolonged negotiations joined Maharashtra and Gujerat in a 'modified' food zone.)

It may be seen from table 1 that in Madhya Pradesh, the area under wheat had steadily increased from 48,98,000 acres in 1952-53 to 80,09,000 acres in 1956-57. But, thereafter, it fell to 62,87,000 acres in 1957-58 and was only 67,82,000 acres the next year.

The fall in wheat acreage in 1957-58 and 1958-59 was appreciable. These years followed 1956-57 when highest acreage under wheat was reported. The restrictions on the movement and prices of wheat were also imposed in 1956-57. To see whether this fall of nearly 20 per cent in wheat acreage in 1957-58 was in anyway due to the unfavourable prices which prevailed after the formation of the zone, the cropping pattern in the three largest wheat-growing districts, namely, Sagar, Sehore and Hoshangabad, have been studied in detail. These three districts account for nearly one-fifth of the total area under wheat in the entire State. Table 2 shows the pattern of cropping in these districts. (See next page).

The authors wish to express their thanks to Shri M P Rao, Statistician, Directorate of Land Records, for having placed the necessary records (unpublished) at their disposal.

Trend Reversed

In Sagar, the area under wheat had increased steadily from 430,000 acres in 1952-53 to 623,000 acres in 1956-57, an increase of 45 per cent achieved within a short period of four years. During the same period the importance of wheat in the cropping pattern also grew and in 1956-57 wheat accounted for over 55 per cent of the total cropped area. A comparison of figures given in column (1) and (4) reveals that the wheat acreage had increased mainly through extension of total area under crops during the years 1953-55 and at the expense of other crops during the next two years. This is confirmed by the figures in column (3) and (10). From column (10), we see that the area under jowar increased along with that under wheat through extension of total cropped area during 1953-54 and 1954-55 but that in the next two years it went down. A reversal (diversion of wheat acreage to other crops) of the trend is possible and easy to accomplish at any time, if occasion demands it.

The marked decline of nearly 46,000 acres in wheat acreage during 1957-58 cannot be taken as either due to routine changes in the cropping pattern necessitated by crop rotation or due to unfavourable weather conditions. Weather conditions affected only the yields and not the sowings. Moreover, the area under other rabi crops like pulses and seasamum had actually increased. Nor could the fall in wheat acreage have been due to crop rotation for the wheat acreage had been increasing *steadily* over the entire period starting from 1952-53. Moreover, the acreage under one of the major crops raised in rotation with wheat, namely gram, showed no variation during this period. Again, *only* a small portion of the increase in jowar acreage during 1957-58 and 1958-59, could be attributed to crop rotation since transfers between the two crops on account of rotation are generally balanced. This is so because, if there is some Jowar land to be rotated with wheat, correspondingly there should be some wheat land for rotation with Jowar.

The wheat crop harvested in Madhya Pradesh in April 1957, was the largest during the 7 year

Table 1: Area under Wheat in M P during 1952-53 to 1958-59
(in '000 acres)

Year	Area under wheat	Index (1952-53 = 100)	Total cropped area	(2) as % of (4)	Yield per acre (in lbs)
(1)	(2)	(3)	(4)	(5)	(6)
1952-53	4898	100.0	40276	12.2	432
1953-54	5217	106.5	41421	12.6	464
1954-55	5822	118.9	42267	13.8	535
1955-56	6940	141.7	43392	16.0	497
1956-57	8009	163.5	43572	18.4	476
1957-58	6287	128.4	40972	15.3	393
1958-59	6782	138.5	43813	15.5	626

Source: Statistical Abstract of Madhya Pradesh, 1958-59.

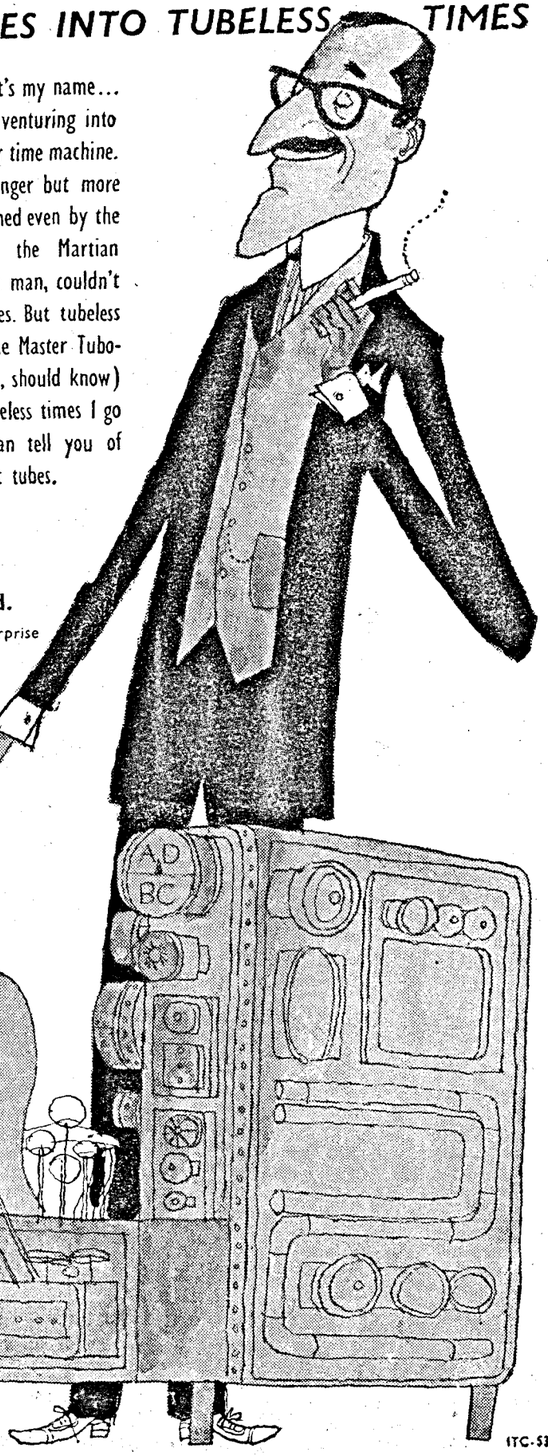
ADVENTURES INTO TUBELESS TIMES

I, Time Master 'Tubophile...that's my name... Chairman, Tube Time Inc., am venturing into the tubeless times on my tubular time machine. Journey fraught with some danger but more hardships...hardships unimagined even by the imaginative Wells (he with the Martian mania)... for Wells, a scientific man, couldn't conceive of a time without tubes. But tubeless times there have been (I, Time Master Tubophile, Chairman, Tube Time Inc., should know) and 'tis to these unhappy tubeless times I go in my time machine, so I can tell you of the hardships of a life without tubes.

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Table 2: Crop Pattern in Three Districts during 1952–53 to 1958–59

	Gross cropped area	Area under Rabi crops	Proportion of (2) to (1)	Area under wheat	Proportion of (4) to (1)	Tur	Rabi pulses other than gram & tur	Linseed	Seasamum (mainly Rabi)	Jowar (Kharif)	Gram
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
SAGAR											
1952–53	N.A.	N.A.	N.A.	430 (100)	—	11 (100)	56 (100)	26 (100)	20 (100)	96	102
1953–54	1071	631	58.9	438 (101.8)	40.9	13 (118.6)	66 (118.5)	28 (105.8)	21 (104.8)	125	90
1954-55	1106	652	58.9	472 (109.7)	42.6	15 (136.7)	60 (108.7)	25 (93.4)	25 (125.9)	139	85
1955–56	1114	737	66.1	565 (131.5)	50.8	11 (97.9)	49 (88.4)	24 (92.0)	22 (110.9)	99	89
1956–57	1122	799	71.2	623 (144.9)	55.6	7 (68.2)	50 (89.3)	25 (93.7)	8 (38.1)	50	91
1957–58	1116	N.A.	N.A.	577 (134.3)	51.7	9 (82.3)	60 (108.2)	19 (70.3)	17 (83.2)	80	90
1958–59	1133	N.A.	N.A.	553 (128.7)	44.4	12 (111.4)	79 (141.9)	23 (86.4)	15 (75.2)	82	90
HOSHANGABAD											
1952–53	N.A.	N.A.	N.A.	305 (100)	—	51 (100)	57 (100)	33 (100)	79 (100)	80	119
1953–54	939	597	63.6	320 (104.9)	34.1	68 (133.2)	54 (94.3)	30 (91.7)	71 (89.3)	102	126
1954–55	951	638	67.2	352 (115.3)	37.0	51 (99.0)	46 (79.4)	30 (90.8)	84 (105.9)	95	132
1955–56	962	683	71.0	410 (134.4)	42.6	45 (88.7)	43 (74.5)	40 (122.7)	51 (64.1)	79	137
1956–57	970	745	76.8	450 (147.5)	46.4	41 (80.2)	44 (76.4)	47 (143.0)	60 (76.1)	55	132
1957–58	970	740	76.2	435 (142.5)	44.8	41 (80.9)	45 (78.8)	44 (132.3)	69 (..87.0)	57	138
1958–59	991	704	71.1	420 (137.6)	42.4	57 (110.8)	45 (78.0)	46 (140.5)	86 (108.2)	67	124
SEHORE											
1952-53	995	395	39.7	226 (100)	22.7	38 (100)	13 (100)	19 (100)	34 (100.0)	206	96
1953–54	1027	463	45.1	283 (125.1)	27.6	36 (94.8)	13 (100.8)	18 (94.0)	35 (101.3)	195	106
1954–55	1047	483	46.1	322 (142.3)	30.8	33 (88.5)	14 (101.3)	20 (108.1)	26 (77.6)	185	93
1955–56	1053	570	54.2	415 (183.3)	39.4	26 (70.1)	14 (104.0)	28 (149.9)	7 (21.4)	134	92
1956–57	1054	671	63.6	491 (217.0)	46.6	16 (42.2)	28 (211.7)	36 (192.1)	26 (77.3)	76	84
1957–58	1064	583	54.8	416 (183.8)	39.1	25 (65.9)	29 (220.0)	23 (122.6)	36 (105.9)	..156	77
1958–59	1081	584	54.1	427 (188.5)	39.5	34 (89.7)	30 (222.7)	24 (130.2)	29 (85.0)	170	20

Notes: (i) Figures in brackets indicate indices of area under the crop with the 1952–53 area as 100 and they have been worked out before rounding off the area figures.

(ii) Figures for columns (2) and (7) have been obtained from Directorate of Land Records while the rest have been taken from Statistical Abstract of Madhya Pradesh, 1958–59.

(iii) Figures for 1958–59 have also been obtained from Directorate of Land Records.

period, 1950-51 to 1956-57, the total outturn being 17,03,000 tons. Closely following the record outturn, restrictions on the movement of wheat were imposed when the State was made part of the zone consisting of Bombay and Rajasthan. During that year, the wheat crop was good in these States also and this resulted in heavy decline of wheat prices within Madhya Pradesh. The sudden blockade of the normal and traditional markets for Madhya Pradesh wheat at a time when the State was having an all-time record of surplus seemed to have tilted the cropping pattern against wheat during the next sowing. Another factor that seemed to have played an important role in lowering the wheat acreage was the unfavourable prices, both in relative and absolute terms, fetched by wheat.

Table 3 shows that the relative prices of wheat compared to those of Tur and seasamum were unfavourable at the time of rabi sowings (October) in 1957-58 and this might have been one of the considerations behind the shift in wheat acreage. The most important of all the factors that seemed to have played a decisive role is the formation of the wheat zone since when wheat prices went down so steeply that even its absolute prices were lower than those of Jowar at the time of khariff sowings (June and July) in 1957. This naturally should have induced the farmers to grow more of Jowar and less of wheat. Thus the fall of 46,000 acres in wheat area has been accompanied by an increase of 30,000 acres in Jowar, 12,000 acres in rabi pulses excluding gram, and 9,000 acres in seasamum. (It may also be noted that linseed, a crop grown in mixture with wheat, has also reported smaller acreage).

As no cost of production data for different crops are available, it is not possible to go further into the profitability of these shifts. But some general observations can be made on the basis of differential nature of cultivation of the crops and their yields. The quinquennial average for the five year period ending with 1956-57 shows a yield of 664 lbs per acre of Jowar and 482 lbs of wheat, in the district of Sagar.

Table 3: Prices of Different Crops at Sagar

Period		Wheat (inferior)	Crop Tur (pulse)	Jowar (white)	Seasamum
October	1956	14.50	19.50	13.00	32.00
March	1957	16.50	19.50	13.00	39.00
June	1957	14.00	19.50	15.00	40.00
July	1957	13.33	21.17	15.00	40.00
October	1957	11.00	22.00	13.00	40.00
October	1958	21.89	26.30	14.80	35.00
November	1958	20.84	38.63	13.33	29.00

Source: Directorate of Land Records, Madhya Pradesh.

As the cost of production of wheat is generally higher than that of Jowar, the profit earned by growing jowar instead of wheat would have been very handsome at the prices which prevailed during June-July, 1957. Even if we assume a slightly higher price for wheat, there would still have been some advantage in growing jowar instead of wheat.

Table 4: Yields per Acre

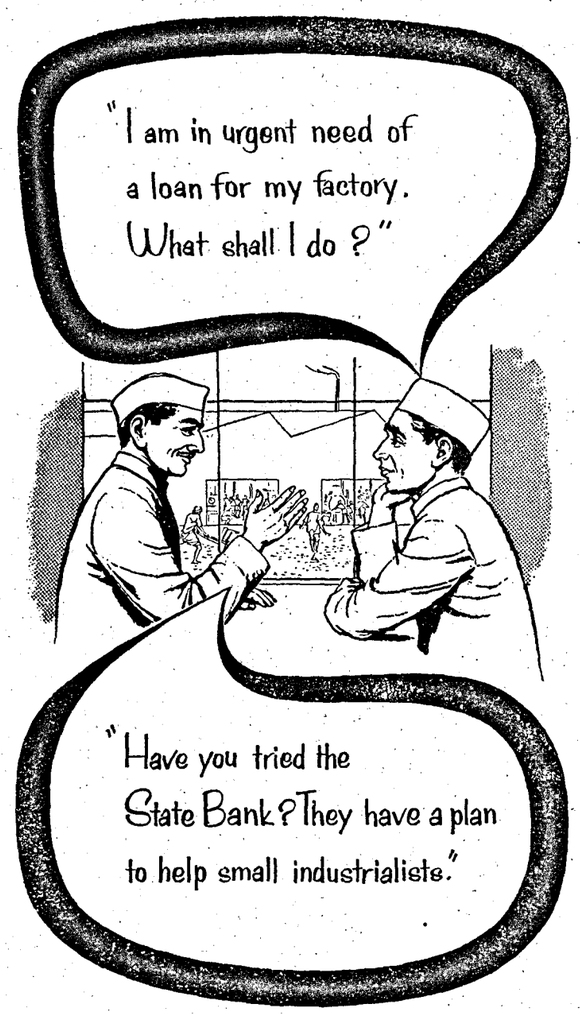
District	Crop		(in mds)
	Wheat	*Jowar*	*Seasamum*
Sagar	482	664	116
Sehore	580	596	161
Hoshangabad	550	520	164

Source: Regional Income Atlas of Madhya Pradesh.

In Sehore also, wheat acreage had increased upto 1956-57. In 1957-58 the area under wheat in Sehore was less by 85,000 acres than the area reported in the previous year, 4,91,000 acres. Similarly, linseed had also shown a decline. On the other hand, jowar had registered an increase of 80,000 acres. A close study of the figures given in columns (4) and (10) would reveal that there always existed a close complementarity between the acreages under the two crops. As in the case of Sagar, here too the wheat acreage had increased from 2,26,000 acres in 1952-53 to 4,91,000 acres in 1956-57, while the jowar acreage had gone down from 2,06,000 acres to 76,000 acres during the same period.

In Hoshangabad, the decrease in wheat acreage during 1957-58 was not very large, the fall being of the order of 15,000 acres. The area under gram and seasamum had increased by 6,000 and 9,000 acres respectively. But it is doubtful whether it can be taken as a shift in cultivation.

Thus it may be concluded that restrictions placed on the movement and prices of wheat alone had resulted in shifting of wheat acreage to other competing and substitutable crops like jowar, which is much inferior to wheat, both in protein content and taste. It may also be said that along with the relatively lower prices obtained by wheat, the comparative ease with which other crops could be marketed also seemed to have influenced the shift.



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Around Bombay Markets

Dalal Street Beats a Retreat

Thursday, Morning

DALAL STREET last week pushed its way into new high ground but it had no easy time. It found the ground to be very slippery and the weather quite rough. It tried hard to hold its feet firm but gave up the struggle near the week-end and beat a hasty retreat to take rest for a while and gather further strength before making a fresh assault. In the process it lost nearly all the ground it had gained since about the beginning of June.

After touching a new high of 150.83 on 7th June, Vyapar's equity share index receded to 148.65 on the 9th, rallied again to 150.64 on the 12th but dropped sharply to 146.46 on the 14th. At its Wednesday's closing of 147.76 the index showed a net loss of 1.79 over the week. The index for new issues declined even more sharply from 94.18 to 91.75, the highest point reached during the week being 94.27. Near the week-end, between Tuesday and Wednesday, National Rayon fell from Rs 586 to Rs 562.50, Century from Rs 727 to Rs 704, Standard from Rs 1518 to Rs 1458, Tata Steel from Rs 164.25 to Rs 159.25, Indian Iron from Rs 28.60 to Rs 27.95, Bombay Burmah from Rs 663 to Rs 644.50, Hindustan Motors from Rs 23.68 to Rs 22.84, Voltas from Rs 310 to Rs 295, Tata Locomotive from Rs 382 to Rs 366.50 and Larsen and Toubro from Rs 46.25 to Rs 41.50.

Margin Controversy

In view of the preceding steep rise technical considerations alone could have produced a good shake-out, but sentiment near the week-end was also affected by rumours that the authorities might further tighten the margin rules. The sub-committee appointed by the Governing Body of the Bombay Stock Exchange has yet to submit its report on the working of the present three-tier margin system. Meanwhile, reports have gained currency that the Government official in charge of stock exchange regulation would like to tighten the existing margin system with a view to preventing unhealthy speculation. The controversy over margins has been going on for a long while. It is time that the authorities made up their mind on the issue because frequent rumours about the possible measures the Government might take to tighten the margin rules encourage unhealthy speculation which the authorities wish to discourage.

Informed market opinion is not opposed to margins which are considered necessary to contain the volume of speculation when it assumes unhealthy proportions. But while speculation can be said to have taken an unhealthy form only when it endangers the liquidity and solvency of the market, there has been a growing tendency on the part of authorities administering the affairs of forward markets to associate rising trend in prices with excessive and unhealthy speculation. Unhealthy speculation must be curbed but it would be unwise to take measures which make the market anaemic. The present three-tier system of margin is known to have worked reasonably well. Still better results could perhaps be obtained if the system was carefully streamlined. As for evasion, margins, like taxes, will continue to be evaded, particularly when they are very heavy.

Cotton

"Crisis" of Accumulation?

COTTON continues to make news. In the preceding week the Textile Commissioner had released additional quotas of indigenous cotton and had advised the mills to make their purchases without further delay. Last week, he met the representatives of the city's three leading cotton trade associations — Cotton Buyers' Association, Merchants' and Muccaddams' Association and the East India Cotton Association — to consider the problem of disposing of cotton stocks, estimated around 1.75 lakh bales to 2 lakh bales, which have accumulated with the cooperative societies in Gujarat. He urged the trade to lift this cotton anyhow with a warning that if they failed to do so the Government would set up its own machinery to buy these stocks and eliminate the trade in the process.

It appears that the trade and the industry are being coerced to lift cotton lying with cooperative societies by the Textile Commissioner at the instance of New Delhi which has been under heavy pressure from the Gujarat State Government. It is pertinent to ask: why did the cooperative societies allow large stocks of cotton to accumulate with them? Apparently, they did so in the hope of realising better prices for their produce with the progress of the season. Indeed, they had had a very good time over the past two years, having marketed their produce at or above the ceiling rates. This year they have had their calculations upset by a good crop and continued large imports, particularly of short staple cotton. But even at their lowest, cotton prices have been nearer the ceiling than the floor rates. Surely, cooperative societies cannot hope to market their produce at the ceiling rates every year.

Why Penalise Trade?

Price expectations apart, some other factors also have contributed to the accumulation of stocks in Gujarat. This season's crop in Gujarat is said to be shorter in staple than in the previous season. Mills therefore have been reluctant to purchase this cotton at high prices. The assessment of value of cotton by the local committees is also said to have been on the high side which makes that cotton expensive. Inadequate storing facilities in upcountry centres and inter-State sales tax are mentioned as the other handicaps. Whatever be the reasons for the accumulation of stocks, it is grossly unjust to compel the trade and the industry to lift this cotton particularly when they are known to be carrying quite normal stocks despite tight money conditions. Stocks with the mills are said to be large enough to last them for nearly 4 months and stocks with the trade are estimated around 5.5 lakh bales to 6 lakh bales. If the Government feels that the cooperative societies must

be helped, it had better make arrangements of its own for carrying stocks. Why should the trade and industry be asked to pay for the follies of the Textile Commissioner and the miscalculations of the cooperative societies?

Reliable reports indicate that the Indian Cotton Mills' Federation which has already purchased nearly 15,000 bales of cotton, mostly from Gujarat, has authorised its chairman to negotiate with the Textile Commissioner in regard to the manner and the prices at which further purchases should be effected. The market has been thick with rumours recently that in order to tide over the crisis of accumulation of stocks, the Government would soon allow the export of short staple cottons. It is also rumoured that the trade might be allowed to export freely unsold stocks of Bengal Deshi lying in Bombay and elsewhere provided it buys equivalent stocks of Gujarat cotton lying with cooperative societies.

Meanwhile, the cotton market has developed considerable activity and prices have recorded further improvement. Short covering and



TRAVELS IN A PALANQUIN

Dreaming of distant lands where Bedouin bands rove free, of leaf-laced forests where tigers prowl, of 'peacock boats' and rolling seas ... dreaming inside an old palanquin which became for the boy Rabindranath a magic carpet taking him to far-away places of enchantment. When wanderlust was within him, Rabindranath would creep into the palanquin which belonged to his grandmother's days, pull down the curtains, close his eyes and away he would go. In later life the Poet wandered all over the world finding excitement, adventure and beauty in the 'festival of world life' around him—the 'truth' of a childhood dream created within a palanquin.

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renewed fresh bull support have pushed the August contract from Rs 582.50 to Rs 589.50 per 3 quintals. With the authorities anxious to resolve the crisis of accumulation of stocks, cotton prices are likely to develop further strength. How far the recovery in prices might go is difficult to say because the price trend after some time is likely to be influenced mainly by the trend of monsoon.

Oilseeds

Spurt Near Week-end

AFTER fluctuating irregularly in a narrow range most of the time oilseeds futures developed marked strength near the week-end. Between June 13 and 14 linseed September rose from Rs 38.87 to Rs 39.87 (per 50 kilos) and castor September from Rs 177 to Rs 180 (per 250 kilos). Linseed had been displaying remarkable strength for quite a long while. Castor, which had been distinctly subdued since long, also shot into the limelight on nervous short covering and fresh bull support touched off by reports of export business in castor oil with the U K. Futures trading in groundnut had been at a standstill for months because of the ceiling of Rs 220 per 250 kilos but this has not checked fluctuations in ready. Spot prices of groundnut and groundnut oil were up again last week to around their highest levels of the season recorded earlier in the year. The rise in groundnut oil was attributed to sustained inquiries from vanaspati manufacturers and scarcity of offerings. Linseed seemed merely to follow the trend in rapeseed prices in north Indian markets. The spectacular rise in rapeseed and linseed prices over the past few weeks has intrigued many observers because both the crops had been much better this year. Many traders say that the market's behaviour would have been different but for the large-scale smuggling of rapeseed oil and linseed oil to East Pakistan.

Export houses reported a welcome revival of U K inquiries for castor oil and groundnut extractions and satisfactory business was said to have materialised. The U K bought nearly 700 tons of castor oil Commercial at between £ 127-10 and £ 129. B.S.S. was quoted around £ 135/136 per ton near the week-end. Business in groundnut extractions was estimated around 6,000 tons and the hardening tendency in overseas prices encouraged the hope of good business in coming weeks because of the emergence of seasonal demand. Prices have risen by 15 shillings to 20 shillings a ton over the week. The latest U K quotations for extractions, 50 per cent, were reported around £ 28-5 for June and £ 29 for July-December. Linseed cake continued to be out of favour, with the U K quotation mentioned around £30. Locally, oilcake prices have recorded sizable gains over the past few weeks which is due as much to the emergence of seasonal pre-monsoon demand for manures as to the revival of overseas interest.

Bullion

Prices Rise Further

AFTER moving irregularly lower on profit-taking induced mainly by technical considerations, bullion futures recorded impressive gains near the week-end. Wednesday's closing prices were around the week's best. Silver second Jeth settlement which had receded from Rs 203.75 to Rs 202.20 advanced to a new high of Rs 204.50 and showed a net gain of Rs 1.25 per kilo over the week. In the preceding week it had risen by as much as Rs 4.70 per kilo. Gold second Jeth settlement which had eased from Rs 119.30 to Rs 118.55 early in week improved to wind up the week at Rs 120.75 thus showing a net gain of Rs 1.60 per 10 grams over the week. The rise in silver led to the enforcement of special clearing on 13th June.

Bears seem to have been scared by the prospect of a revival of spot demand in the near future because floating stocks have continued to be on the rather low side during the last slack season. Gold held remarkably firm during the week despite the reported sale of fairly large quantities of gold by a prominent bank, varyingly estimated between 15,000 tolas and 25,000 tolas. Spot houses reported continued good demand from the South. The rise in silver was attributed to persistent short covering and substantial bull support from upcountry operators. Calcutta continued to figure as a prominent buyer. While spot silver continued to be quoted at a discount of about 50 nP, the premium on spot gold increased from 35 nP to 90 nP.

Company Note

TEXMACO

TEXMACO had to encounter several difficulties during 1960—labour unrest, shortage of raw materials and power, railway strike. As a result, the working of the company was affected adversely. Production in the Textile Division was, nevertheless, satisfactory, and orders in hand are reported to be adequate. True to its motto of 'many in one', Texmaco has been diversifying its production continuously. The work on development of drawing frames has been completed and Texmaco drawing frames are expected to be in the market shortly. The development of Simplex frames is proceeding. The Carding Engine Division, however, could not work to capacity on account of restrictions on import of parts. Most of these parts are now being made by the company and production of carding engines should pick up in the near future. The Jute Machinery Division had little work and therefore switched over to other items of manufacture.

The production of capstan lathes for which Texmaco received a licence in the previous year is expected to commence shortly. The Heavy Engineering Division took up the manufacture of box railway wagons but had to face shortage of steel and labour troubles. The company has orders in hand for two complete sugar plants and a sufficient number of boilers.

The company has also received a licence for the manufacture of cast iron spun pipe and 'some other items'.

Sales during the year declined from Rs 5,77 lakhs to Rs 5,39 lakhs and net earnings after tax, as a percentage on sales came down from 6 to 5 per cent. The net profit during the year of Rs 27 lakhs works out to 4 per cent on capital invested, 8 per cent on net worth and Rs 1.06 per equity share. As against the earning of Rs 1.06 per equity share, dividend has been recommended at Re 1.00 which will absorb nearly the entire profit.

The gross capital formation of the company in 1960 nevertheless amounted to Rs 2,39 lakhs, Rs 67 lakhs in fixed assets and the remaining Rs 1,72 lakhs in inventory.

CURRENT STATISTICS

BANKING RETURNS

(*Rs Crores*)

Reserve Bank	June 9	June 2	May 12	June 10 '60
1 Note circulation	1983.30	1962.52	2007.26	1880.72
2 Rupee coin	116.70	118.05	117.93	123.85
3 Deposits	278.36	277.00	263.32	278.36
(a) Central Govt	50.09	52.24	56.53	71.07
(b) Other Govts	11.08	21.40	14.20	8.75
(c) Banks	83.33	78.69	78.28	111.71
(d) Others	124.28	124.67	114.31	86.83
4 Foreign securities	108.01	113.01	113.01	148.01
5 Balances abroad	17.47	15.76	21.94	15.55
6 Rupee securities	1651.90	1641.94	1671.94	1501.40
7 Investments	203.85	210.02	171.78	220.69
8 Loans and advances to Govts	77.01	73.09	87.89	45.71
9 Other loans and advances	118.50	123.84	133.80	126.47
Scheduled Banks	**June 2**	**May 26**	**May 5**	**June 3 '60**
1 Aggregate liabilities	1840.68	1837.04	1843.61	1950.41
2 Aggregate deposits (net)	1765.55	1761.45	1764.75	..
(a) Demand (net)	700.50	702.50	721.80	775.38*
(b) Time (net)	1065.05	1058.95	1042.95	1175.03†
3 Cash in hand	46.60	47.25	48.74	47.43
4 Balance with Reserve Bank	78.96	73.94	75.85	94.70
5 (3)+(4) as % of (1)	6.82	6.60	6.76	7.29
6 Borrowings from the Reserve Bank	29.27	24.20	39.09	47.10
(a) Against usance bills and/or promissory notes	13.06	12.65	21.40	11.31
(b) Others	16.21	11.55	17.69	35.79
7 Advances	1094.17	1091.88	1101.74	972.88
(a) State Bank	252.40	248.24	258.77	204.74
(b) Others	841.77	843.64	842.97	768.14
8 Bills discounted				
(a) Inland	141.23	141.61	152.70	116.35
(b) Foreign	45.93	46.57	47.40	44.85
(c) Total	187.16	188.18	200.10	161.20
(i) State Bank	15.25	15.14	15.93	13.54
(ii) Others	171.91	173.04	184.17	147.66
9 (7)+(8c) as % of (1)	69.61	69.68	70.61	58.15
10 Investment in Govt securities	550.45	549.83	547.14	755.64
11 (10) as % of (1)	29.90	29.93	29.68	38.74
Cheque clearance	**206.52**	**238.59**	**170.60**	**170.46**

*Corresponds to total of demand deposits 'from banks' and 'from others' and 'other demand liabilities'.

†Corresponds to total of time deposits 'from banks' and 'from others' and 'other time liabilities'.

Bombay Money Rates

(*% per annum*)

(Selected Scheduled Banks other than the State Bank)

	June 2	May 26	May 5	June 3 '60
Call money from Banks	4.71	4.78	4.96	3.52
Deposits :				
Seven days	..	3.00	3.00	3.35
Three months	..	3.50	3.50	3.50
Six months	3.75	3.75	3.75	3.49

Bombay Bullion

(*Rs and nP*)

	June 15	June 8	May 18	June 17, '60
Gold (per ten grams)				
Spot	122.10	119.45	118.40	125.97
Forward	120.85	119.10	117.20	..
Silver (per kilogram)				
Spot	203.40	201.35	197.80	212.62
Forward	203.90	202.85	196.95	213.66

COAL PRODUCTION AND DESPATCHES

(Monthly average or calendar months)

('000 *metric tonnes*)

	Raisings	Despatches	Stock at Pit heads*
1960	4,390	3,865	3,458
1959	3,982	3,513	2,729
1958	3,838	3,416	2,808
1957	3,683	3,190	3,331
1956	3,340	2,960	2,810
1955	3,236	2,789	3,685
1951	2,915	2,474	2,824
1960 Dec	5,099	4,187	3,458
Nov	4,638	4,143	3,015
Oct	4,339	4,134	2,931
Sep	4,212	4,006	3,163
Aug	4,204	3,926	3,306
Jul	4,123	3,701	3,556
Jun	4,207	3,749	3,578
May	4,421	3,663	3,546
Apr	4,453	3,807	3,272
Mar	4,434	3,818	3,117
Feb	4,365	3,583	3,018
Jan	4,182	3,664	2,739
1961 Jan	5,137	4,191	3,886
Feb	5,225	3,896	NA

* At or about end of each period.

Sources : Department of Commercial Intelligence and Statistics, Calcutta.
Cabinet Secretariat, Central Statistical Organisation, New Delhi.

SHARE OF PUBLIC SECTOR IN GROSS NATIONAL EXPENDITURE

Selected Asian Countries

(*% of gross national expenditure*)

Country and year	Total Govt expenditure	Current and capital transfer payment to private sector	Net claim of the public sector
India*			
1950	9.3	1.0	8.3
1958	16.5	2.5	14.0
Burma			
1951	14.4	2.1	13.4
1958	27.9	1.6	26.7
Ceylon			
1950	19.4	3.3	16.1
1958	25.6	6.1	19.5
People's China			
1950	16.0	..	16.2
1958	32.7	..	32.7
Taiwan			
1951	25.4	0.4	25.0
1958	33.1	2.5	30.6
Indonesia			
1951	16.2	..	16.2
1958	19.7	..	19.7
Japan			
1950	23.8	7.9	15.8
1958	26.3	6.9	19.3
South Korea			
1953	13.2	2.8	10.4
1958	24.3	6.1	18.2
Pakistan*			
1950	9.7	0.4	9.3
1958	15.3	1.5	13.8
Philippines			
1950	11.2	1.1	10.0
1958	11.4	0.9	10.5
Thailand			
1950	10.8	..	10.8
1958	14.2	2.1	12.1

*Net national expenditure.

Source : Economic Commission for Asia and Far East.

PROGRESS OF COOPERATIVE MOVEMENT IN SECOND PLAN

(*All amounts in Rs lakhs*)

State	No of societies ('000) 1959–60	Membership of primary societies (Lakh) 1956–57	1959–60	Working Capital 1956–57	1959–60	Loans from Central financing agencies 1956–57	1959–60	Reserve Bank 1956–57	1959–60	Government 1956–57	1959–60	Other sources 1956–57	1959–60
Andhra	23.6	19.1	30.4	23.3	110.52	68.37	17.21	9.40	8.65	70	86.1	68.7	106.1
Assam	6.2	5.2	4.3	3.3	13.35	6.52	2.05	75	42	5	40.8	32.9	40.8
Bihar	27.5	23.6	14.0	10.5	22.64	13.82	4.20	2.38	1.68	47	32.8	25.6	32.8
Gujarat	13.1 }	30.2*	35.1 }	35.8*	125.77 }	186.12*	19.49 }	33.53*	9.23 }	6.90*	93.3 }	66.5*	93.3 }
Maharashtra	29.0 }		15.7 }		237.75 }		42.34 }		16.72 }		82.1 }		82.1 }
Jammu and Kashmir	2.1	2.4	2.8	2.1	4.31	2.30	57	41	35	—	73.0	85.0	73.0
Kerala	6.5	4.3	15.4	9.1	22.01	10.18	4.53	1.94	2.16	9	64.7	47.0	64.7
Madhya Pradesh	25.1	19.6	11.0	6.8	57.77	25.50	8.61	3.11	3.47	40	63.4	49.6	63.4
Madras	13.7	12.5	21.2	17.6	84.54	39.86	14.57	5.53	11.53	38	35.5	51.9	35.5
Mysore	10.8	9.2	10.8	7.5	20.60	12.56	3.68	1.76	1.06	33	51.9	70.7	51.9
Orissa	29.8	23.2	17.7	11.9	59.11	38.98	12.91	8.16	3.29	33	70.7	74.3	70.7
Punjab	14.7	8.4	7.2	3.2	24.33	8.04	4.60	1.40	70	14	39.4	49.4	39.4
Rajasthan	70.5	53.5	60.3	25.1	109.94	48.94	23.06	9.39	10.58	1,01	86.0	325.32	86.0
Uttar Pradesh	20.1	18.3	17.7	12.3	50.53	26.34	8.12	4.39	5.54	36	60.0	173.16	60.0
West Bengal													
Andaman and Nicobar Islands	0.1	0.02	0.02	0.02	12	7	2	—	9	—	—	—	—
Delhi	1.9	1.6	1.5	1.0	7,93	3.74	1,30	69	30	6	73.0	85.0	73.0
Himachal Pradesh	0.9	0.8	0.7	0.6	1,80	1,43	36	30	19	13	64.7	47.0	64.7
Manipur	0.5	0.1	0.2	0.08	44	9	13	2	1	1	63.4	49.6	63.4
Pondicherry	0.1	0.06	0.2	0.08	77	21	17	3	3	—	35.5	51.9	35.5
Tripura	0.5	0.2	0.6	0.1	1,09	29	23	6	6	—	51.9	70.7	51.9
TOTAL	313.5	244.8	303.1	193.7	1083.47	567.67	185.38	92.46	81.94	1,01	74.3	49.4	74.3

Working Capital—*Contd*

State	No of members of primary societies per 1,000 inhabitants 1959–60	1956–57	Loans advanced 1959–60	1956–57	Loans outstanding 1959–60	1956–57	Loans overdue 1959–60	1956–57	Average amount advanced per member (*Rs*) 1959–60	1956–57
Andhra	58.9	45.6	1,00	62	1,33	50	32	3	36	29
Assam	93.9	59.2	6,98	3,48	6,84	4,08	1,30	62	45	38
Bihar	39.1	24.7	16,08	7,55	18,26	8,13	3,54	1,12	146	111
Gujarat	105.9	70.9	39,57	21,62	44,22	25,34	3,20	2,06	110	93
Maharashtra	92.8	81.0	28,12	18,75	26,93	20,87	6,02	2,77	132	107
Jammu and Kashmir	69.5	49.2	4,09	2,37	6,09	3,54	1,32	95	38	32
Kerala	101.1	69.8	14,13	7,71	16,71	9,90	4,51	2,07	80	65
Madhya Pradesh	39.4	18.1	6,66	1,63	6,14	2,08	1,04	..39	93	52
Madras	86.0	37.1	42,52	8,13	32,02	10,36	2,60	1,27	70	32
Mysore	60.0	43.2	22,89	17,18	30,29	17,38	2,25	..1,80	129	140
Orissa	69.5	49.2	4,09	2,37	6,09	3,54	1,32	95	38	32
Punjab	101.1	69.8	14,13	7,71	16,71	9,90	4,51	2,07	80	65
Rajasthan	39.4	18.1	6,66	1,63	6,14	2,08	1,04	..39	93	52
Uttar Pradesh	86.0	37.1	42,52	8,13	32,02	10,36	2,60	1,27	70	32
West Bengal	60.0	43.2	22,89	17,18	30,29	17,38	2,25	..1,80	129	140
Andaman and Nicobar Islands	—	—	—	—	—	—	—	—	26	—
Delhi	136	100	20	15	3	27	—	—	20	22
Himachal Pradesh	39	50	2	—	—	—	—	—	172	151
Manipur	21	8	2	—	1	—	—	—	107	89
Pondicherry										
Tripura										
TOTAL										

Working Capital—*Contd*

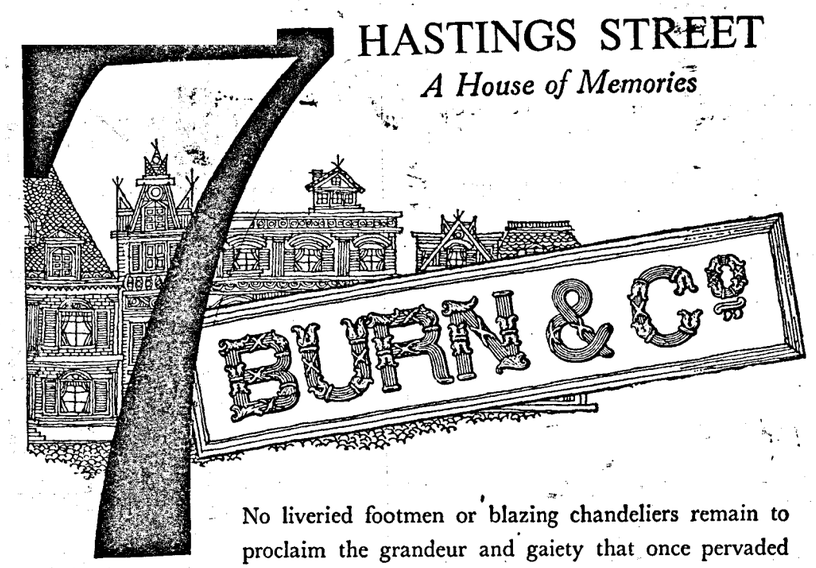
State	Deposits from Central societies 1959–60	1956–57	Deposits from Primary societies 1959–60	1956–57	Deposits from Individuals and other sources 1959–60	1956–57	Debentures of Land Mortgage Banks 1959–60	1956–57	Share Capital paid up 1959–60	1956–57	Reserve and other funds 1959–60	1956–57
Andhra	1,49	88	3,35	2,40	8,70	7,93	6,70	4,03	..83	..	43	32
Assam	17	—	56	28	3,61	2,36	—	—	—	—	16	4
Bihar	1,79	1	1,86	1,53	4,83	4,11	—	—	—	—	42	37
Gujarat	6 }	3,27*	12,90 }	10,36*	19,99 }	67,68*	5,90 }	5,48*	176*			
Maharashtra	5,76 }		10,57 }		45,38 }		3,19 }		199 }			
Jammu and Kashmir	3	—	18	15	30	22	—	—	—	—	—	—
Kerala	17	—	1,41	94	3,24	2,47	47	33	41	5,14	110	93
Madhya Pradesh	1,70	75	2,04	1,22	7,73	5,74	39	6,85	5,14	1,44	132	107
Madras	2,03	83	6,68	3,83	16,25	13,53	6,85	3,04	1,44	20	38	32
Mysore	3,86	34	3,56	1,82	10,98	12,14	3,04	53	20	—	80	65
Orissa	67	32	1,87	1,50	2,77	2,26	53	—	—	—	93	52
Punjab	1,11	92	1,65	1,62	10,33	10,66	—	—	—	—	70	32
Rajasthan	53	29	1,08	42	2,04	1,66	—	—	—	—	129	140
Uttar Pradesh	5,23	1,89	2,32	1,22	11,04	11,68	—	—	—	—		
West Bengal	63	54	1,54	1,02	24,77	13,52	—	—	—	—		
Andaman and Nicobar Islands	—	—	—	—	—	—	—	—	—	—	26	—
Delhi	—	3	31	7	1,67	2,12	—	—	—	—	136	100
Himachal Pradesh	2	—	4	9	62	56	9	3	—	—	20	22
Manipur	1	—	3	2	3	—	—	—	—	—	39	50
Pondicherry	—	—	3	5	10	2	—	—	—	—	172	151
Tripura	1	—	11	8	9	2	1	—	—	—	21	8
TOTAL	25,29	10,08	52,13	28,62	174,47	158,68	27,07	17,02			107	89

*Figure relates to Bombay State

Source : Agricultural Credit Department, Reserve Bank of India.

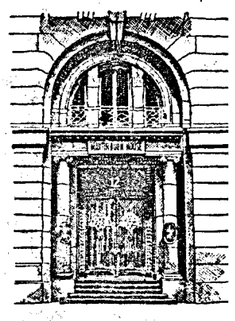
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Reckoning with a Re-Survey

THE Committee of Direction of the All-India Rural Credit Survey, 1951-52, had urged the need for a constant review of all the main features of the credit situation in the rural sector. It had suggested that the Reserve Bank might conduct every year a sample enquiry, broadly corresponding to the lines of enquiry followed in the original Survey. The first such Follow-Up Survey was conducted in 11 out of the 75 districts covered by the All-India Survey. The present Follow-Up was conducted in another set of 12 districts, between May 1957 and April 1958.

The validity of the conclusions of the All-India Survey, particularly that of the quantitative conclusions, has been questioned on the ground of the representativeness of the sample. Since the successive Follow-Up Surveys are limited to the districts originally selected, this criticism is perhaps still valid. The selection for the Follow-Up does not seem to be guided by any definite criteria except that the 12 districts now surveyed are situated in 12 different States, and have varying economic and social conditions. Let statisticians fight about the validity of the Survey data when they are generalised to cover the whole country; that hardly detracts from the valuable qualitative information gathered during the Survey and presented so effectively, even if somewhat too exhaustively, in the Report.

The Follow-Up Survey have sought to compare — rather imprudently, it seems — the magnitude of some of their latest findings with the corresponding magnitudes in the All-India Survey. The results have been lapped up by the public and have been played up by the press. But these are perhaps the weakest and also much the less useful part of the exercises the Follow-Up attempts.

The broad division of the Report is between the demand side of credit, including that relating to outstanding debt and borrowings in the selected districts, and the supply side — the assessment of the performance of the co-operatives. Under the former, before dealing with debt, borrowings and repayments, some very interesting and valuable data are presented on the assets and current resources of the families studied. These reveal the very uneven distribution of wealth and opportunities in the rural sector. Once we start from this, the other findings very neatly fit into each other as the pieces of a jig-saw puzzle. In land holdings, the large cultivators, that is the first 30 per cent of the families arranged in descending order of holdings, hold anything from 50 to 72 per cent of the cultivated area of the different districts. The small cultivators, the 30 per cent at the other end of the scale, had nowhere more than 14 per cent of the total cultivated land, with, in some cases, a mere 4 per cent. From this follows the very uneven ownership of the value of the gross produce as well as of cash receipts per family.

Coming next to outstanding debt in relation to holdings and assets, the Survey reveals the rather heavy incidence of debt per acre of cultivated holding in the case of small cultivators as compared with large and medium cultivators. However, in relation to his income, the small cultivator derived a relatively larger proportion of his income from activity other than cultivation.

If one looks at the agencies to which the outstanding debt of the cultivators was owed, it is found that co-operatives, except in Sorath, were far down on the list. The two substantial sources of funds were the agriculturist and the professional money-lenders. The most disquieting feature is that of the very small proportion of debt which was owed to co-operatives, the proportion owed by the small cultivators was much less than by the large and medium cultivators.

As would be expected from the above, there was considerable borrowing by the selected families during the survey year, largely from agricultural and professional money-lenders. As in the case of outstanding debt, the co-operatives supplied only a small proportion of current borrowings. It is distressing to read, to put it mildly, that "In general, the proportion (of families borrowing from co-operatives) decreased with a decline in the size of holdings". This is a sad commentary on the achievements of the co-operative sector in spreading the benefits of co-operation to the small, under-privileged classes.

On the supply side of credit, the Report devotes seperate chapters to central banks, primary credit societies, marketing societies and land mortgage banks. The first two deserve particular attention. Apart from such weaknesses as there being more than one central co-operative bank in certain districts, with attendant loss of financial strength, and large overdues, etc, the outstanding feature of these banks that the survey data have thrown up is the failure, by and large, to clothe with flesh and blood the Integrated Scheme of Rural Credit as enunciated by the All-India Rural Credit Survey.

The Crop Loan system, an integral part of this scheme, hangs on this, among others : The amount of the crop loan should be so fixed as to be an adequate proportion of the cash outlay per acre of crops; wherever possible, loans may be given in suitable instalments instead of as a lump sum at the start; the loans should be in kind to the maximum extent possible; certain legal safeguards are possible; while credit societies should not ordinarily attempt mortgage finance, it should be possible for them to have a statutory charge on the crop for the seasonal finance given and when such a charge has been created it should not be alienable without the permission of the society; the success or failure depends to a large extent on adequate supervision and efficient arrangements for recovery, which the central bank and the primary societies together are to provide. One need not go into the detailed findings of the Survey. But, when an official report says that "by and large, the arrangements for audit, supervision and inspection were *not* on the lines envisaged in the Integrated Scheme of Rural Credit", despite its studied understatement, it frankly admits that the road that has still to be traversed must be very long indeed.

In appraising the loan policy of the central banks, certain very weighty conclusions have been presented. First, that these policies in 1957-58 "did *not* enable primary credit societies to finance all short-term production needs of their members". Second, that in many districts, the disbursement of loan was *not* made in relation to the actual credit needs of the cultivators. The loans in kind were *not* attempted on any sizeable scale and arrangements for disbursement of loans in kind between credit societies and central banks, on the one hand, and purchase and sale unions and marketing societies, on the other, were absent in almost all districts. It is not denied that the practice of determining the quantum of loan for different crops, taking the regional variations into account, was *not* prevalent in any of the districts. Except in Chingleput and Sorath, no central bank gave sizeable pledge advances either to marketing or credit societies. All these influenced the growth of primary credit societies, the base of the entire movement, but very often sadly neglected. The performance of primary credit societies should be related not only to their own size, operations, and the quality of management, but also to loan policy of the central bank, the extent to which the latter plays, or is in a position to play, the pivotal role assigned to it and the type of administrative arrangements regarding loan procedure, supervision and inspection.

The tasks that lie ahead are immense in their magnitude and bewildering in their complexity. The co-operative, as the All-India Credit Survey had pointed out, have to fight against the strength of the organised trading community with which is allied, very strongly, the upper stratum in the rural economy in the country. As long as the extreme inequalities in land holdings persist, nothing very revolutionary can be expected.



Water, water everywhere— all the family in despair

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JWTSTP 42R

The Rhodesian Betrayal

THE two White Papers issued in London last week show that Britain has successfully manoeuvred itself into an impossible position in Southern Rhodesia. One of the White Papers confers on that Central African colony the inestimable power to commit political and economic suicide; and the other prevents Britain from intervening between the neck and the rope. Those, at any rate, are the long-term possibilities. The immediate effect of the White Papers will be to deliver the Africans, bound hand and foot, to the white settlers for disposal according to their sweet whim.

The White Paper on the constitution confirms the proposal—rejected by the Africans during the negotiations—that in the next Legislature 55 of the 70 seats should be reserved for the Europeans. This means the reservation of nearly four times as many seats for the Europeans (who number only a tenth of the African population) as for the Africans. This monstrously unfair arrangement is made infinitely more dangerous by a clause empowering the Southern Rhodesian Government to "amend" the constitution in any way it likes, provided it can muster a two-thirds majority. In a House which already gives the Europeans more than this majority, the nature of any constitutional "amendments" desired in the future can be easily imagined. What Britain is, in fact, doing is to give the Africans nominal representation in the Legislature of Southern Rhodesia—and at the same time to empower the whites to do away with it whenever they choose.

The second White Paper finishes the job started by the first one. It ends Britain's "reserved powers" in Southern Rhodesia. These powers enabled Britain, if it wanted, to intervene in Southern Rhodesia in the interests of the African population when it thought that these interests were legally threatened. In practice, these powers have never been used. The exclusively white Governments of Southern Rhodesia have loaded the country's statute book with anti-African legislation, but Britain has never "interfered". Nevertheless, the reserved powers provided a sort of phychological safeguard for the Africans, who hoped that one day Britain could be persuaded to use them for the purpose for which they were intended. No such hope can be entertained for the future. Britain has paralysed itself in Southern Rhodesia.

One is naturally tempted to ask why? Mr Duncan Sandys's answer, perhaps in all sincerity, would be that this was the best the British Government could do in the circumstances. Britain, he would say, has won for the Africans, for the first time in their history in Southern Rhodesia, the right to send 15 members to the legislature, and would have liked to raise this number higher, but this was the utmost to which the S Rhodesian Premier would agree.

The truth seems to be that Sir Edgar Whitehead, the Prime Minister of Southern Rhodesia, has successfully hoodwinked Britain into an arrangement he himself wanted finalised. The chances are that Mr Sandys was both bribed and blackmailed with the argument that this was the best arrangement possible for Britain's own interests: any further concessions to African nationalism would weaken the white "moderates" in the colony and strengthen the hands of the extremists who openly advocated affiliation with South Africa. But the argument is fallacious and mischievous and it is a pity that Britain has been taken in by it.

The constitutional proposals will be the subject of a referendum next month; and, in keeping with the "liberal" traditions of Southern Rhodesia and the widely boasted "moderation" of Sir Edgar, the voting will be restricted almost entirely to the whites. In other words Sir Edgar must carry the settler "extremists" with him if he is to impose the constitution. The extremists, of course, will oppose the constitution, because they feel most strongly that to give the Africans 15 seats in a Legislature where the poor Europeans have only 55, is tantamount to selling 'white civilisation' down the river. In-between, there is an undecided, floating vote which it is vital that the "liberal" Sir Edgar should capture. Britain is now being told that there is only way of saving Southern Rhodesia by saving Sir Edgar by saving the referendum—and that is to water down the constitutional reforms which have been promised to the Africans in *Northern* Rhodesia.

If Britain succumbs to this pressure, it will be about the last nail in the coffin. Mr. Sandys may think he will be saving Southern Rhodesia by sacrificing the North Rhodesian Africans, but what he will actually be doing is to spread the political storm of the turbulent South to the currently calm North.

Weekly Notes

Why is Shipping Stagnant?

"THERE are still too many ships — too many tankers and too many dry cargo ships..." — This is what the P and O Chairman said in his annual address. Although the worst was over, he did not foresee any quick recovery. There is a pervading gloom in the shipping world; markets just do not seem to rise, and the returns on capital are very poor. In this general atmosphere, Indian shipping is loaded with particular problems which discourage any expansion.

The Government gives large aids to Indian shipowners by way of long-term, low-interest loans to build or buy ships; there can be no doubt of the Government's desire to help Indian shipping. However, building ships is not enough; you have to employ them somewhere, and, if you are a private shipowner, you have to at least make both ends meet. This is where Government has failed — it has given no effective assistance in forming a general policy to utilise Indian shipping. It is no use offering such thoroughly uneconomic cargo as American wheat to Indian shipping. The Indian shipping companies have built essentially a liner fleet; their ships are meant for the general cargo trade, and, if they are asked to carry wheat from America, then their costs will be very much higher than the costs of a grain tanker or a bulk carrier.

An effective way of channelising Indian cargoes into Indian vessels would be to make all import licences subject to the proviso that Indian ships would be used where available, and to ensure that a genuine effort has been made to use Indian ships, the shipper must obtain a certificate from the Indian shipping company or the Indian Embassy operating in his area before he is permitted to ship in foreign vessels. Such a scheme is neither far-fetched nor impractical. The Americans who give a large measure of protection to their shipping have a clause inserted in all purchases made under the DLF Agreements to the effect that, if the cargo is shipped in a non-American flag vessel, then the documents must be accompanied by a cargo refusal certificate from the American Line operating in that area. Where there is more than one Line, the different Lines nominate one among themselves as the co-ordinating Line.

There is another serious crisis brewing on the coast; some months ago, the difficulties of moving two million tons of coal from Calcutta round the coast were discussed in these columns. These difficulties have already bedevilled the scheme, and the Railways and ports have not been able to load and discharge at a sufficiently fast rate. The natural corrollary is that the Government needs more ships to move the coal. Shipowners, on the other hand, are in no mood to bring more ships on the coast—the latest Bharat Line balance sheet clearly shows why. The losses, involved in coastal operations are too much of a disincentive.

The Bharat Line fleet is operated almost exclusively on the coast and they are heavily involved in the coal trade. They made a loss of Rs 30 lakhs mainly because of slow loading and discharge, falling drafts in the Hooghly and old worn out ships which need constant attention. Their balance sheet is a fair reflection of the coastal trade. Everyone is losing, and everyone is unhappy. Modernising the fleet is part of the solution, but shipowners will never undertake it so long as they are bound to the vagaries of a capricious Railway Ministry.

For five years, the shipowners had requested for a larger share in the coal trade; they had argued that the Railways would lose an insignificant amount of cargo — less than two per cent of their total coal movement — by giving shipowners more. The Railways steadily ignored them and refused to listen even to the recommendations of a Joint Committee. Suddenly when they were forced into an embarrassing situation by the bitter criticism of the steel mills, they asked the shipping companies to carry twice as much coal as before! Doubling cargo carrying and handling capacities is not a job that can be achieved overnight; nor is there any assurance that should shipping companies go ahead and modernise they will continue to have this trade. The Railways give beggarly assurances for six months, but suppose that they have surplus wagon capacity? Shipowners are afraid that they may change their mind.

Shipping in India has not expanded and has failed to achieve its target. Conditions are nowhere near ripe for further expansion in the international market, and the Indian Government is giving no effective help to counterbalance the world slump. Meanwhile Indian shipowners should at least replace old ships in order to ensure that the fleet does not shrink.

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UCO—3/61

Embarrassing Sugar Stocks

AS the cane-crushing season draws to a close the magnitude of the man-made crisis in the sugar industry begins to take clear shape. That this was going to be a problem year for the industry was clear from the beginning, and, as things have turned out, the worst fears concerning the industry have been proved justified. Production is certain to exceed the most optimistic—or pessimistic—estimates made earlier. It will be around 30 lakh tons. Taken together with the carryover of 5.5 lakh tons from the last season, the total available supply will thus be not less than 35 lakh tons. As against this, domestic consumption is not likely to exceed 21 lakh tons, while prospects of exports can at best only be put at, say, 4.5 lakh tons. The latter figure is made up of one lakh ton exports already affected by the I S M A and another 2.5 lakh tons for which license has been issued or promised by the United States and 1.25 lakh tons as the probable additional exports during the year. It is clear, therefore, that the industry will be left with a net surplus of the order of 9 to 10 lakh tons at the end of the season and, even if last year's heavy carryover is maintained, there will remain the problem of disposing of another 4.5 or 5 lakh tons.

While the magnitude of the problem facing the sugar industry is clear, neither the industry nor the Government appears to have any worthwhile ideas about how the situation can be best met. When the question was discussed in the Lok Sabha in its last session, Shri S K Patil categorically stated that the problem of surplus sugar had to be solved, immediately, through exports and that the Government would subsidise export losses for at least one year. Shri Patil did not fail to add, however, the routine formula of a long-term solution aimed at raising the yield of cane and thus lowering the costs of sugar.

The Food Minister's own experience since he made his Lok Sabha statement should disenchant him of the prospects of large sugar exports. Even apart from the cost in terms of subsidy of dumping our sugar abroad at fantastically low prices compared to costs, it is futile to imagine that exports will keep pace with production. Additional acreage is being brought under cane cultivation and some 30 new factories are expected to be set up in the Third Plan in addition to the ones which are already under construction. Production will, therefore, increase very fast and it has been estimated that at the end of the next crushing season stocks might be almost 15 lakh tons.

For its part, the industry has been content with blaming the restrictions on movement of sugar. Individually and collectively, the mills have urged the Government to remove these restrictions. It may be true that the present distribution policy gives no incentive to the merchant to seek out markets or that, if free movement of sugar were permitted, merchants might be able to sell more. But the industry cannot surely be unaware that what stands in the way of higher consumption of sugar is primarily the extremely high prices. The present pricing system was evolved at a time of scarcity when the prices fixed were essentially ceiling prices. These prices have prevented a large section of the people from consuming sugar even while production has increased so spectacularly, besides withholding from consumers the benefits of larger production and longer crushing periods which are such important cost-reducing factors in the sugar industry. It may be uncharitable, perhaps, but not untrue, to say, therefore, that nemesis has overtaken the sugar industry.

The Food Minister is right insofar as he believes that any lasting solution of the problem must operate on prices through costs of production. This will require revision of the present policy with regard to cane prices which has encouraged the expansion of acreage under sugarcane without regard to quality or yield and even in areas not at all suited to sugarcane. Such indiscriminate extension of cultivation is what the statutory fixation of sugarcane prices has achieved. This has now to be given up and a system of pricing evolved for sugarcane which will directly link up not only with the quality of cane and its sucrose content but also with other competitive crops.

This is not merely a question of working out a formula on paper. Insofar as it may entail a reversion of large areas of land now under sugarcane to other crops, the implementation of any such formula will call for some considerable political courage. For sugarcane growers must not be confused with ordinary farmers. In a State like Uttar Pradesh, they wield great political influence which can even topple a Central Minister.

Canadian Dollar and U S Capital

BY kicking up a row with the Governor of the Central Bank and by announcing in advance a significant devaluation of the Canadian Dollar, the Finance Minister of Canada has shot into the head

MID-YEAR SPECIAL NUMBER JULY 1961

The Mid-Year Special Number of *The Economic Weekly* will be out on July 15, 1961. It will be a 200-page issue bound in art cover and will be priced at Rs 3/- per copy. Registration and Postage Charges will be Re 1/—.

The focus of interest of this Special Number will be the Third Five Year Plan—its objectives, its structure, its problems. We hope to be able to present a comprehensive critique of the Draft Plan now that it has been approved by the National Development Council. In addition, there will be a number of contributions on current economic and political affairs from some of the leading experts in their fields.

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

lines. The developments foreshadowed by the devaluation of a currency which has no par value are so intriguing that for this alone, if for nothing else, Canada, too, has become world news, temporarily dislodging South Africa which was perhaps better entitled to attention, for having blocked foreign holdings in South African shares which are widely traded the world over, especially in London. The row may be first disposed of. It is personal or political and has nothing to do with the establishment or demodition of the principle of the independence of the Central Bank. That principle was demolished long ago, from the time that Governments began to worry about employment, economic growth and such things, which, like the weather, had been left to the gods in an earlier day. In the unseemly controversy which has been hashed over the world press, the Governor of the Central Bank of Canada is on record that the Government had never expressed disagreement with his managment of the Bank nor had the Bank ever failed to cooperate in Government policy.

The change presaged by the announcement of a significant and unspecified degree of devaluation of the Canadian Dollar is itself intriguing, though, in the absence of all the data, one can only take an inter-continental shot at the issues involved and the possible consequences of so unorthodox a measure. Canada has all along been running a sizeable deficit on current account which has been more than made good by the steady inflow of U S capital. It is therefore, not a balance of payments problem in the usual sense of the term. Canadians may not want so much American capital; but that is quite another matter. And how can the inflow of foreign capital be staved off by lowering the value of the currency and how can a country go on importing capital except by importing more of goods and services than it exports?

The Canadian balance of payments on current account is adverse to the extent of over 1000 million dollars. The major portion of the adverse balance is due to the net interest and dividend paid on foreign investments, i e, Canadian income from foreign investments minus foreign income from investments in Canada. The drain in 1960 on this score was about 580 million dollars. The other large drain is foreign travel which costs a gross amount of 632 million dollars and a net amount of 215 million dollars: excess of imports over exports only accounted for 148 million dollars or 10 per cent of the total adverse balance.

The adverse balance is met by a very large inflow of funds on capital account; in 1958, foreign direct investment in Canada amounted to 420 million; in 1959, 550 and in 1960, 690; which means an average annual increase of 30 per cent. Such large foreign investments can be very embarrassing to a country both politically and economically, if the interest burden is very heavy. It is obvious that the Canadians are finding this burden sufficiently embarrassing, and have decided that they must meet the deficit in current account from their current earnings.

Structural Unemployment

THIS was the position till about the first-quarter of the year, up to which figures are reported in the latest available issue of the *International Financial Statistics*. From this data, Canadian economy might appear to be a little stagnant, but nothing worse. Prices had been fairly steady, industrial production was maintained reasonably well and nothing much was wrong except, of course, unemployment, the rate of which, for something not connected with ordinary economic factors, has been very, very high — more than twice as high in fact as in the neighbouring U S in the worst of recent recessions. This appears to be a structural problem. Agriculture has been completely mechanised, industries are smart, modern and highly advanced technically, and they do not need much unskilled labour to run them and unemployment is of unskilled labour. Hence the emphasis even in the very brief Reuter's report on Canadian budget on 'Training Schemes'. But, to get down to it : Employment is related to investment and, if American investments are not of a very, very especial type, that is virtually non-labour using, more rather than less of such investment should be the obvious solution to the problem of unemployment. Is it that the Canadians are becoming choosey about who invests in their country and in what?

Canada is being swamped by American capital and can do nothing about it. There are regulations in force that a certain percentage of the Directors have to be Canadians and, presumably some restrictions on shareholding also, but these cannot possibly be very effective, because the Canadians, it is complained, have not developed proper investment habits. They do not save much and what they save, they invest either in Canadian Government bonds or in Wall Street, which offers so much more attractive and varied investment opportunities.

There are some side issues to this threatened devaluation of a currency which has no declared par value any more. The Finance Minister threatens that he will run Canadian dollar to a "significant discount". Can he do that without prior consultations with and approval of the I M F? And is the devaluation to forestall the threat of Britain joining the European Common Market? If Britain can no longer offer a safe market to her exports, is Canada preparing herself in advance by making her exports cheaper for other buyers ?

G D for Trade with Russia

AMERICAN businessmen's invasion of Moscow has robbed Shri Birla's visit of novelty and excitement. Even so, Shri G D Birla's interesting account of what he saw in Soviet Russia and his enthusiastic suggestion that India should hold a trade fair or exhibition in Moscow just as Britain has done, in order to increase Indo-Soviet trade, has created quite an impact in this country just as his visit must have done in Russia. Shri Birla's reaction was so very different from that of our other leading industrialists, especially of the one who had led a team of technical experts to the land of the Soviets some years ago.

Off and on over a number of years, the subject of trade between the East and the West has been debated. The first big m

was given by Soviet Russia when an International Economic Conference was called in Moscow some years ago. It produced little result at the time. The persistent advocacy of freer East-West trade by the E C E over a number of years, perhaps, produced better results, but not much better, despite the sound arguments put forward that such trade was in the mutual interest of both the groups of countries.

But Shri G D Birla, in his enthusiasm, tends to overlook the very special conditions under which trade can develop between two countries bound by a bilateral trade and currency arrangement of the sort which governs the trade between India and Soviet Russia. The rupee-payments agreement in force with the communist countries leaves and restricts the initiative for trade with the buying country and there is little that India can do as a seller except to induce the Soviet group of countries to buy only those exports which do not have to be diverted from our other markets, where payments are made in convertible currency. This is not to deny, however, the scope that is still left to introduce our partners in the rupee-agreements to a new range of goods which has not been exported hitherto and develop those products for which there may be demand or even to create the demand for such products by the gentle process of persuasion through display and demonstration. Russia probably can take an unlimited quantity of the types of consumer goods that she needs, provided we can produce and supply them. Experience, however, has shown that the mere fact that Communist countries are short of consumer goods is not by itself of much help in developing trade.

Of the willingness of the Russians to supply capital equipment to industrialists in the private sector, there has never been any room for doubt. If there has been any doubt, it must have been due to their selling methods, which Indian businessmen completely failed to appreciate in the beginning. It has taken long for Indian industrialists to appreciate and understand that Russia does not look for continuous business when she sells an industrial plant, through sales of spares and servicing in the future. When the Soviet Industrial Exhibition was held in Bombay, supply of complete plants and machines was the offer freely made by the visiting trade delegation. They were prepared to sell complete plants, erect them, and train Indian engineers to run them and even to manufacture the spare parts. They did not want to set up their own agency to continuously feed these plants with spares. And it was the uncertainty of obtaining and servicing that put off in the beginning the would-be buyers. Now, of course, it is purely a question of getting import license. For purchase of equipment on rupee-payment, import license is just as necessary as for imports from other sources, and the issue of such licenses are naturally subject to the same restrictions, for they come within the aggregate of imports the limit to which is set by the total foreign aid.

Correction

In the "Letter from Moscow" in the issue of June 17, 1961, p 913, the following corrections have to be made :

Column one, last paragraph, first sentence should read: "The return of Khruschev coincided with the release of a documentary about his restless, energetic life."

Column two, first paragraph, second and third sentences should read: "Entitled 'A Clear Sky,' it is the story of a young girl who in the lonely days of the war makes friends with a pilot who is later reported killed in action. The girl goes through the rigours of the war, and with her child, waits for the pilot, unable to believe that he is dead."

The errors are regretted.

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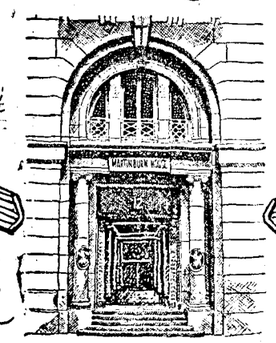
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From the London End

The £ Wobbles Again

THE trade figures in May have given added force to the latest sign which has gone up in neon lights in Piccadilly Circus, "Either British Exports go up, or Britain goes down". The U K balance of trade, after improving for four successive months, worsened during May. The crude "gap" between exports and imports widened sharply from £24 m in April to £82 m—the largest figure since the £108 m recorded in October, 1960. Exports and re-exports adjusted for seasonal variations, fell from £318 m to £295 m while imports rose from £354 m to £366 m. Allowing for seasonal adjustments—though not fully for the dock strike—the May gap was £71 m against £36 m in April. While it is true that the dock strike has exaggerated the rise in the trade gap because it held up imports in April and exports in May, the trade position is still disappointingly bad. Imports are falling only slowly and exports seem to have stopped rising for the moment. After eliminating normal seasonal variations, U K exports in March, April and May were 4½ per cent lower than in the previous three months. The rate of exports in the first five months of the year was 2½ per cent more than the average for the year 1960. This is where the chief disappointment of the new trade figures lies.

Prospects for Exports

Since it is unlikely that imports into the U K will fall quickly enough to be able, by themselves, to correct the trade balance, it is on the prospect for exports that much depends. This is what makes the latest FBI Survey on British Industry, which was issued at the end of last week, particularly interesting. On the prospects in overseas countries, the businessmen who answered the FBI questionnaire were quite optimistic—while half felt the outlook for their sales abroad was the same as four months ago, 28 per cent felt that it had improved and only 21 per cent that it had worsened. The Table below gives the main replies to the questionnaire issued by the FBI, based on the responses of 499 companies for which exports are significant. These replies show that export orders on hand have been rising, delivery dates have been shortening and prices have been falling.

The last Survey of the FBI issued in February, 1961, indicated a fall of 5 per cent in new orders The latest Survey, completed at the beginning of June, shows a rise of 18 per cent, a lengthening of order books and an increase in output. British exporters seem to believe that British prices are no longer fully competitive. There is much less complaint from exporters about delivery dates or shortages of capacity and very little about any shortages of materials or components. Current export prospects show a significant improvement in North America, the European Common Market and the E F T A areas, as well as the Soviet Union, Eastern Europe and China. A slight improvement is expected in Central and South America, the Middle East, South East Asia and Japan. Moderate worsening of export prospects is reported from Australia, Africa and India.

	More %	Same %	Less %	N A %
* Do you feel more or less optimistic about your export prospects for the next year than you did four months ago?	28	50	21	1
	Up %	**Same %**	**Down %**	**N A %**
* What are the expected changes for the next four months in new export orders?	32	45	22	1
* Are your prospects improving, steady or worsening in the following markets?	**Up %**	**Same %**	**Down %**	**N A %**
North America	22	35	12	31
Central & South America	13	37	10	40
The "Six"	24	39	16	21
The "Seven"	33	47	5	15
Middle East	16	47	13	24
Africa	17	45	27	11
Australasia	16	41	23	20
S E Asia & Japan	15	41	11	33
India	11	32	19	38
Soviet bloc	20	19	3	58

Longterm Inadequacy

The Annual Report of the Bank for International Settlements recently published, dealing with the U K economy says: "The recurrence of payments difficulties every few years suggests that this is not the result of short-term economic developments, or of inadequacies of short-term policy". It points to "the long-term inadequacy of exports"—with British exports rising only 28 per cent compared with 156 per cent in Germany, 180 per cent in Italy, 92 per cent in the Netherlands and 50 per cent in world trade generally over the past seven years. It calculated that British export prices since 1953 have risen by 10 per cent and those of Germany by 2 per cent whereas export prices in Switzerland dropped by 4 per cent.

The current level of exports would not look nearly so bad had it not been for the very sharp deterioration in invisibles and capital items in the last few years. Between 1958 and 1960, the deterioration in invisible exports alone amounted to over £200 million. There are many factors to be considered here. There is, to begin with, the decline in shipping earnings. Indeed, Britain, one of the leading maritime nations, is no longer able to earn a *net* income from shipping and had to pay £669 m to foreign shipowners for carrying British goods round the world, whereas her own earnings on

shipping amounted to only £644 m. Another factor which needs looking into is the burden of overseas Government military expenditure, a great deal of which is of doubtful political value. Military spending overseas has more than doubled in ten years, from £100 m in 1950 to £215 m last year.

Sterling Reacts

As was to be expected, the stock market reacted immediately to the trade figures and sterling also suffered a setback. The Economic Secretary to the Treasury said that the U K's resources were "fully adequate to meet any speculative attack on sterling" and reiterated categorically the statement already made by the Chancellor of the Exchequer, that sterling would not be devalued. Apart from the U K's own resources and the temporary aid being given by foreign Central Banks, there was a renewed assurance of support from the International Monetary Fund to prevent a forced devaluation. It is perfectly true that no speculative attack, not even one backed by the German Government, could at present push the £ over the edge, but despite this, towards the end of last week, sterling fell again to the lowest level since 1957. This setback followed what had been, at the start of the week, a useful recovery after the strong denial on Monday by Mr Jacobsson, Managing Director of the International Monetary Fund, of any plans, international or otherwise, for changing exchange rates. At the moment, although devaluation of the £ is not a serious threat, fears for the longer term outlook for the British economy have damped the confidence for the shortterm inspired by Mr Jacobsson's Basle statement.

True, the Government has assured that it was aware of the possibility of an overload on the economy threatening the balance of payments, and that it will act as necessary to deal with it. But the only solution it seems to be able to think of at present is to restrict home demand in the hope that this will somehow push up exports. Will the Government start using the new "regulators" introduced in the last budget? If it does, it is hard to see what this could do in the present situation, except to affect the consumer durable industries which, far from being overstrained, still have considerable spare capacity. The only real hope lies in a complete change in the whole direction of Britain's economic policy but of this there is, at present, no sign. A predominant element in the Government seems to have pinned its faith on some miraculous solution through association with the Common Market, but no one is prophet enough to spell out what the nature of this miracle might be. The contradictory policies on "defence" in the Labour movement and the unreadiness of the leadership to commit itself on the Common Market, invite the remark that the Labour Party has one too many policies on defence, but it has one too few on economic policy! Indeed, this is the dilemma of the movement—to find unity round an alternative economic policy—and the conflict on military policy is only a reflection of its deep division. But one does not see how the position of the Tories is any better. It won't be until they are able to find a way out from chronic exchange instability and stagnant economic growth.

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Letter from America

The American Troika

"The full financial influence of the Government must continue to be exerted in the direction of general credit ease and further monetary growth while the economy is recovering"

—President Kennedy in the Second State of the Union Message, May 25.

THE "troika" is a Russian carriage pulled by three horses. It has been suggested by the imaginative Mr Khrushchev as the future arrangement of inter-national organisations that will give equal representation to Western, Soviet and the Neutral blocs. In the international arena, the U S has shown little interest in such a set up. But the nation's economic policy seems to be guided by a *troika* of three agencies each with its own relationship with the Kennedy administration. They are: the Council of Economic Advisers, the Federal Reserve System and the Treasury Department.

The unusual degree of harmony among the agencies was possible under the previous President who often declared his unshakable faith in the "sound dollar" and more often warned against the "immorality of deficit spending". But with the inauguration of a new President conscious of economic growth and welfare, the differences in the views of the three agencies were bound to appear in bold relief.

The C E A is dominated by academic economists like Heller (Chairman), Tobin, Solow and indirectly, Samuelson. Their common and legitimate concern with the sluggishness of the economy has led the former Council member Arthur Burns to brand them as "neo-stagnationists". Because of their faith in Keynesian remedies of stimulating demand, they may be more appropriately designated as "pragmatic Keynesians".

On the opposite side is 'the Fed' represented by Chairman William McChesney Martin, zealously dedicated to age-old principles of banking and the true spirit of pre-Keynesian conservatism. Because of Mr Martin's close association with the views of the previous administration, his replacement has been the subject of wide speculation. The Chairman of the Federal Reserve Board is not directly responsible to the President; on June 2, Mr Martin declared that "..... the Federal Reserve will carefully consider anything that the President of the United States says at any time".

Straddling these two approaches to economic policy is the Treasury Department headed by Secretary Dillon, who was salvaged from the outgoing administration. Mr Dillon has since been growing in influence in the White House with a steady build-up of his department's status. To bring the prestige of the ivory-tower to his positions on economic matters, he has recently recruited able economists like Seymour Harris and Richard Musgrave as advisers.

Excessive Demand vs Cost-Price Push

In spite of their contrasting approaches on many issues, these three agencies have luckily succeeded in escaping a head-on collision. But observers believe this to be inevitable in the near future as business recovery reaches a sizable magnitude when the conflicting issues of stability and expansion come out sharply. As of now the *troika* appears to be pulling the economy out of its fourth major post-war recession that commenced last May and "bottomed out" around February or March.

One source of conflict arises from the controversy regarding the scope and timing of "cheap-money policy". There is a large measure of agreement among many economists that on previous occasions recovery from recession was choked up by premature tightening of credit resulting from Federal Reserve's high interest rate policy. Now that recovery is just under way, similar fears arise among the Council economists and the President's statement clearly called for a general availability of easy credit during the recovery phase. But Mr Martin does not believe in "just slopping on the money".

But before a sharp conflict could arise, business recovery was already under way. Between the February low and April, industrial production index showed a gain of 3 per cent and the upturn seems to have continued into May. Together with industrial output, some associated indicators like personal income, consumer spending, steel operating rates have all registered increases. All this has inspired more courage in the Fed.

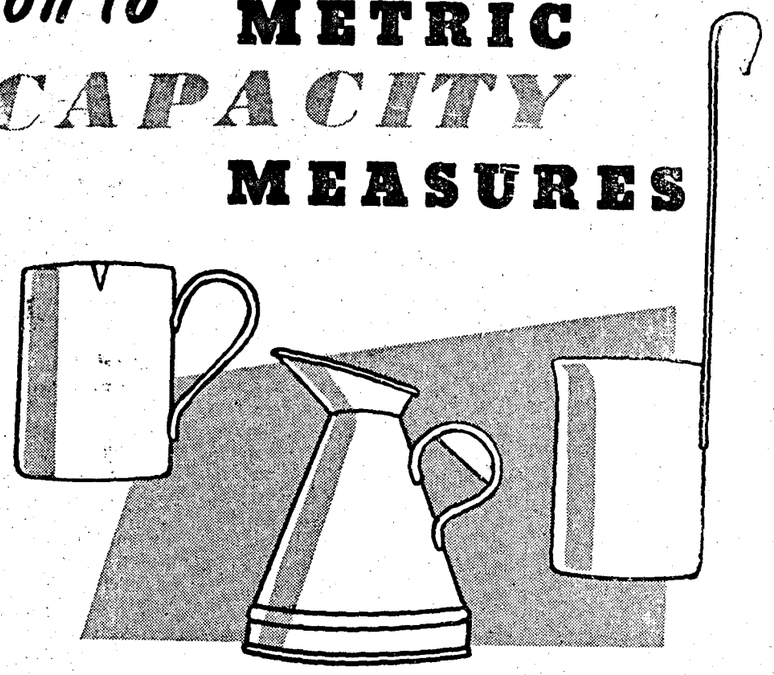
To the Council of Economic Advisers, the picture is far from rosy. Unemployment rates have refused to come down from 6.9 per cent. Long-term unemployment (measured by the duration of 15 weeks and over) continues to rise. A large amount of industrial capacity still lies unused. Over a longer period, the economy has shown increasing sluggishness and the post-war growth rate has been no more than 2.5 per cent per annum. It is believed that the monetary-fiscal tools are available to realise the potential of the economy, which, according to James Tobin, may be 3.5 per cent per year. And since there is little evidence of excess idle funds and rise in money supply, the CEA emphasises "monetary ease" well into the recovery period.

A typical retort from Mr Martin "..... I would like to see as low interest rates as you can have without producing inflationary pressures". According to him, these pressures are largely due to "excessive demand" generated from the lack of fiscal and monetary caution on the part of the government. On the other hand, it is the 'cost-price push" factor that worries the Council of Economic Advisers as the primary source of inflation. (Staff economists of the Council are now studiously preparing a case against the rise in steel prices which is feared to be in the offing).

So far, the Treasury Department's position is far from clear, but when the showdown comes, whichever side the Treasury takes, it will be decisive.

Meanwhile, the three agencies pull and tug at each other. The pace and smoothness with which the American *troika* will run must depend ultimately on the skill and strength of the Driver.

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Book Review

The Sociology of Development

Pranab Kumar Bardhan

Sociological Aspects of Economic Growth, by Bert F Hoselitz. The Free Press of Glencoe, Illinois, 1960. Pp 250, $5.00.

SOMETIME back it was argued (and lamented) in the columns of this journal that Indian economists, some Keynesians, some Leontiefites, are insufficiently Marxologists. What, perhaps, was meant was that Indian economists had mostly studied their subject as a branch of knowledge separate from Politics, Sociology, History and related disciplines coming under human science as a whole. This is lamentable indeed. Especially in a study of economic development, such methodological purism (the economist-qua-economist and all that) can only blind us to the basic issues. We have had enough of those empty boxes which it has been the current fashion to name as growth models.

The book under review is a welcome reminder, coming as it does from an author who is a specialist on the subject discussed, so very important and so often overlooked, and who is also well-known for his interest in Indian problems. It is a collection of nine essays (not seldom overlapping) published in different periodicals during 1953-57.

The first article discusses the theories of secular economic growth that can be ascribed to the mercantilists, classicists and the German Historical School. The author finds that Bucher and Sombart of the German Historical School were among the first to lay emphasis on 'the non-economic and the meta-economic' factors affecting the conditions of economic progress. Concluding from the historical experience of the advanced countries, the author outlines, in the fourth article, some significant non-economic variables which might be incorporated into theories of economic growth: the ratio between population and the available natural resources of a country (giving rise to the 'expansionist' — 'intrinsic' dichotomy in the patterns of economic growth, the typical examples being the U S A and Holland), the degree of dependence upon foreign countries (dichotomy between 'dominant' and 'satellitic' patterns) and the role of active governmental intervention in the developmental process (the dichotomy between 'autonomous' and 'induced' development). Obviously, India today will conform to the 'intrinsic', 'dominant' (in the sense that her foreign trade ratio is very low), 'induced' category. Hoselitz claims that his classification permits more accurate insights into the functional relations between economic and non-economic variables determining the rate and direction of economic growth. One may doubt, however, if his set of variables is as much significant for contemporary economic development in countries like India as for generalising *ex post* the historical experience in the West.

Four "Pattern Alternatives"

In analysing the socio-structural relations associated with different levels of economic advancement, the author has recourse to Talcott Parson's general behavioural typologies. He finds four 'pattern alternatives' to be relevant: the norm for assigning economic objects (achievement *vs* ascription), the standard in the allocation of economic roles (universalism *vs* particularism), the functional scope of these roles (specificity *vs* diffuseness) and the value-orientation of the elite with reference to economic goods (collectivity *vs* private-orientation). But as the author himself later notes, in Japan the pre-industrial socio-structural relations (affecting social mobility) have largely survived industrial development, and other Asian societies are more likely to show a similar pattern, as industrialisation proceeds. The Levy-Parsons scale of social values may be of limited applicability in such cases. One may also raise some legitimate doubts regarding the proposition that the elite in economically underdeveloped countries is generally self-oriented while that in advanced countries is community-oriented. (The author's historical illustrations are at best unconvincing.)

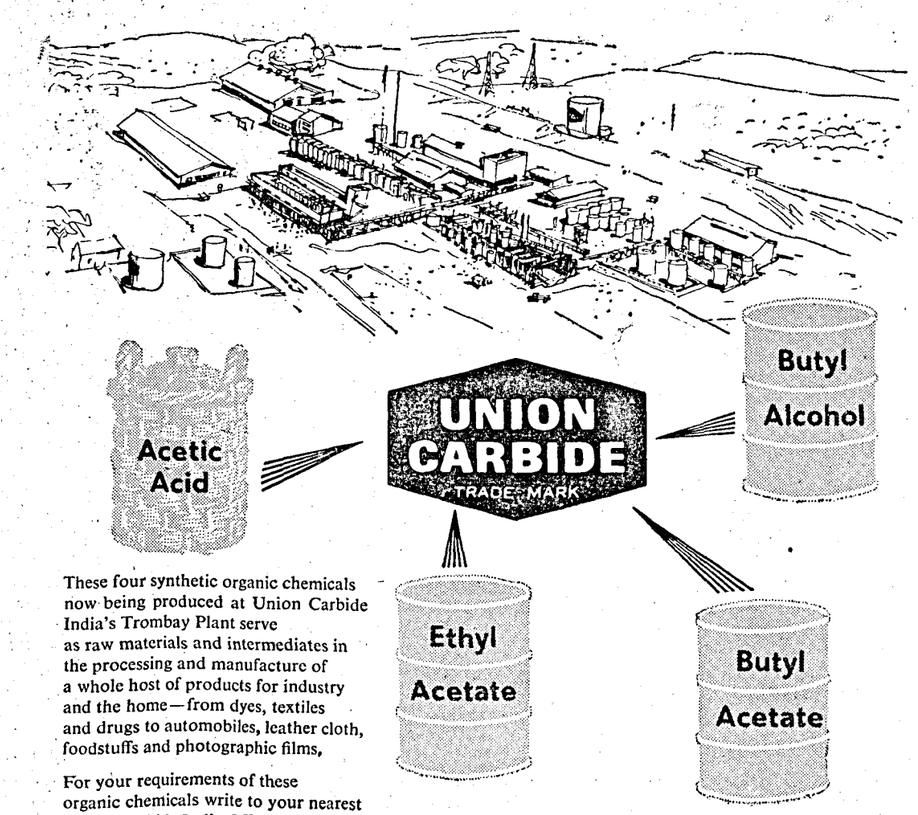
None can, however, deny that all these underline the importance of economic leadership in the underdeveloped countries for reshaping the value-scheme of the society. In this connection, Hoselitz refers to the 'socially deviant' behaviour of some culturally marginal individuals in many Western countries and also to the Japanese case of the re-interpretation of social objectives by the old elite. While the need for creating a 'climate for entrepreneurship' and the necessary personality orientation is duly emphasised, the nature and implications of the leadership in economic development that the new class of university-trained civil servants, intellectuals and specialists in exact sciences is likely to provide in many countries today is not adequately discussed. The fear that the new elite in these countries may be as harsh and ruthless to the labouring masses as the English factory masters in the 'hungry forties' is perhaps misplaced under the existing political circumstances and aspirations in many of these countries.

The last three articles are devoted to an analysis of the relationship between urbanisation and economic development. The author shows how the impact of urbanisation on economic growth may sometimes be other than favourable (the case of 'parasitic' city as contrasted with the 'generative') and how the particular form and duration of parasitism depends on cultural, political and socio-structural factors. He finds the countries of South Asia to be 'over-urbanised', and considering the social costs of urbanisation (while not overlooking its beneficial effects, economic and cultural), he argues for a planned reduction in the degree of 'primateness' of Asian cities, urban planning on a national scale and a balanced development on the basis of regional capital budgets.

In all, the nine essays provide valuable insights into the general social framework in which economic growth occurs, although we are as yet very far from a general theo-

ry of economic development and cultural change. The method used in the book is mostly that of comparative statics, a comparison between two equilibrium states of the economy, one at the 'underdeveloped' stage and the other 'advanced'. Further studies on the subject should be directed to the dynamic interaction of the economic and cultural variables in the development process. But while it is easy to find fault with an analysis in that it is not sufficiently 'dynamic', the great uncertainties in the realm of social theory and the meagre scholarly resources at our disposal are only too patent. This obviously calls for further research on the subject by sociologists (the book is a veritable mine of suggestions pointing the way forward), while for the Indian economists, it will have served a very useful service if henceforth our 'growthmanship' stops hanging in a social vacuum.

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Sanskritization and Westernization

A Dynamic View

Harold A Gould

An attempt has been made here to show that there may be a dynamic interplay between the processes of Sanskritization and westernization which may help us to account for such seeming anachronisms as the high castes, who have had the greatest stake in the old order, revealing a stronger urge for westernization and modernisation than the lower castes, who have had the least stake in the old order.

This is just the opposite of what we have been led to expect on the basis of 'classical' accounts of modernisation.

The process of westernization need not be regarded as an 'irony' but is an important dimension of the total process of mobility and change in Indian society.

THE observation that the Indian caste system is not absolutely rigid and static has led progressively to various attempts to explain in systematic terms the manner in which change occurs within it. Perhaps the earliest such attempt was the observation that a caste may sometimes pay large dowries to give its daughters in marriage to men of some slightly higher caste.[1] This is the process known as hypergamy.[2] It has been described and discussed by all of the well-known ethnographers of India who wrote during the last century and the first-part of this century.[3] It forms a major preoccupation of J H Hutton's work (1946).

Implicit in this concept of hypergamy is the fact that castes who for any reason are able to become upwardly mobile do so by making themselves ritually and occupationally as much like the higher castes as possible and then ratifying this achievement' by applying their newly-found resources to the contracting of up-marriages. Once intermarried with another caste group, you are incontestably equal to it. This has always been the final criterion of status parity in traditional Indian society.

Sanskritization — the Concept

However, upward mobility, even in the caste system, is a broader, more pervasive process than is symbolized by the practice of hypergamy. The latter may, as a matter of fact, be seen more as a kind of end-product of the overall process, an aspect of the whole phenomenon and nothing more. It is the great utility of M N Srinivas's (1956) concept of Sanskritization that it automatically puts hypergamy in its appropriate place within an overall process of inter-caste mobility which encompasses not only this act of final ratification but also all of the intermediate steps and, indeed, other channels and manifestations of mobility as well which do not necessarily culminate in hypergamy at all.

Srinivas's concept rests ultimately on the notion that the caste system, like all status hierarchies, causes the low to invidiously compare themselves with the high and to try in every way they can to soften, modify, reduce, and even eliminate altogether the basis for these status differences. This is not unique to the Indian caste system. What is unique is the manner in which this process must work itself out in India, given the empirical nature of the status system that prevails there. It is this with which Sanskritization comes to grips.

Sanskritization also, it seems to me, deals with something a little different than McKim Marriott's (1955) 'universalization— parochialization' dichotomy. The former subsumes essentially the same phenomena as the latter but uses them for different analytical ends. Marriott's notion is more particularly useful for dealing with data of this kind when it is being viewed from the standpoint of a folk-urban dimension where one may be concerned with the process of intermingling between elite, urban-centered, and local, village-centered cultural traditions, quite aside from the question of the status implications of this *per se*. Srinivas's concept is rooted primarily in a concern for the latter.

But Srinivas also speaks of a parallel process, which he terms westernization. Concerning this he observes :

> One of the many interesting contradictions of modern Hindu social life is that while the Brahmans are becoming more and more westernized, the other castes are becoming more and more Sanskritized. In the lower reaches of the hierarchy, castes are taking up customs which the Brahmans are busy discarding. As far as these castes are concerned, it looks as though Sanskritization is an essential preliminary to westernization.

Dynamic Relationship

However, I believe we can go farther with this notion of Srinivas's and thereby deepen our understanding of the mobility process in Indian society today. For it seems probable that at least in some instances, under some circumstances, the relationship between Sanskritization and westernization is a more dynamic one than even Srinivas makes apparent in his writings.

Let us realize at the outset that the caste system is one of the most elaborate attempts at hierarchization of society ever undertaken by man. It has left its mark everywhere on Indian life, but especially it has imbued Indians in general with a finely tuned consciousness of hierarchy *per se* which does not seem to be disappearing with any particular haste even among the most *modernized*, *westernized* of Indians. Among the latter, this sense of hierarchy merely changes its contours slightly so that it can operate effectively even under conditions of so-called democratic society. Attention to seniority and petty permutations of authority are admitted by all to be unusually elaborated even in the most 'rational' and 'progressive' Indian bureaucracies. The academic world, where one might expect the most modernistic thinking to be applied in such matters, is notoriously hierarchized not only with respect to the official university structures but with respect as well to the informal

social structures maintained by students and faculty alike. The charge of 'casteism' on the campus is so loud and frequent in India that its very persistence and universality makes it almost inaudible.

It is within this setting of pervasive hierarchical thinking and *feeling* that the interdependency of Sanskritization and westernization may be appreciated. Srinivas has looked at these twin processes to an important degree from the standpoint of the desire of the lower castes to move upward by transforming their ritual and social structure until it conforms more nearly to that of the Brahmans and/or whatever other caste happens to be dominant and, therefore, represents elite status within their experiential ken. Westernizatin, then, is seen primarily as an 'irony' by which the very clean castes whom the lower castes are aping are giving up the very Sanskritic traits by which the lower castes implicitly acknowledge (by trying to adopt them) their superiority.

Westernization — a Necessity

It is my suspicion that this latter is more than an irony and actually a new and necessary manifestation for the high castes of the age-old preoccupation of people in general and Indians in particular with hierarchy. This point is to be appreciated when we view Sanskritization and westernization from the standpoint of those who are at the top of the scale — the Brahmans and certain others — rather than from the standpoint of those located at its bottom or somewhere in its middle reaches.

If you are traditionally Brahman and you are at the apex of the ritual hierarchy prevalent in a village, or in a region wherein the approximate ordering of the various castes is reasonably comprehended by most and acknowledged more or less as the basis of social interaction, then Sanskritization for you means watching the lower castes rising up and up beneath you. As they do so, by which I mean, as and to the extent that they are able to actually force recognition of and thereby ratify new status pretensions, the social distance between them and you is diminished.

Years ago, when I first came to Sherupur[4] this seemed to be the plight and the complaint of both the Rajput and the Brahman members of the community. Democratization of Indian society, particularly since Independence, has opened up opportunities heretofore inconceivable for Ahir, Murau, Kurmi, Kori and even Chamar castes to Sanskritize themselves (i e, to purify their rituals, diet, etc) and in general to approach and fraternize with the high castes. Understandably, these long-suppressed and varyingly humiliated groups have been busy doing just that. In fact, I suggest that one of the prime motive-forces behind Sanskritization is this factor of repressed hostility which manifests itself not in the form of rejecting the caste system but in the form of its victims trying to seize control of it and thereby expiate their frustrations on the same battlefield where they acquired them. Only then can there be a sense of satisfaction in something achieved that is tangible, concrete, and relevant to past experience. If the lower castes rejected the caste system out of hand before acting out their hostilities to it by trying to master it they would be left with a hollow sense of unfulfillment, a sense that they never successfully attacked and conquered the thing in terms of which their ideals, their aspirations, their frustrations, in fact their whole perception of life, were formed. Besides this, it is doubtful that they could structure their hostilities and aspirations in any other way as yet because of the very fact that they have remained throughout recorded Indian history illiterate, cowed prisoners of the caste system. Their perception of alternative forms must by definition be dim and indecisive.

Old Bases of Power Crumble

Thus, at any rate in 1954, the Brahmans and Rajputs of Sherupur were speaking to me bitterly about the fast-approaching 'rule of the lower orders.' In the presence of lower caste persons they would declare that in the 'old days' a lower caste man would never dare come as close to a Rajput's or Brahman's *charpai* as in fact his listeners were coming at the present moment! 'Today, respect (*izzat*) for the high caste man has ended,' my informants would loudly proclaim. When some Koris obtained funds from a nearby Community Project training block to construct a new well, the Rajputs regularly stood about flinging taunts at them for placing their trust in outside agencies (uniformly labelled 'Government') who, they averred, would ultimately betray them and make fools of them—in contradistinction to the Rajputs, of course, who, they assured me, had always scrupulously looked after the interests of their lower caste bretheren.

For the Brahmans and Rajputs, it was clearly a matter of seeing the bases of their old power and authority melting away before their eyes and being prevented from doing much about it, as indeed they could in the 'old days,' by the impartial hand of secular government[5]. Or looked at from the point of view of the thesis being enunciated here, these high castes were watching anxiously while the floor of the status system rose underneath them with the consequence that the old forms of social distance by which they had always differentiated themselves from their fellow Hindus were evaporating. As Srinivas puts it :

> The three main axes of power in the caste system are the ritual, the economic, and the political ones, and the possession of power in any one sphere usually leads to power in the other two.

The Brahmans and Rajputs of Sherupur were losing their political and to some extent their economic power[6] through which for centuries they had successfully enforced the traditional hierarchical ordering of the castes and the ritual distinctions upon which this was based. In fact, the political *coup de grace* was delivered in February labour on part-time basis or fa- of 1961 when for the first time secret-ballot elections were held for the office of village *pradhan*. With the election of an Ahir, the perennial control maintained by the Rajputs, and acquiesced in by the Brahmans,[7] was decisively shattered. The middle and lower castes were jubilant, their attitude being vividly illustrated by the comment of a Kori friend, who said with real emotion in his voice, 'The lower castes are coming up now.' For they saw in this political victory the possibility of a widened scope for the eventual attainment of status parity with the Brahmans and Rajputs — a parity which my experience with these villagers has demonstrated to me is associated, as

Srinivas says, with the desire to become ever more orthodox and 'clean' in the ritual, commensal, and connubial senses.

Where Westernization Comes in

But even though the Brahmans and Rajputs are clearly losing ground in the status struggle taking place within the traditional caste hierarchy, they are not taking things lying down by any means. This is where westernization enters the picture in a manner which is dynamically inter-related with the events taking place under the rubric of Sanskritization. For I believe that in proportion as the Brahmans and Rajputs are losing ground in the old caste hierarchy, they are reaching out in a direction we can best call westernization (or perhaps to-day the term 'modernization' would be somewhat more appropriate) in order to obtain new sources of status and power which effectively continue to give them the feeling that they are maintaining suitable social distance between themselves and those whom they have traditionally defined as low.

Although not the sole factor responsible, it seems likely that this process helps account for the by now widely observed fact that mobility in the direction of urban and modern employment is more preponderant, in relative terms, among the high than among the low castes. Edwin Eames (1954) refers to it with some surprise in a village ('Madhopur') which he studied in Uttar Pradesh. He says':

> It was assumed . . . that the greatest amount of migration to urban centres would be by members of these castes which had lost their functions in village life . . . and those who were in the weakest economic position in the village . . . However, the largest group going outside the village are Thakurs . . . who are the second largest population group in Madhopur. They are in the top economic position of the village and the owners of the land. (pp 13-14)

Oscar Lewis (1955) found the same thing in a Jat village near Delhi and his comments on the phenomenon are highly pertinent to this discussion :

> . . . it is the higher caste Jats and Brahmans at Rampur who have taken the greatest initiative in getting outside work, who have the best-paid jobs and the greatest number of them . . . If such conditions are prevalent in other Indian villages, it might mean that the inequalities of the caste system will be perpetuated, for the members of the higher castes would be the ones to benefit most in an industrialized India. (pp 301-302)

In all instances, the reality appears to be at wide variance with 'classical' expectations concerning *mobility* in modernizing societies, where it is held that the landless and the impoverished are compelled to move towards the city in search of cash employment while the landed and the well-off are content to remain proportionately longer in their rural habitat.

False Dichotomies

Granted, this latter phenomenon is also occurring on a major scale in India today and promises to become even more intensified should the rate of industrialization materially increase during the next twenty-five to fifty years. It is not necessary for us to make any choices between false dichotomies in this matter. What is at issue here is only the surprisingly high prevalence of elite mobility and the correspondingly surprisingly low prevalence of low caste mobility *by comparison* with the former. It is this which is 'unclassical' by contrast with the West.

It suggests that the higher castes are for some reason investing a large amount of deliberate energy in westernization, proportionately much more than the lower castes (at least in villages of the size and situation of Sherupur and those studied by Eames and Lewis), while the low castes are investing a large amount of deliberate energy in Sanskritization, proportionately much more than the higher castes, or so it would seem. This makes sense if we recognize the pervasiveness of hierarchical thinking and feeling in India and consequently realize that the Brahmans and Rajputs have little choice left to them than to turn to westernization as a means of maintaining the social distance between themselves and the lower castes which is no longer possible within the old order in the face of the latters' current ability to Sanskritize themselves. If you are already Sanskritized, as are the Brahmans and the Rajputs (although I do not wish to imply that the two are fully equivalent ritually or in any other way, because they are not), then you can't go any higher up in the traditional stratification order. If you can't maintain things as they are through the application of political and economic power then you can only go down or accept the notion of equality which, in effect, means accepting the nullity of the caste system itself and hierarchical relationships in general. This is patently impossible for the high castes, with their deeply embedded conception of their inherent superiority, and so they must move outside the caste system which spawned them in order to preserve their pretensions to paramount status in Indian society.

New Bases of Superiority

This is done in Sherupur and elsewhere by converting their traditional intellectual skills, economic advantages, and nepotic connections into opportunities for obtaining modern education and what is commonly called 'service' — by which is meant a job in Government (either provincial or central) or in modern industry. To the extent that they succeed in this endeavour. Brahmans and Rajputs preserve a measure of superiority over their lower caste compatriots in their local community (where not more widely) which mere Sanskritization is incapable of matching. For the lower castes are without education or any tradition of learning, they are without much economic power, and they lack well-elaborated kinship structures which can be avenues of connection and mobility outside the local milieu. Without these assets, they cannot hope to attain very much modern education, much less opportunities for 'service'. And even in these rare instances where a low caste family does acquire the means they frequently turn their resources to the building up of their traditional status. In the village adjoining Sherupur there is a Kori who has made considerable money out of the building construction business. He has symbolized his new-found opulence not by becoming a 'modern man' but by building a residence in the village which outdoes the high castes in its traditional architectural style. Furthermore, he is completing construction of the largest and most ornate *dharamshala* (a rest house for religious pilgrims) in the area, one which eclipses by far the numerous comparable structures thereabout associated with high caste benefac-

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tors. The Brahman family which resides in the same hamlet still refuses to interact with this Kori's family and the head of this Brahman household is an official in the Sugar Cane Department of the Government of Uttar Pradesh!

Sanskritization not Distinctive Enough

We may see this same phenomenon from the standpoint of the high castes themselves. Those families among the Brahmans and Rajputs in Sherupur who have been unsuccessful in converting their traditional assets into opportunities for sons to get a good education and 'service' are deprecated even by their own caste fellows on this account. Where Sanskritization is their only claim to status, they are insufficiently distinct from the lower castes, especially from the middle groups like Ahir and Kurmi who got modest amounts of land out of Zamindari abolition. As a result, there is much anxiety and fretting on this score within the ranks of the Brahmans and Rajputs. Many a father from these castes has approached me in the hope that I might be able to intervene somewhere with a business executive or government official on behalf of a son whom he wants to get placed in 'service'. Only one lower caste person has ever so approached me and this represents a very unusual case from many standpoints.[8]

Strictly economic grounds are insufficient to explain what is happening and the fact that in Sherupur all outside 'white collar' jobs (as well as an overwhelming preponderance of *all* outside jobs) are held by the castes who rank highest in the traditional hierarchy. For these high castes have practically all the land in the village and are in every material respect infinitely better off than their low caste brethren. In fact, I have encountered instances where a high caste family has urged its son or sons out into the modern job market even where having done so has left the village farm short-handed and has entailed real economic hardship for the rest of the family. They would rather have a greater proportion of the agricultural work done by the landless castes than is customary, and accept whatever other hardship that may be involved, if that will assure them the ability to count among the accoutrements of their contemporary status the fact that one or more of their sons are performing prestigious work somewhere in the modern society beyond the village. For then they do not have to depend for their high position upon the rickety scale of Sanskritization alone, a criterion that becomes meaningless to the Brahmans and Rajputs in precisely the degree to which the castes beneath them acquire more and more Sanskritization in their own right.

Mirage of Equality

Meanwhile, the low castes expend a major share of their energy on Sanskritization. In other words, they are salving their wounded collective ego born of past ages of degradation and exploitation by pursuing the mirage of equality with the Brahmans and other high castes. By the time they reach their destination, however, they will discover that the Brahman has himself vacated the spot and moved on to the higher hill of Westernization where he still gazes contemptuously down upon them from an elevated porch. In fact, the motive-power for the latter's having done so will have been supplied by the process of Sanskritization itself which, as its very success caused it to be coveted by and sought by others, caused the high castes to abandon it in favour of new realms of status. No doubt it will be at this point that the lower castes also commence abandoning their craze for Sanskritization and then the book will have to close on this concept, as the resultant new Indian society comes to grips with the problem of hirerarchy in radically different and at this juncture hardly forseeable terms.

It is not intended that this analysis be construed as an attempt to provide *the* explanation of change and mobility in Indian society today. It is not even intended that this analysis be taken as applicable in all situations where issues of change and mobility arise. India is too complex a society, and industrialization and modernization too complex processes, for a single general concept to be able to account for all facets of the transformation that is being brought about. All that has been attempted here is to show that there may be an important dynamic interplay between the processes of Sanskritization and westernization[9] which helps us account for such seeming anachronisms as the high castes (who obviously have had the highest stake in the old order) revealing stronger urges toward westernization and modernization, as symbolized by occupational mobility patterns, than the lower castes (who have had the least stake in the old order). This is the opposite of what we have been led to expect on the basis of 'classical' accounts of modernization derived from Western data. In short, it is hoped that it will be seen that Srinivas's notion of westernization need not be regarded merely as an 'irony' but as a necessary component of a thorough comprehension of at least one important dimension of the total process of mobility and change in Indian society.

NOTES

1 By 'earliest' I have in mind the 'scientific past,' which for Anthropology commences little more than a century ago.

2 Hypergamy may be a comparatively late manifestation in India if Srinivas (1956) is correct. He says : Over seventy years ago, the institution of bride-price seems to have prevailed among some sections of Mysore Brahmans. But with westernization, and the demand it created for educated boys who had good jobs, dowry became popular. The better educated a boy, the larger the dowry his parents demanded for him. The age at which girls married shot up . . . Nowadays, urban and middle-class Brahmans are rarely able to get their girls married before they are eighteen . . . Child widows are rare, and shaving the heads of widows is practically a thing of the past. (p 490).

3 Cf, William Crooke (1896), R V Russell (1916), Herbert Risley (1891), E Thurstone (1909).

4 Sherupur is a pseudonym for a village in District Faizabad of Uttar Pradesh, which I studied first in 1954-55 under a Fulbright Student Grant and which I further studied from 1959 to 1961 under post-doctoral fellowships from the National Science Foundation and the National Institute of Mental Health respectively.

5 At that time, a story was common knowledge of how the head man of a neighbouring village, a Rajput, had come to suspect two Koris of committing an act of theft in his house. In traditional high caste fashion, the old Rajput summoned the two Koris before him, administered a beating to them with a *lathi* (a bamboo stick), and then locked them in an out-building and told them he would keep them there un-

to gain release, the two Koris 'confessed.' The old Rajput released *them*, whereupon they sped immediately to the local police station and filed a complaint against him. At the ensuing trial, the Rajput was found guilty, fined Rs 500, and given three months imprisonment. Since then, there have been no further reports of high castes administering summary punishment to low caste persons. The Government has seen to it that those days are ended for good. And in this, we see one of the ways in which the previous political power of the upper castes has waned.

7 The leader of the Brahmans in Sherumidable, the Brahmans and Rajputs lost some of their lands to lower castes due to the redistribution which followed dissolution of the Zamindari system of land control. This occurred in 1951 in Uttar Pradesh.

The leader of the Brahmans in Sherupur told me that in the years since Independence, but prior to 1961 when the secret ballot was introduced in the election of village headman, he had come to verbal agreement with the perennial Rajput headman that he would not oppose him as long as he did nothing to harm the interests of the Brahmans in the community. In the 1961 elections, however, this Brahman decided to oppose the Rajput *pradhan* because, he claimed, the latter had gone back on his word. However, in this election, all the high caste candidates were defeated.

8 The son in question is an unusually intelligent young Kori who is now studying for his B A Final. Both parents of this boy are also of extraordinarily high intelligence (a fact I have determined through the administration of psychological tests plus direct observation) and are in innumerable ways distinct from their average caste-mates.

9 I am aware that all I have said here depends upon one's assumption that the notion of Sanskritization is a valid one in the first place. Many social scientists both in India and abroad have opposed the concept. So have many who regard themselves as 'classicists' or linguists. Without going into the substance of these arguments, here, I do nevertheless want to state clearly that I do regard Sanskritization as a useful, meaningful, empirically defensible concept once it is understood in the sense that Srinivas has used it. In his own words (1956 *b*):

> I have used the word Sanskritization to characterize a particular process. I am not myself sure whether by using it I have succeeded in conveying what I want to. I should point out here, before anybody else does it, that *I myself do not like that word*. It is extremely awkward. But I am not able to find a substitute. The only alternative word that suggests itself to me is Brahmanization, which is not any the less awkward.
>
> This idea of Sanskritization has been found useful by other workers in the Indian field... By the term Sanskritization, I mean the process by which a low caste gives up its own rites, customs, and beliefs, and takes up, instead, the customs, rites, and beliefs of a higher caste. It is a much wider term than, and somewhat different from, the term Brahmanization ...
>
> One of the funny things about Sanskritization is that, not infrequently, the agents of Sanskritization are not Brahmans. In fact, they are occasionally anti-Brahmanical. They have Sanskritized their way of life, and they spread Sanskritization in the society as a whole, and this goes with an antagonism to the caste whose ways they have taken over. (pp 90-91)

In fact, it is possible to say that a *condition* of Sanskritization may be the feeling of antagonism to 'the caste whose ways' have been taken over! If the issue were seen in this manner, the bulk of the objections to Sanskritization as a concept should fade away. One cannot help suspecting that some of the objections are trivialities and deliberate misreadings which are motivated not so much by the desire to clarify and amplify as by the desire to make rather vain displays of 'erudition.'

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Agrarian Organisation and Industrial Growth

The Case of Japan

Sipra Das Gupta

To increase the efficiency of domestic agriculture is of supreme importance for undeveloped countries. This does not imply merely a sporadic short-term rise in output but a longterm self-sustained growth which is, in turn, dependent on the existence of surplus and incentive to utilise the surplus in agricultural operations.

The growth of the secondary sector depends on the responses from the primary sector for the release of — both quantitatively and qualitatively — adequate supply of labour.

Growing industries in an underdeveloped country have to be sustained by an expanding domestic market, which is conditioned by the growth of a commercialised agriculture and partly by the secular growth in national income and its sectoral distribution.

Thus even though agricultural and industrial development each has a 'causal nexus' of its own, they are part of a single overall process.

THE viability of the agricultural sector in any country ultimately depends both on the agrarian organisation (i e the system of land-ownership and product-distribution) and the techniques of cultivation adopted. A viable agriculture plays a crucial role in stimulating and sustaining the rapid industrial transformation of a country.

In the first place, industrial transformation is associated with rising demand for foodgrains on account of rising population, shifts of population from the rural to the urban areas, and increasing money income; this rising demand for foodgrains can be met either by imports or by increased domestic production. However, for the underdeveloped countries -to-day, the opportunities of overcoming the food problem by imports is restricted by adverse trade balances (i e the import content of industrial transformation of these countries is relatively greater than the export potentialities in the short period) and shifts (both in the composition and direction) in world trade.

Hence, increasing efficiency of domestic agriculture is of supreme importance for them. This does not imply merely a sporadic short-term rise in output but a long-term self-sustained growth which is, in turn, dependent on the existence of surplus and incentive to utilise it in agricultural operations.

Secondly, the growth of the secondary sector depends on the responses from the primary sector for the release of — both quantitatively and qualitatively — adequate supply of labour.

Thirdly, growing industries in an underdeveloped country have to be sustained by an expanding domestic market, which is conditioned by the growth of a commercialised agriculture and partly by the secular growth in national income and its sectoral distribution. Thus, even though agricultural and industrial development each has a "causal nexus" of its own, they are part of a single over-all process.

Choice between Alternatives

It follows that our choice as between alternative agrarian organisations, e g (a) large scale farming on individual ownership and initiative or (b) on group initiative or (c) small scale farming on individual basis, should be determined by their impact on the three aspects of the inter-relationship between agricultural and industrial development: production, mobilisation and the extent of market.

In the case of India, it is generally agreed that large scale farming based on individual ownership and initiative (as in the U K and the U S A) will not be feasible, at least in the near future, in view of the land-labour ratio (a product of both economic and non-economic forces). As regards the two other alternatives, the case of Japan is often cited to strengthen the claims of small scale farming on individual ownership and initiative both from a theoretical angle (ref, for example, W W Rostow, "The Stages of Economic Growth") and from the standpoint of practical experience. The logic behind them is simple: in Japan, as well, big capitalist farming could not develop in view of the adverse land-labour ratio and yet the process of industrial transformation was well facilitated by small scale farming on individual initiative and State assistance for removing certain bottlenecks in agricultural services.

The adequacy of the "Japanese argument" in favour of small farming on individual initiative must, however, be assessed in terms of the impact of Japan's agrarian organisation on the various facets of her industrial development.

So far as the production aspect is concerned, the initial phases of industrial growth in Japan were associated with increases in agricultural output — particularly rice. This was due to changes in agrarian organisation after 1867 and state assistance in agricultural services, e g, spreading of advanced knowledge, supply of irrigation water and fertilisers domestic production of which gradually elbowed out imports with the growth of chemical industries in Japan. Statistically, an 88 per cent rise in rice output over a period of forty years (between 1880 — 1924) is by no means unique as is commonly supposed in comparison with what happened in other industrialised countries, for example, a 98 per cent rise in wheat output in France (1815-1860), or a 107 per cent rise in average cereal output in Germany (1879-1913), or a 176 per cent rise in wheat output in the United States of America (1870-1910).

This rise in output and in yield per unit of land, however, was a short period phenomenon in the sense that no basis was laid for long-term self-sustained agricultural growth. After 1920, Japan faced stagnation in the volume of agricultural output as well as yield per unit of land leading to growing agrarian crisis (See author's "Agrarian Organisation of Japan", *The Economic Weekly*, August 27, 1960).

Limited Long-Run Possibilities

Paradoxically, factors which were responsible for the rise in agricultural output in the short run limited the long run possibilities of the emergence of a viable agriculture. The basis of the high yield per unit of land and increase in output, especially of rice, which was pre-dominantly the main crop, was intensive utilisation of the soil. Intensive utilisation of the soil and the rotation system of getting two major crops a year from the same piece of land were made possible by favourable climatic and topographic factors, by heavy application of manure to feed exhausted soil and by heavy application of manual labour to implement a tightly packed schedule of agricultural operations. However, from the long term stand point, heavy application of artificial manure, against a background of fodder scarcity leading to shortage of livestock and night soil,, resulted in distortions in the organic composition of soil which restricted the possibilities of continuous rise in output based on the application of the same practices over and over again. The method of intensive utilisation of soil, on a small scale, implied that every single operation had to be undertaken by manual labour — "roots of every plant may be carefully guarded and many blades of grass may be thrust into the soil where they not only die but become fertilizer ..... Harvesting and threshing make slow, laborious tasks for muscles alone." (D H Buchanan, "Rural Economy of Japan", *Quarterly Journal of Economics*. August 1923, p 559.) The amount of fixed capital in the form of farm implements and tools was negligible. For example, in the beginning of the 20th Century a family cultivating 1 cho of wet and dry field (i e, 2.45 acres) used to have implements for field work worth only 2.75 yen. In this sense agricultural techniques did not change much from the days of the Edo rule (1470-1867).

As a result of defective factor combination, total farm cost in relation to total farm output was high. Before 1930 the average cost of production of rice in Japan was calculated at 37.00 yen per koku — 50 to 100 per cent above the level in China and the U S A at the time (Ryoichi Ishii, "Population Pressure and Economic Life in Japan", p 169). This high farm cost is also borne out by an analysis of reports of Rice Examiners' Offices.

Low Farm Surplus

As a farmer's income is determined by both the price and total volume of the crop, farm income tended to be low, as the size of farm holding, on average, was very small, even though agricultural prices were high. Starting in 1888, the size of farm in Japan was ultra small and over time there was no significant change in the unit of operation, even though ownership changed. Thus, in the twenties, 74 per cent of agrarian families had holdings of less than 2.5 acres while only 3.2 per cent had more than 12 acres.

High total costs with low total income implied low surplus for farmers. According to agricultural investigations carried out in 1928-29, 32.2 per cent of 1,475 households studied had deficits, despite the important role played by non-agricultural income in an average farmer's budget. Weighted average monthly deficits of farmers cultivating less than 1.2 cho amounted to 2.91 yen, while with an acreage of 1.2 cho, the surplus was only 2.58 yen a month. (Ryoichi Ishii, "Population Pressure and Economic Life in Japan" p 147). Steady rise in agricultural debt and arrears in the payment of land tax were the inevitable results of the whole system. Total agricultural debt in 1928 amounted to 4365 million yen or 783 yen per farm at an average 10 per cent rate of interest. As early as 1883-1890, over 3,50,000 agricultural producers suffered forced sales of land owing to arrears in land tax payment ("Japanese Culture in the Meiji Era". Vol VI p 424).

This process continued throughout the period and tenancy spread over the country side. Tenant acreage which was estimated to be 20 per cent of total acreage at the beginning of the Meiji period increased to 43.9 per cent in 1905, 45.0 per cent in 1915, 45.8 per cent in 1925, and 47.8 per cent in 1930. Percentage of owner operators to total farm operators declined from 33.4 per cent in 1910 to 31.1 per cent in 1930, while that of tenants and part-tenants rose from 66.6 per cent in 1910 to 68.8 per cent in 1930. (Total farm workers remained more or less constant in the same period).

The spread of tenancy was associated with deteriorating economic position of the tenants and part tenants. Rents used to be high from the beginning of the Meiji Era. In extreme cases, the share of harvests that used to fall to the lot of tenant farmers was barely sufficient to pay the cost of manure applied to the fields. (See e g, "Japan in the Beginning of the Twentieth Century," The Department of Agriculture and Commerce Japan, 1909). On the whole, throughout the period of industrial transformation of Japan, rents which were normally paid in kind stood as high as 60 to 70 per cent of total produce. Hence the inflationary rise in agricultural prices did not reduce the effective burden of rent which was contracted for as a fixed portion of total produce. Thus, two-thirds of farm operators neither had surplus nor had incentive to create a viable agriculture.

It follows from our above discussion that from the production stand point, conditions of an efficient agrarian organisation were not fulfilled in Japan. Even in terms of mere output, Japan had to depend on imported commercial crops (especially fibres) from the very beginning of her industrial growth. In the case of food, domestic production, over a long period of fifty years of economic growth, could not meet the increased demand for food grains arising from rising national income — only the increase in population was offset.

Agrarian Unrest

As early as 1900 Japan had become a net importer of food grains and by 1930 Japan was importing as much as 12 per cent of her total requirements of rice from her colonies e g Korea and Formosa and

3 per cent from others. But even this traditional set up could not continue evenly as agrarian unrest grew both in volume and intensity after 1920. Thus the number of tenant disputes rose from 85 in 1917 to 2,206 in 1925 and 5,828 in 1934 as a result of the growing awakening of the tenants and their resistance against high rents and landlords' attempts at evicting them and starting self-cultivation by forming agricultural companies of their own. This growing unrest in the country-side was finally suppressed by the increasing militarisation of Japan after 1934 but the economic strain could not be overcome.

At the end of the second world war, in 1945, land reforms were carried out under the Occupation Authorities in order to overcome the peasants' inertia. But the reforms did not go far enough to remove structural problems; and even in 1961, the problems created by the small size of farm and the pursuit of traditional techniques are acute enough to cast doubt on the efficiency of Japan's agrarian structure from the production aspect.

Mobilisation of Surplus

The second element in our criterion of choice of an agrarian organisation is that of mobilisation i e the mobilisation of both surplus produce and surplus labour from the agricultural sector.

In Japan, surpluses of produce referred mainly to food grains as commercial crops were insignificant. Since in the initial stages of agricultural development, income elasticity of demand for food grains on the part of the rural households tends to be high, the mobilisation of surplus produce from agriculture necessarily implies that the rise in rural consumption must lag behind total rise in output. Hence the efficiency criterion in terms of the mobilisation of surplus boils down to the questions whether a part of the rising output could be mopped up or not, and whether the sacrifice of potential consumption is more or less equitably distributed among different sections of the rural population or not.

In Japan, agricultural surpluses were mopped up no doubt; however, the basis of surplus mobilisation was in the landlord-tenant relationship forcing rural households to part with their crops (ranging between 60 to 70 per cent of total produce) which used to pass into the hands of the land owners. Small farmers, moreover, had to part with their crops in order to satisfy certain financial commitments (cost of manures, local dues etc) and such sales often assumed the nature of "distress sales". The extent of such "distress sales" cannot be indicated precisely, but that its magnitude was high is revealed by the fact that of the total rice growing families, according to a tentative estimate, 48.9 per cent had to buy back rice from markets in order to satisfy their minimum requirements. (Tsuento Yano and others, "Nippon", 1936, p 100).

Tax on Land Owners

On the land owners, the State imposed the Land Tax which contributed 61.5 per cent of the total revenue of the Government in 1867-68 and 64.6 per cent in 1887-88 and after. With the beginning of the twentieth century, its share declined gradually. Besides the Central Land Tax, there was a large number of local and prefectural taxes on land which increased the burden of taxes falling on the owners of land.

This mechanism of mopping up surpluses from agriculture was highly inequitable because rents used to be paid in kind and taxes in cash. The Central Land Tax, for example, was imposed at 3 per cent on the assessed value of land. The assessment of value of land was completed by 1881 on the basis of the preceding five years' average price of rice. (This was reassessed only once in 1899). The rate of tax was reduced to 2½ per cent on assessed value in 1877, raised again to 3.3 per cent in 1899 and it was finally stabilised at 3 per cent from 1903 onwards. Thus neither did the assessed value of land change with inflationary rises in the price of rice over time, nor was the rate of tax raised. As a result, the effective burden of the tax falling on the land owners declined with the continuous rise in agricultural prices. But farm operators had to pay rent in kind and hence reaped no benefit from price rises. Thus, over time, the share of the tenants in farm surpluses remained constant, that of the State declined, but that of the landlords increased.

Release of Labour

So far as the second question, i e the release and mobilisation of surplus labour is concerned, a crucial role was played in Japan by the labour intensive agricultural techniques. Farmers working on small plots had to utilise land intensively by applying manure and raising two major crops a year wherever practicable. Hence, schedules of agricultural operations tended to be closely packed, and, from the stand point of labour requirements of the secondary and tertiary sectors, the opportunities for releasing labour in adequate numbers were restricted — recruitment proving successful mainly in areas where farming was especially precarious or of one rice crop. Further, the amount of labour which was, in fact, released from agriculture was not qualitatively satisfactory in the sense that it tended mainly either to be seasonal labour on part-time basis or fe-

Production and Consumption of Rice in Japan

1880 — 1931

(In koku)

Year	Production	Yield per cho	Production per capita	Consumption per capita
1880-84	29,958,186	11.59	0.804	0.799
1900-04	44,643,328	15.64	0.993	1.054
1920-24	56,339,472	18.76	0.992	1.096
1925-29	59,452,086	18.71	0.979	1.144
1930-31	61,095,399	18.82	0.953	1.086
		Index Numbers		
1880-84	100	100	100	100
1925-29	198	161	122	143

(Ryoichi Ishii, "Population Pressure and Economic Life in Japan p 165)

Seasonal labour on part-time basis encouraged the growth of a wide network of small workshops with low productivity and backward techniques scattered all over the country side. So far as labour sent out to urban areas was concerned, female workers of young age groups formed the bulk of it. Thus, in the workshops run by motor, male workers constituted 35 per cent of the labour force while females made up the rest. ("Japan in the Beginning of the Twentieth Century", p 908). The majority of female workers belonged to the age group of 14-25 years. In spinning mills, the age composition of female workers was as following :

14	years	— 10%
14 - 20	years	— 50%
20	years	— 40%

(Majority belonging to 20-25 years' group).

— "Japan in the Beginning of the Twentieth Century," p 911.

Domestic Market

For the growing industries, these peculiarities of labour supply involved high cost of recruitment (mainly through jobbers), but, once labour was recruited, opportunities for imposing long hours (generally regular working hours may be put at 12 with 2 or 3 hours extra in special cases) and low wages were plentiful. Female workers were paid even less than the male workers, the proportion of their wage to wages paid to male workers, for example, was 66 per cent in cotton mills and 40 to 50 per cent in printing. Yet another effect was heavy labour turnover. Girls coming from rural families used to work for 2, 3 years and at the end of the period, they returned home, their place being taken by new recruits (e g 50 per cent of female workers used to be employed for a period of 3 years or less). Heavy labour turnover was accelerated by low wage, long hours and poor working conditions.

Hence many of the structural problems of Japan's industrial set-up, e g survival of workshops with primitive techniques and low productivity, neglect of skill formation and restricted growth of a permanent labour force were influenced by the agrarian organisation of the country.

As regards domestic market-creation, while precise formulation is made difficult by paucity of statistics, certain tentative conclusions may be attempted. In Japan, the volume of exchange between rural and urban sectors was of especial significance, since as late as 1930, half of the employed population was in agriculture. In that context, factors, such as the spread of tenancy with a heavy burden of rent (tenant rents and interest on debt probably accounting for a third of net agricultural income in most of the inter-war years), concentration of land ownership and the mopping up of agricultural surplus in a highly inequitable fashion, may justifiably encourage the view that in Japan, the growth of domestic market was hampered and restricted by her agrarian organisation. Moreover the fact that many of the major industries in Japan were over-whelmingly export-oriented (percentage of exports to home production was 91.1 per cent for silk, 56.0 for cotton fabrics and 70.3 for rayon fabrics in 1929) may provide an additional justification for the above view.

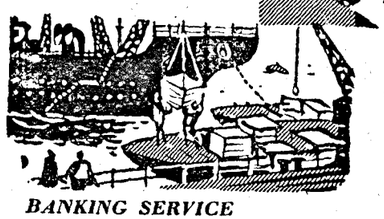
The conclusion emerging from our above discussion is that the agrarian organisation as developed in Japan could neither facilitate sound industrial development of the country, nor create the basis for a viable agriculture. In fact, the agrarian organisation in Japan was a product of a peculiar combination of socio-economic forces—an amalgam of capitalist and feudal interests which fail to satisfy our criteria of economic efficiency or social equity. Hence, if we are to make a deliberate choice in favour of a particular agrarian organisation, the experience of Japan in this respect can hardly be a model for us.



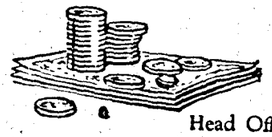
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From the Chair

Ashok Leyland Limited

Speech of the Chairman, Sir A Ramaswami Mudaliar

THE following is the speech delivered by Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon), Chairman, Ashok Leyland Limited, to the Shareholders at the Twelfth Annual General Meeting of the Company held on 15th June, 1961 at Ennore, Madras.

Gentlemen,

I have great pleasure in extending to you a cordial welcome to the 12th Annual General Meeting of your Company.

The Directors' Report, Audited Balance Sheet and Profit and Loss Account for the year ended 31st December 1960 have been circulated to you, and with your permission, I shall take them as read.

As the Balance Sheet and Profit & Loss Account have disclosed to you, 1960 may be considered to have been a reasonably satisfactory year. The output of Comet chassis for the year was 43% in excess of that for 1959 and it has, therefore, been possible for your Directors to recommend the same dividend as previously. That is, the increased capital has been as profitably employed as has been the case for some years.

A Memorable Year

It is probable that in retrospect 1960 will have proved to be a memorable year. Not only has the Factory maintained progress with the Manufacturing Programme while increasing production and sales by an appreciable percentage, but also the foundations have been laid for the expansion of output to which I referred in speeches at the last Annual General Meeting and at subsequent Extraordinary General Meetings. It will be appropriate for me to give a brief history of the steps which have been taken during the year to ensure that our output will keep pace with the sales demand. In February, Messrs. S. Markland and D. G. Stokes, Directors of Leyland Motors Ltd., visited the Factory and had discussions with your Directors regarding the proposed expansion programme; and arising from these discussions, decisions were taken in the same month to ask your approval to an increase in the Authorised Capital to Rs. Ten Crores. In February also, following representations made at an earlier date to it, the Government of India approved Leyland Motors' share of the Company's capital being increased to 60%. In April, you approved at an Extraordinary General Meeting the proposal to increase the Company's Authorised Capital to Rs. Ten Crores as a preliminary step towards the ultimate financing of the proposed expansion programme. In this month, your Directors also decided to apply to the Government of India for their approval of a programme to increase the production of Comet chassis to 5,000 per annum and in addition to tool up for an annual production of 1,000 '600' type engines which are used in chassis heavier than the Comet. It was also proposed to add 20% extra productive capacity to provide for the manufacture of spare parts required for the maintenance of vehicles in service. In July, an application was made to the Controller of Capital Issues for consent to the issue of Rs. 172.25 Lakhs capital for the provision of buildings and plant and equipment to cover the first phase of the expansion scheme. Following a resolution taken at a Board Meeting held in October and the receipt of a Consent Order regarding the proposed new capital issue early in November, you approved at an Extraordinary General Meeting held at the end of November, the issue of Rs. 172.25 Lakhs capital of which Rs. 139.10 Lakhs was offered to Leyland Motors to bring their shareholding to 60% of the total issued capital of Rs. 497.25 Lakhs. Messrs. Leyland Motors took up this offer and this decision will provide the necessary foreign exchange for the purchase of plant and equipment.

Building Extension

Coincident with the successive steps taken to provide the necessary capital for your Company's expansion, planning commenced in regard to the design and layout of buildings and of machine tools and other equipment to be accommodated in them. A contract was let in April for the steel work for the main building extension which will add 125,000 sq. ft. floor area for additional machine shops, assembly shops, etc. This addition with other building works, including the extension to the Canteen, a new Training Centre and improvements to office accommodation will bring the total covered area to 12.65 acres. A contract for the builder's work for all these new buildings was let in August. The precaution of placing early orders for steel work and other building construction resulted in erection of the new buildings commencing before the year end. I am pleased to be able to report to you today that such good progress has been made that it will be possible for the installation of plant and machinery in the new shops to commence in the second half of 1961. This fits in with the promised deliveries for machine tools and other equipment which will be shipped progressively from July 1961 onwards.

Ennore Foundries Ltd

At your last Annual General Meeting, I reported to you that the establishment of a Foundry in collaboration with Messrs. Leyland Motors Ltd., in which this Company would have 25% of the capital and Leyland Motors 75%, had been approved by Government and at that time I anticipated full scale production of castings might commence in the first half of 1961. Certain unavoidable delays occurred and actual delivery dates of major items of equipment have been later than was originally promised. I am pleased to be able to inform you, however, that by the end of this year, Ennore Foundries Ltd. will be in a position to meet all your Company's requirements of iron castings; and progressively from that time onwards, surplus capacity will become available which will be utilised for the production of castings for other manufacturers. Mr. West, Vice-Chairman of Leyland Motors and Chairman of West Yorkshire Foundries Ltd., accompanied by Mr. F. Grimshaw, Leyland Motors Ltd.'s General Works Engineer, visited your Factory in November, the principal

bject of their visit being to acquint themselves at first hand with ie progress being made with the ection of the Foundry. I am ire you will agree with me that e are fortunate to be able to deend on the advice of Mr. West ho is acknowledged to be one of ie leading authorities on Foundry ractice.

Excise Duties

In my speech at the last Annual eneral Meeting, I referred to a wy of excise duties which occurrd on the 1st March 1960; and I xpressed the hope that the incidnce of such duties on the deveopment of road transport would e carefully studied and that such study might lead to the abolition r, at least the lowering of these uties. It can only, therefore, be onsidered most unfortunate that ar from lowering excise duties, hey have since been increased. he 1961 Finance Bill provided for dditional import duties and excise luties which will still further inrease the price of materials used n the manufacture of motor vehiles; and will probably necessitate corresponding increase in the etail price of the Comet chassis. The Finance Minister met a deputation from the Association of Indian Automobile Manufacturers when the latter represented to the Minister the seriousness from the point of view of the Industry's welfare of the latest levies. The Minister could not give hope of any reduction in duties.

During 1960, the Company commenced the marketing of industrial engines. To enter the market for industrial engines entails producing Comet engines additional to those required for use in the Comet chassis. With tooling available, it was not practicable to achieve a very high output and the total sales of industrial engines amounted to 162. Our incursion into this market, however, has demonstrated that there is a good demand for industrial engines with the performance characteristics of the Comet; and that there will be a similar demand for the heavier engines which are about to come into production. It is possible, therefore, to anticipate that as soon as it is practicable to increase the output of engines additional to those required for the Company's own chassis, there will be considerable revenue from the sale of industrial engines.

Exports

For some time now, your Directors have had in mind the importance of export and attempts have been made to secure an entry into overseas markets. These efforts have been to some degree successful and your Company's export business commenced with the sale of 24 Comet chassis to the Ceylon Transport Board during the 1960 year. Efforts to secure export business will be continued because it is not only advantageous from the country's point of view but also from the Company's, as the Government of India provides additional foreign exchange to manufacturers who secure overseas business which can be utilised for the import of materials which are not available from indigenous sources.

It is my custom at your Annual General Meetings to attempt to give some idea of what the future holds as well as to review the results of the previous year. I do not think that apart from one particular issue to which I will refer a little later, 1961 will be very different to previous years. It will undoubtedly be a difficult year because there will be a high level of expenditure on new buildings and new plant which will not immediately give rise to a corresponding increase in output. Nevertheless, it is hoped that production will again show a substantial increase on the previous year. In addition, I can anticipate with confidence that further progress will be made in the deletion of imported components and materials and, as I have already stated earlier in this speech, castings will be eliminated from materials to be imported. Towards the end of the year, new machine tools and equipment will be received in increasing volume and buildings being ready for its immediate installation, it will come into use without delay. Production, therefore, will be on a rising curve as the 1961 year approaches its end, but the new plant and machinery will not have any really appreciable impact on the output of chassis until 1962. 1961, therefore, is likely to be a period of transition from low level production with the exclusive use of standard machine tools to higher volume production with an increasing use of special purpose machine tools; and the installation of the latter will commence during the current year.

Change in Financial Year

I have referred to one difference which will distinguish 1961 from other years. This is the change in the financial year end from 31st December to 30th September. This decision was made by your Directors in order that the Company might fall in line with our Associates, Messrs. Leyland Motors Ltd., whose financial year is from 1st October to 30th September. The current year, therefore, will be of nine months duration from 1st January to 30th September when a Balance Sheet and Profit & Loss Account will be prepared for the year ended 30th September 1961. Thereafter, the financial years will run from 1st October to 30th September inclusive.

Acknowledgements

I have already referred to visits from Directors of Leyland Motors and I must once again place on record the invaluable advice both with regard to the work of the Factory and its expansion which we receive from them. I am sure you will desire me to convey to them and above all to Sir Henry Spurrier our thanks for all the help and guidance received.

I must also take this opportunity to recognise the enthusiastic help and co-operation that has been extended to your Directors by the Officers, staff and workpeople both on the factory side and on the administrative office side. I should like to convey our thanks to all of them.

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

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Around Bombay Markets

Margin Controversy Upsets Dalal Street

Thursday, Morning

DALAL STREET'S trading pattern last week gave further indications thta it was inclined to mark time to allow technical forces have their fuller play before pushing its way into new high ground. How long it might take to regain fresh strength in order to be able to scale a new peak is difficult to say. There was nothing very exciting in the week's news to enthuse either the bulls or bears. The corporate news continued to be good but that did not generate any fresh buying. Instead, the increase of a rupee in Bombay Burmah's interim dividend induced a spate of selling orders which suggested that market's expectations had been fixed much higher. The volume of business during the week was generally on the low side, with activity predominantly professional and interest confined to some of the leading speculative counters. Outside public participation was poor because of the continued uncertainty about margins. In slow dealings, equities moved irregularly lower and showed a sprinkling of small losses all-round. From its previous week-end level of 147.76 Vyapar's equity share index moved irregularly up to 149.15 on 16th June but soon slipped to a low of 146.36 on the 20th. It rallied to 148.40 the next day but eased quickly to 146.86 and at its closing of 147.11 the index showed a further net loss of 0.65 over the week.

Unhappy Turn

With the controversy over margins hanging damocles fashion, Dalal Street's performance could scarcely have been different. The controversy seems to have taken an unhappy turn. The sub-committee appointed by the Stock Exchange to consider the question of margins in all its aspects has recommended the maintenance of status quo. The governing body of the Exchange which met on 20th June to consider the sub-committee's report was said to have endorsed the committee's views. But the Government director on the Board, who is the chief of the Stock Exchange Division, was said to insist on tightening the margin rules. He seemed very much exercised over the evasion of margins through "budli" business outside the market and pleaded for the abolition of the free limit and for fixing of minimum scale of brokerage. A sub-committee has been appointed to go into the whole issue and submit its report at the earliest.

Informed sources say that Tuesday's Board meeting lacked the atmosphere of cordiality. The way the Government director pressed for tighter margins was said to have provoked the Stock Exchange President to remind him that it was no use holding brief for any party. That a very influential party is carrying a huge "short" interest in the market since long is an open secret. It would indeed be a bad day for the stock exchange if margin were made a prestige issue. The authorities will do well to streamline the margin system by adopting measures which while helping check evasion do not stifle market activity. Those who think that speculators get away with easy and quick fortunes would be well-advised to do some paper trading—buying and selling on paper—to find out for themselves what it means to speculate. Very few people really ever get to make any worthwhile fortune from forward markets. Successful speculation calls for sound knowledge, good judgment, thorough understanding of human psychology and, above all, patience.

An Important Distinction

The market is a sensitive mechanism by which all the opinions of all the interested persons are reduced by a competitive democratic auction to a single figure representing the price of the commodity at any particular moment. No man, no organisation can hope to know and accurately appraise the infinity of factual data, mass moods, individual necessities, hopes, fears, estimates and guesses which, with all the subtle alterations ever proceeding in the general economic framework, combine to generate supply and demand. But the summation of all these factors is reflected virtually instantaneously in the market. Speculation is an extremely difficult game and it is made all the more difficult, nay, it is reduced to a sheer gamble, when the authorities keep on trying to impose their arbitrary will on the market. To plead for checking unhealthy speculation is one thing but to associate every rise in prices with excessive and unhealthy speculation is quite another. The distinction is important and it needs to be emphasised because neither the Forward Markets Commission nor the Government's Stock Exchange Division seems able to realise it.

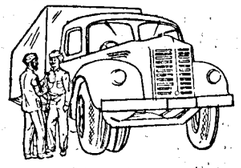
Cotton

Floor Prices Raised

NEW DELHI has decided to increase the floor prices for Jarilla cotton 25/32 inch from Rs 139 to Rs 168.57 per quintal (100 kg) corresponding to an increase from Rs 495 to Rs 600 per candy (784 lbs) for the 1961-62 season. The floor prices of other varieties will be raised correspondingly. Ceiling prices are to be maintained at the existing levels. The Press Note announcing prices for the new season says that floor prices are being increased "in view of the necessity to increase production of cotton". While the Government has done well in ending the uncertainty about prices early in the season, it is difficult to understand how the increase in floor prices can help increase production. It is good to assure cultivators of a floor which not only covers costs of production but offers a reasonable reward for his efforts. But since cotton prices in the past have been keeping nearer to the ceiling than to the floor, increase in floor prices is poor consolation to cotton growers who have long been pleading for higher ceiling prices. Whether or not ceiling prices should be raised is a moot point, particularly now that there is a voluntary control over cloth prices.

More about Gujarat Cotton

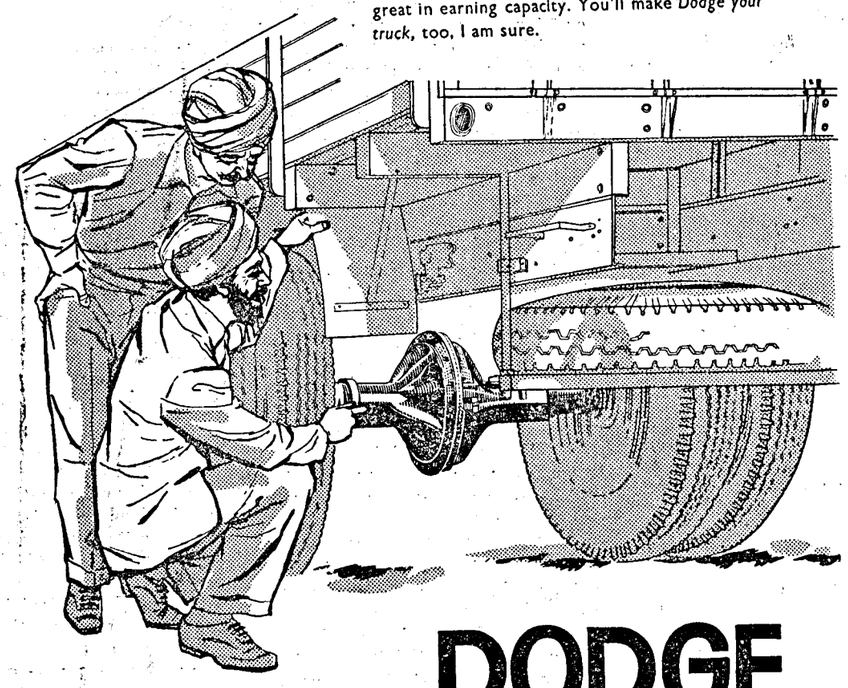
Though much has been heard recently about the "crisis" of accumulation of cotton stocks in Gujarat and the consequent fall in prices, the truth is that even at their lowest cotton prices were nearer the ceiling than floor prices. It is certainly foolish to express concern over prices when they keep well within the floor and ceiling rates. As for the accumulation of stocks with the cooperative societies in Gujarat State, it



My choice of a truck? DODGE of course

Bhaiya, I have been a truck operator long enough to know that there can be no two opinions about the superiority of *Dodge trucks*. For instance take Axles. A Dodge vehicle is fitted with Timken axles now known as Rockwell-Standard which have a world-wide reputation. These axles have great load carrying capacity and are absolutely dependable-which means a great deal to us truck operators.

There are several other superior features, besides. Taken together they lead to only one conclusion, namely, that the *Dodge is a great truck*. It is great in hauling power, great in endurance, great in earning capacity. You'll make *Dodge your truck*, too, I am sure.



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bears repetition that the societies have only themselves to blame if they continued to build up stocks in the hope of realising very high prices and did not care to dispose them of when prices started drifting lower because of a larger crop and bumper imports. The Government has taken various measures recently to help the cooperative societies. which, in fact, amount to penalising the trade and industry for the miscalculation of the cooperative societies. The Textile Commissioner has announced a three-man committee, representing cotton mills or the trade, cooperative societies in Gujarat and the Textile Commissioner, for fixing prices of cotton to be purchased by the trade and industry. Inquiries with the trade indicate that stocks with the cooperative societies have already recorded a substantial decline because of increased mill buying in recent weeks.

Prices Recede

Notwithstanding satisfactory spinner inquiry which was particularly keen in respect of cotton used for spinning 40 counts and above, cotton prices, ready as well as futures, developed an easier tendency during the week because of favourable weather reports from producing areas. The August contract which had touched a high of Rs 589.75 on 14th June held fairly steady up to 17th June but dropped to Rs 579 on the 19th and further to Rs 575.25 the next day. Short covering produced a small rally on Wednesday and the closing rate of Rs 579 showed a net loss of Rs 9.75 per 3 quintals over the week. It is difficult to say how the market might behave in coming weeks because the price trend is likely to be moulded mainly by the weather which is quite unpredictable. Reports from the Punjab indicate a substantial increase in acreage under cotton, particularly Deshi cotton. This is mainly because of the high prices realised by Bengal Deshi in a year of ample supplies. Prices of Deshi are governed essentially by overseas demand.

Oilseeds

Prices Rise, React

OILSEEDS futures were bid up to new high levels in the recent uptrend, with linseed recording a new high for the season. Heavy profit-taking, however, erased most of the earlier gains near the week-end today showed only small net gains over the week. Linseed September which had risen from Rs 37.75 to Rs 39.75 (per 50 kilos) over the previous fortnight were marked up to a new high of Rs 41.12. Later the rate eased to Rs 39.81 but rallied to close at Rs 40.31 against Rs 39.75 a week ago. Castor September improved from Rs 179 to Rs 181.50, reacted sharply to Rs 178.25, recovered to Rs 180.62 and wound up the week at Rs 180. Cottonseed September moved both ways between Rs 95 and Rs 97 and closed at Rs 95.50 against Rs 95 a week earlier.

Linseed improved mainly on nervous short covering induced by the continued strength in groundnut and rapeseed prices and the spurt in linseed cake was caused by shipper buying against previous sales to Communist countries. There was indeed a virtual scramble for linseed cake which shot up from Rs 325 to Rs 390 but reacted later to around Rs 340. Export houses did not mention any important fresh business in linseed cake and the U K quotation was nominally mentioned around £29-15 per ton. Linseed oil continues to be eagerly sought for mixing with other edible oils which are much costlier. Groundnut and groundnut oil showed further strength earlier in the week due to satisfactory vanaspati inquiry and scarcity of offerings but favourable weather reports induced a reactionary feeling near the week-end. Groundnut oil ready which had been done up to Rs 23.40 per 10 kilos eased later to around Rs 22.85. Groundnut extractions held steady-to-firm on good domestic off-take and fair overseas demand. Export business put through last week was estimated around 4,000 tons and the latest U K quotations were reported around £28-10 for June shipment, £28-15 for July, £29 for August and £29-10 for September-December position.

Castor futures hardened mainly in sympathy with linseed, though export houses too were inclined to revise their ideas about further business in castor oil. The U K buyers evinced fairly good interest but actual business was said to be limited. Castor oil Commercial was asked for at between £128 and £129-10 per ton. Sentiment was also helped by reports indicating some downward revision of ideas about Brazilian castor crop. Although this year's performance in respect of castor exports is disappointing, the market is not experiencing any pressure of stocks because castor prices are thought to be much too low in relation to other oilseeds. Some traders indicate a marked increase in internal consumption of castor oil because of the cheaper prices. New Delhi's decision allowing the export of cottonseed cake against import of copra has not caused much excitement in the market as the incentive is considered to be too meagre to compensate the loss in export business. However, export houses were said to have sold about 600 tons of undecorticated cake to the U K at around £27-10 per ton and prospects of further business are rated fair.

Bullion

Firm but Irregular

THE bullion market had a rather dull time last week. With the second Jeth contract approaching its maturity, traders were generally inclined to lighten their commitments. Neither bulls nor bears were aggressive. Fluctuations were irregular though the undertone appeared to be firm-to-steady. After being bid up to a new high of Rs 121.25 gold second Jeth settlement moved irregularly lower to Rs 120.10 but recovered quickly to Rs 121.15 before winding up the week at Rs 120.70 against Rs 120.75 a week ago. Silver forward eased from Rs 204.50 to Rs 203.25 but was up again at Rs 204.55 on 21st June and the closing of Rs 203.60 showed a net loss of Rs 85 nP per kilogram over the week. Spot gold fetched a premium of about 70 nP per 10 grams over the futures rate, while spot silver was quoted at a discount of about 50 nP per kilo. Floating stocks of gold and silver in Bombay are estimated around 30,000 tolas and 350 bars respectively. The trade is awaiting the Forward Markets Commission's sanction of the three-monthly contract, which, however, is a mere formality. It is surprising that the Commission which has always expressed serious concern over unhealthy speculation should have encouraged meaningless speculation in bullion through a three-monthly contract with fixed "budla" rates and delivery at sellers' option. Perhaps that is the only way how a futures market in bullion can be kept alive. But is it really necessary to have a futures market in bullion when there is no regular source of supply?

CURRENT STATISTICS

BANKING RETURNS

(*Rs crores*)

Reserve Bank	June 16	June 9	May 19	June 17 '60
1 Note circulation	1968.99	1983.30	1985.50	1859.19
2 Rupee coin	117.94	116.70	118.23	125.45
3 Deposits	299.01	268.78	273.95	296.20
(a) Central Govt	80.73	50.09	68.01	92.42
(b) Other Govts	5.44	11.07	15.22	9.23
(c) Banks	86.25	83.33	76.43	107.51
(d) Others	126.59	124.28	114.29	87.05
4 Foreign securities	108.01	108.01	113.01	148.01
5 Balance abroad	15.78	17.47	22.86	13.76
6 Rupee securities	1651.90	1651.90	1651.94	1501.40
7 Investments	214.66	203.85	203.42	220.23
8 Loans and advances to Govts	83.02	77.01	81.04	50.00
9 Other loans and advances	118.24	118.50	121.92	121.99
Scheduled Banks	**June 9**	**June 2**	**May 12**	**June 10 '60**
1 Aggregate liabilities	1844.61	1840.68	1841.32	1950.32
2 Aggregate deposits (net)	1770.81	1765.55	1764.28	—
(a) Demand (net)	697.87	700.50	710.30	776.26*
(b) Time (net)	1072.94	1065.05	1053.98	1174.05†
3 Cash in hand	46.37	46.60	49.73	47.93
4 Balance with Reserve Bank	76.76	78.96	72.15	106.72
5 (3)+(4) as % of (1)	6.68	6.82	6.62	7.93
6 Borrowings from Reserve Bank	21.35	29.27	42.78	51.22
(a) Against usance bills and/or promissory notes	14.03	13.06	23.64	13.21
(b) Others	7.32	16.21	19.14	38.01
7 Advances	1095.36	1094.17	1100.45	975.61
(a) State Bank	255.59	252.40	254.48	204.74
(b) Others	839.77	841.77	845.97	770.87
8 Bills discounted				
(a) Inland	140.86	141.23	153.18	114.49
(b) Foreign	44.75	45.93	44.98	43.91
(c) Total	185.61	187.16	198.16	158.40
(i) State Bank	15.10	15.26	15.93	12.85
(ii) Others	170.51	171.91	182.23	145.55
9 (7)+(8c) as % of (1)	69.44	69.61	70.53	58.15
10 Investment in Govt securities	537.11	550.45	552.65	740.52
11 (10) as % of (1)	29.12	29.90	30.01	37.97
Cheque clearance	206.52	238.59	170.60	170.46

*Corresponds to total of demand deposits 'from banks' and 'from others' and other demand liabilities.

†Corresponds to total of time deposits 'from banks' and 'from others', and 'other time liabilities'.

Bombay Money Rates

(*% per annum*)

(Selected Scheduled Banks other than the State Bank)

	June 9	June 2	May 12	June 10 '60
Call money from Banks	4.56	4.70	5.01	3.50
Deposits :				
Seven days	—	3.00	3.00	3.36
Three months	—	—	†	3.50
Six months	3.75	3.75	3.75	3.49

†No transaction

Bombay Bullion

(*Rs and nP*)

	June 22	June 15	May 25	June 23 '60
Gold (per 10 grams)				
Spot	121.0	122.10	119.55	125.84
Forward	120.50	120.85	117.90	126.53
Silver (per kilogram)				
Spot	203.15	203.40	199.35	213.94
Forward	202.65	203.00	199.10	214.31

NEW COMPANY REGISTRATIONS IN 1960–61

A State-wise Review

	1959–60			1960–61		
	Pub	Pvt	Total	Pub	Pvt	Total
Andhra Pradesh	7	24	31	1	31	32
Assam, Manipur & Tripura	2	12	14	1	4	5
Bihar	1	10	11	1	20	21
Bombay	19	274	293	46	361	407
Kerala	2	30	32	11	35	46
Madhya Pradesh	1	24	25	1	23	24
Madras	11	331	342	21	322	343
Mysore	3	25	28	5	26	31
Orissa	—	35	35	1	19	20
Punjab & Himachal Pradesh	3	35	38	5	48	53
Rajasthan	2	16	18	3	23	26
Uttar Pradesh	3	42	45	1	46	47
West Bengal	26	373	399	42	389	431
Delhi	7	134	141	14	183	197
Total	87	1365	1452	153	1530	1683

Source : Research and Statistics Division, Department of Company Law Administration, Government of India.

FOREIGN TRADE

(Merchandise Value)

(*Rs crores*)

	Imports	Exports*	Balance of trade
1961 Jan-Mar	244.09	161.77	— 82.32
1960 Oct-Dec	217.17	187.46	— 29.71
Jul-Sep	231.43	158.92	— 73.31
Apr-Jun	249.69	148.32	—101.37
Jan-Mar	207.41	155.28	— 52.13
1959 Oct-Dec	231.84	188.51	— 43.33
Jul-Sep	206.46	165.90	— 40.56
Apr-Jun	246.37	132.13	—114.24
Jan-Mar	205.62	134.17	— 71.45
1960	905.70	650.48	—256.52
1959	890.29	620.71	—269.58
1958	872.81	585.05	—287.76
1957	1025.82	642.85	—382.97
1956	808.73	613.46	—195.27

* Including re-exports

Source : Department of Commercial Intelligence and Statistics, Government of India, Calcutta.

ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly average or calendar months)

	Installed capacity ('000 kW)	Electricity generated (million kWh)	Electricity sold (million kWh)							
			Domestic	Commercial	Industrial	Public lighting	Traction	Irrigation	Public water works	TOTAL
1961 Jan	—	1,482	122.8	68.8	863.3	17.0	40.4	65.9	37.9	1,216.1
1960 Dec	—	1,508	120.3	71.3	857.3	17.1	39.7	70.3	38.5	1,214.5
Nov	—	1,390	119.0	70.4	809.9	15.4	37.0	52.0	35.6	1,140.5
Oct	—	1,422	123.6	72.5	786.1	17.2	37.5	61.0	36.8	1,134.7
Sept	—	1,378	120.0	76.8	785.2	15.8	36.9	57.0	40.0	1,131.7
Aug	—	1,404	119.3	77.4	789.6	16.0	38.2	64.0	38.6	1,143.1
July	—	1,361	116.3	76.8	766.7	15.4	36.0	55.5	39.3	1,106.0
June	—	1,380	116.6	74.2	753.2	15.3	37.4	79.2	38.0	1,113.9
May	—	1,382	116.2	68.5	765.4	15.9	37.6	78.4	37.4	1,119.4
April	—	1,325	113.6	64.9	745.1	15.1	37.3	68.7	37.0	1,081.7
March	—	1,324	109.2	63.7	741.9	15.3	38.3	66.2	37.4	1,071.0
Feb	—	1,252	107.8	60.1	704.0	14.9	35.3	65.5	35.0	1,022.5
Jan	—	1,297	108.8	61.3	733.4	15.6	36.9	61.6	37.8	1,055.5
1960	—	1,369	115.9	69.8	769.8	15.8	37.3	64.9	37.6	1,111.2
1959	3,512	1,329	106.5	58.3	664.2	14.3	35.7	60.0	36.2	974.9
1958	3,223	1,031	95.0	51.5	550.9	12.9	37.0	50.2	33.2	830.3
1957	3,193	906	85.9	47.9	488.7	11.5	35.4	33.9	19.1	732.4
1956	2,886	805	78.5	44.4	437.5	10.0	33.9	26.3	27.0	657.5
1955	2,695	716	67.5	39.5	382.5	8.2	33.5	21.5	24.5	577.2
1951	1,835	488	49.6	27.6	254.6	5.7	27.4	16.9	17.6	399.4

Source : Central Statistical Organisation, Cabinet Secretariat, Government of India, New Delhi.

WORKING CLASS COST OF LIVING INDEX

(Monthly average or calender months) (*Base : 1949=100*)

	Bombay		Madras		Kanpur		Delhi		Calcutta		All-India (average)	
	F	G	F	G	F	G	F	G	F	G	F	G
1961 Feb	138	137	144	148	92	102	122	123	109	111	123*	123*
Jan	139	136	143	146	91	100	120	122	108	110	123*	122*
1960 Dec	140	137	150	151	92	100	120	121	108	110	124	124
Nov	143	138	152	150	96	102	120	121	112	112	126	124
Oct	142	137	150	148	96	102	124	122	114	113	127	125
Sept	141	136	147	146	96	101	123	122	117	115	128	125
Aug	142	137	147	146	95	101	121	121	120	117	129	126
July	143	138	146	145	95	101	120	121	118	116	129	126
June	143	137	144	143	89	96	114	117	116	114	125	124
May	143	137	141	140	89	96	114	116	113	113	124	123
April	143	137	138	138	90	97	116	117	112	112	123	122
March	140	135	139	138	90	97	118	119	112	112	123	121
Feb	141	136	140	139	91	98	124	122	112	111	124	122
Jan	143	137	138	137	88	96	122	121	109	110	124	122
1960	142	137	144	143	92	99	120	120	114	113	126	124
1959	140	134	134	133	94	98	125	120	111	110	125	121
1958	133	129	124	124	98	98	117	113	111	110	118	116
1957	123	120	113	116	87	94	117	114	105	105	112	111
1956	117	115	110	111	81	89	112	109	98	98	105	105
1955	110	110	96	99	68	78	97	99	90	92	92	96
1951	109	108	110	103	92	94	111	108	101	104	104	105

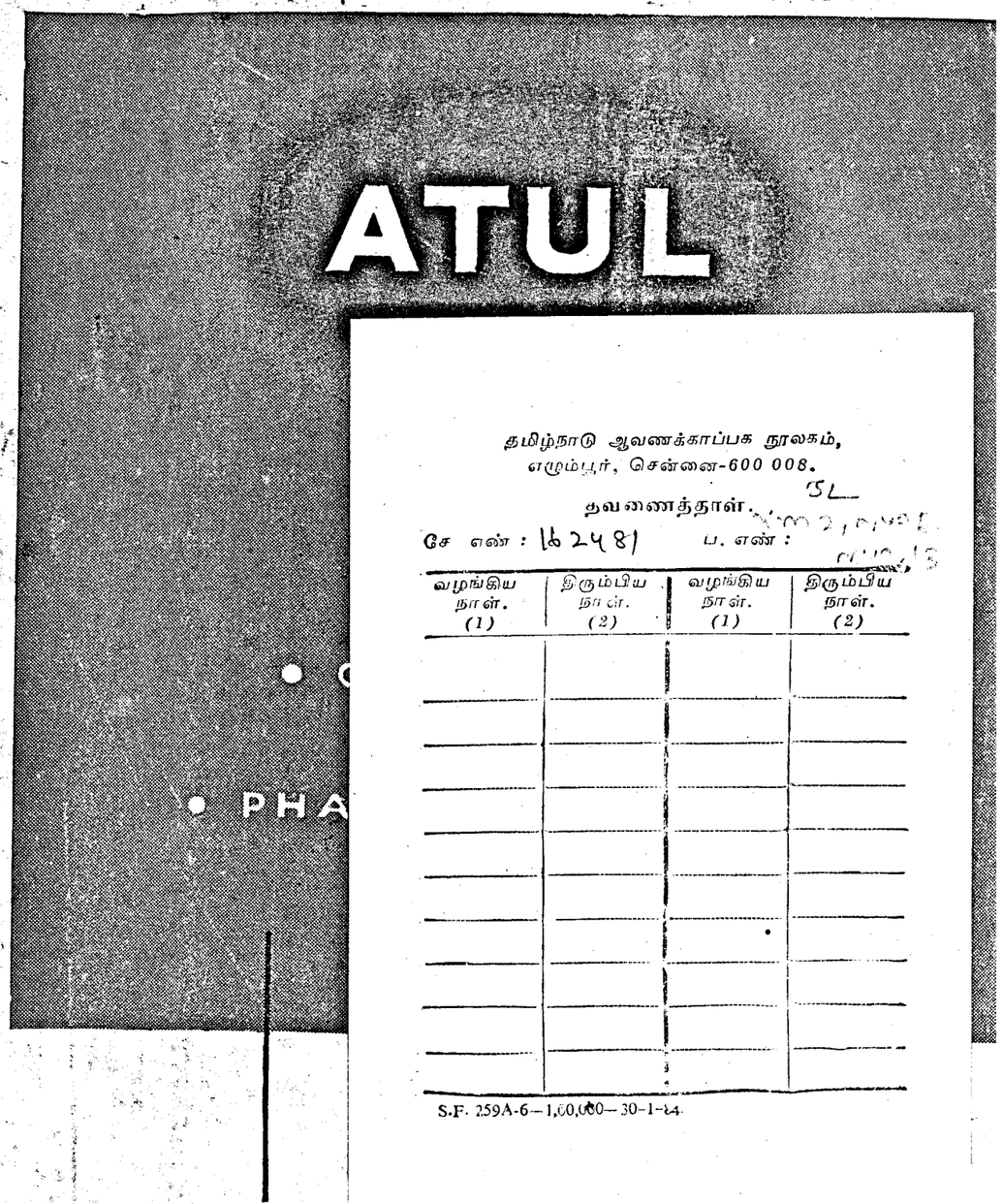
G = General; F = Food
* Provisional

Source : Central Statistical Organisation, Cabinet Secretariat, Government of India, New Delhi.

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